Submitted By: GTY Technology Holdings Inc.

Cloud Solutions

RFP #:

COG-2139

ISSUED BY:

The Cooperative Council of Governments

On Behalf of Equalis Group

6001 Cochran Road, Suite 333

Cleveland, Ohio 44139

Submitted:

October 9, 2022

SECTION TWO:

Proposal Submission Documents, Technical Proposal, Cost Proposal and Other Required Forms

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PROPOSAL FORM CHECKLIST

The following documents must be submitted with the Proposal

The below documents can be found in Section 2; Proposal Submission and Required Bid Forms and must be submitted with the proposal. Please note Proposal Form 2 is a separate attachment (attachment B).

TECHNICAL PROPOSAL

☒ **Proposal Form 1: Technical Proposal**

PROPOSAL PRICING: Attachment B is provided separately in a Microsoft Excel file and is required to complete your cost proposal.

☒ **Proposal Form 2: Cost Proposal**

OTHER REQUIRED PROPOSAL FORMS:

☒ **Proposal Form 3: Diversity Vendor Certification Participation**
☒ **Proposal Form 4: Certifications and Licenses**
☒ **Proposal Form 5: Unresolved Findings for Recovery**
☒ **Proposal Form 6: Mandatory Disclosures**
☒ **Proposal Form 7: Dealer, Reseller, and Distributor Authorization**
☒ **Proposal Form 8: Mandatory Supplier & Proposal Certifications**
☒ **Proposal From 9: Clean Air Act & Clean Water Act**
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☒ **Proposal Form 12: Contractor Certification Requirements**
☒ **Proposal Form 13: Boycott Certification**
☒ **Proposal Form 14 Federal Funds Certification Forms**
☒ **Proposal Form 15: Arizona Contractor Requirements**
☒ **Proposal Form 16: New Jersey Requirements**
☒ **Proposal Form 17: General Terms and Conditions Acceptance Form**
☒ **Proposal Form 18: Equalis Group Administration Agreement Declaration**
☒ **Proposal Form 19: Master Agreement Signature Form**

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PROPOSAL FORM 1: TECHNICAL PROPOSAL

1. OVERVIEW & QUALIFICATIONS		
1.1. Company Information		
1.1.1. Company Name:	GTY Technology Holdings Inc.	
1.1.2. Corporate Street Address:	800 Boylston Street, 16th Floor Boston, MA 02199Zip.	
1.1.3. Website:	www.gtytechnology.com	
1.1.4. Formation. In what year was the company formed? For how long has your company been operating under its present business name? If your company has changed its business name, include the most recent prior business name and the year of the name change.	GTY was formed in 2016. GTY completed the purchase the current product solutions on February 19, 2019.	
1.1.5. Primary Point of Contact. Provide information about the Bidder representative/contact person authorized to answer questions regarding the proposal submitted by your company:	Contact Name:	Julie Piesina
	Title:	Director Customer Development
	Phone:	1.877.707.7755 x 4469
	E-Mail Address:	jpiesina@gtytechnology.com
1.1.6. Authorized Representative. Print or type the name of the Bidder representative authorized to address contractual issues, including the authority to execute a contract on behalf of Bidder, and to whom legal notices regarding contract termination or breach, should be sent (if not the same individual as in 1.1.9., provide the following information on each such representative and specify their function).	Contact Name:	James Ha
	Title:	Chief Growth Officer
	Phone:	626.204.5338
	E-Mail Address:	james.ha@gtytechnology.com
1.2. Financial Strength & Legal Considerations		
1.2.1. ***Financial Strength***. Demonstrate your financial strength and stability with meaningful data. This could include, but is not limited to, such items as financial statements, SEC filings, credit & bond ratings, letters of credit, and detailed refence letters. Note: you may mark this	Please see Appendix A - Financials	

	information as a “Trade Secret” per the terms outlined in the RFP.	
1.2.2.	***Bankruptcy & Insolvency.*** Describe any bankruptcy or insolvency for your organization (or its predecessors, if any) or any principal of the firm in the last three (3) years.	**N/A**
1.2.3.	***Litigation***. Describe any litigation in which your company has been involved in the last three (3) years and the status of that litigation.	**RESOLVED: OpenGov Litigation.** GTY Technology Holdings Inc. (the “Company”), Stephen J. Rohleder and Harry L. You commenced a lawsuit against OpenGov, Inc. (“OpenGov”) in the United States District Court for the Southern District of New York captioned GTY Technology Holdings Inc. et al. v. OpenGov, Inc., No. 18-cv-10854 (the “New York Action”), and on November 20, 2018, OpenGov commenced a lawsuit against the Company, the Company’s predecessor entity, GTY Technology Holdings Inc., in the Superior Court of the State of California in and for the County of San Mateo captioned OpenGov, Inc. v. GTY Technology Holdings Inc. et al., No. 18-cv-06264 (the “California Action”). **RESOLVED: Glatt Litigation.** On August 18, 2020, dMY Sponsor, LLC and dMY Technology Group, Inc. initiated a civil action in the Supreme Court of the State of New York, County of New York by filing a complaint asserting a declaratory judgment cause of action (the “Glatt Action”) against Carter Glatt, a former executive of the Company and Captains Neck Holdings LLC. **UNRESOLVED: CostTree Litigation 2022**. CostTree Holdings LLC (“CostTree”) commenced a lawsuit against the Company, eCivis, Inc. (“eCivis”).

1.3. Industry Qualifications

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1.3.1. ***Company Identification.*** How is your organization best identified? Is it a manufacturer or developer, distributor, dealer, reseller, or service provider?	Manufacturer (of software) & Service provider (SaaS)
1.3.2. ***Manufacturer Authorization.*** If your company is best described as a distributor/dealer/reseller (or similar entity), please certify that your organization is authorized to sell on behalf of the products and services you represent.	**N/A**
1.3.3. ***Authorized Distributors, Agents, Dealers, or Resellers***. Describe the different channels in which this contract will be made available to Equalis Group Members. Your response should include, but is not limited to, whether your organization will serve as the single point of sale or if the contract will be made available through a network of distributors, agents, dealers, or resellers. **NOTE:** Bidders intending to authorize distributors, agents, dealers, or resellers must complete **Proposal Form 7 - Dealer, Distributor and Reseller Authorization Form**.	Single point of sale.
1.3.4. ***Network Relationship***. If your company is best described as a manufacturer, developer, or service provider, please describe how your dealer network operates to sell and deliver the Products & Services proposed in this RFP. If applicable, is your network independent or company owned?	**N/A**
1.3.5. ***Industry Experience.*** How long has your company provided the products and services outlined in your response to this RFP? What percentage of your company's revenue in each of the last three (3) full calendar years was generated from these products and services?	10+ years for our Solution Offerings included in this proposal **100% of the revenue comes from the products and services included in this proposal.**
1.3.6. ***Geographic Reach.*** Describe your company's service area in the United	All geographic regions in the United States, including US territories.

States and which areas you intend to offer services under a resulting contract if awarded.	
1.3.7. ***Certifications and Licenses.*** Provide a detailed explanation outlining the licenses and certifications that are i) required to be held, and ii) held by your organization (including third parties and subcontractors that you use). Has your company maintained these certifications on an ongoing basis? If not, when, and why did your company lose any referenced certifications? **NOTE**: Provide copies of any of the certificates or licenses included in your response in **Proposal Form 4 - Certifications and Licenses**.	**Bonfire:** SOC2 Type II **eCivis**: eCivis has a team of Certified Grant Management Specialist's (CGMS) on full-time staff. The Certified Grants Management Specialist (CGMS) program was developed by the National Grants Management Association to provide an industry credential elevating professional standard, enhancing individual performance, and designating professionals who demonstrate the knowledge essential to the practice of grants management **Questica:** **Microsoft Certified** Business Partner Questica has achieved the top level of Microsoft Business Partners. all Gold Certified Partners must have passed the Microsoft Gold standards. **Certified Ellucian** Technology Partner Questica is a certified Ellucian Technology Partner and is badged Ethos Connected. Questica's integration has an off-the-shelf web service connector that allows for the connecting to the Ethos GraphQL API. Any data that the institution makes available in Ellucian's Data Access can be brought into Questica using Ethos. **SOC 2 Type2** Questica Budget and its hosting partner Microsoft Azure are both SOC2 Type II compliant, a strong differentiator in the marketplace.
1.4. Public Sector Experience	

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1.4.1. ***Public Sector Cooperative Contracts.*** Provide a list of the public sector cooperative contracts (e.g., state term contracts, public sector cooperatives, etc.) you currently hold and the annual revenue through those contracts in each of the last three (3) calendar year. Please exclude information and data associated with Federal or GSA contracts	**Texas DIR - DIR-TSO-4363** 2020 - $1,582,182 2021- $1,216,554 2022 - $2,002,323 **Texas DIR - DIR-TSO-4288** FY 2020 $5,816 FY 2021 $204,709 FY 2022 $587,681 **PCA OD-304-20** 2020 - $616,717 2021 - $860,174 2022 - $669,830 **NASPO** 2020 - $125,121 2021 - $850,737 2022 - $2,149,252 **Please Note: This is a sample of current contracts, and not a comprehensive list of all awards under cooperative contracts.*
1.4.2. ***Education Success.*** What is the i) total dollar amount, and ii) percentage of your company's total annual revenue generated by sales to educational institutions (i.e., K-12 schools & school districts and high education)?	**Education - Higher** $2,418,120.50 5% **Education - K-12** $2,102,008.42 4%
1.4.3. ***Government Success.*** What is the i) total dollar amount, and ii) percentage of your company's total annual revenue generated by sales to local governments (i.e., municipalities, counties, special districts, and state agencies)?	**Government** $26,354,895.82 53%

1.4.4. ***Customer References.*** Provide references of at least five (5) local government or educational institution customers for which your company has provided products and services similar in nature and scope to those defined in this RFP in the last three (3) years. Each reference should include: **a.** Customer contact person and their title, telephone number, and email address; **b.** A brief description of the products and services provided by your company; **c.** Customer relationship starting and ending dates; and, ***d.*** Notes or other pertinent information relating to the customer and/or the products and services your company provided.	**Reference 1.** **City and County of Denver, CO** a. Kelly Gruenke, Budget Manager (720) 913-5524 Kelly.greunke@devergov.org b. Questica Budget: Operating, Personnel, Capital OpenBook and Budget Book c. October 2014 - Present **Reference 2.** **City of Phoenix, AZ** a. Christopher Fazio, Deputy Director (602) 534-9814 Christopher.Fazio@phoenix.gov b. Sherpa Worked with the City to implement Operating and CIP budget processes within BFM. This included salary and benefit forecasting, 3+9 Base Expenditures, change forms Decision Packages and CIP forms that flowed through the numerous stages of the budget process. Additionally, sales tax and revenue forecasts were created to facilitate the budget process and Headcount tracking was implemented to allow for position control tracking within BFM. In later phases, Facilities/CIP requests and Position Management Tracking forms were created within BFM c. April 2019 - present **Reference 3.**

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	City & County of San Francisco, CA a. Theresa Kao, Office of the Controller - Systems Division (415) 554-7683 theresa.kao@sfgov.org b. The City County of San Francisco implemented this project to have a single enterprise solution for budget development, budget tracking and capital budgeting. The City's project was to provide a comprehensive budgeting suite to service multi-year base operating budgets, internal services, debt projections and scheduling, equipment purchases, salaries and benefits forecasting, capital budgeting (including scenarios/ranking/prioritization), long-term strategic financial planning, and comprehensive reporting and analytics. c. June 2020 – Present **Reference 4.** **California State University Northridge** a. Edith Winterhalter, Associate VP for Strategic Business Operations 818-677-4066 edith.t.winterhalter@csun.edu b. Questica Budget: Operating, Personnel, Capital OpenBook and Budget Book c. December 2020 – Present **Reference 5.** **City of Atlanta Georgia**

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	a. Elizabeth Johnson, Business and Services Improvements Manager, Commissioner's Office, Department of City Planning 404.546.199 eajohnson@atlantaga.gov b. OpenCounter Products Provided – ZoningCheck, Business Portal, Residential Portal c. August 2018- Present

1.5. PRODUCTS & SERVICES

1.5.1. ***Product & Services Description(s).*** Provide a detailed description of the products and services you are offering as a part of your proposal. Your response may include, but is not limited to, information related to differentiators, manufacturing capabilities & advantages, warranty information, turnkey capabilities, installation or set-up, training services, maintenance services, or any other piece of information that would help understand the breadth and depth of your products and service offering. **IMPORTANT.** This description along with the products and services included in the **Attachment B – Cost Proposal** will be utilized to define the overall products and services available under an awarded contract.	**Bonfire:** Bonfire is an eProcurement solution that has the capability to dramatically improve the sourcing process, from request to contract. The following features make up the robust solution. **Intake Requests:** Departments interested in running a solicitation can use Bonfire's Intake Request module to easily request a solicitation, and that request is automatically routed to the procurement office. Procurement users can configure the Intake Request Form to capture as much information about a request as they desire, and template that form out for future use. Bonfire offers a plethora of data, in the form of past projects, that are anonymously analyzed and saved into the platform, allowing procurement officers to compare their project to an existing one, or use an already completed project as the baseline for an upcoming solicitation. Projects can also be saved as templates internally. **Advertising:** Every bonfire client will have their own dedicated public portal where their issued solicitations will be displayed. The organization also has the option to issue public solicitations, private solicitations, and invite-only solicitations,

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	and the option to display past opportunities that were awarded, closed, or canceled. Registered vendors are automatically notified of any new relevant solicitation issued on the portal. **Approvals:** Bonfire approvals are built to add additional layers of compliance and collaboration to key parts of the procurement workflow. Users in the platform can tie an approval request to key parts of the process. This might include tying an intake request to procurement leadership before a project is started, or a variety of potential approvals further down in the project development or award phases. This module is built to be dynamic; to ensure that the organization can loop in the proper stakeholders so that necessary workflows are captured, and that a complete record of the project is stored in Bonfire. Teams can create multiple steps of approvals or reviews. **Vendor Management:** Bonfire makes is easy for Vendors to register, at no cost to them, which ensures they will be automatically notified of any solicitation that pertains to their offered services, as well as any public notices, addenda, or notices of revision relating to a solicitation they have submitted to. The Bonfire solution also has the option to capture as much information as desired during the vendor registration process, as registration fields are completely configurable. Further, the solution can also track vendor documents, like insurance certificates, as well as DBE status certifications. **Vendor Submission:** Bonfire offers a simple, structured, and secure submission process. Vendors only take an average of eight minutes to complete their first submission in Bonfire, and it gets easier from there. Documents are received in an electronically sealed dropbox and cannot be viewed until the project submission deadline has passed. In addition, the unsealing of submission documents is dated and time-stamped for audit purposes, and can upload an

	unlimited number of files, with no file size limit, and file types can be specified by the organization. **Evaluation:** Bonfire offers an in-depth, best-in-class evaluation process that lives in the platform. Purchasing staff can configure the evaluation in several ways. The evaluation process can be broken up into multiple Evaluation Groups, giving purchasing staff the freedom to define who will be seeing what piece of documentation, and what criteria will be used for scoring that group, i.e., the technical stage can be separated from the pricing stage to avoid any bias due to evaluators seeing the price before submitting their technical scores. Criteria can be defined and weighted in the platform and assigned to the appropriate reviewers. Those reviewers can be easily invited to evaluate, whether they are members of the organization, or belong to a third-party firm, and can be segmented into various evaluation groups. Bonfire's BidTables module allows for large and small multi-line-litem bids to be quickly and automatically tabulated for lowest price bids. Bonfire also offers a powerful Questionnaires module for more qualitative solicitations, which allows for a side-by-side view of vendor responses to issued questions. **BidTables:** Bonfire allows for side-by-side comparison and analysis for large commodity purchases in a quantitative manner through multi line-item bids. BidTables will automatically extract every bid data point from a vendor's submissions, allowing the organization to review, filter, and rank received bids quickly and easily. All bids are displayed side-by-side, specifically to the itemized level, and with a heat map highlighting bids with the lowest prices. On top of this side-by-side view, BidTables instantly tabulates the optimal purchase decision (using one or more vendors) and produces a selection summary list of that outcome.

	BidTables: easily allows you to adjust and instantly test 'what-if' scenarios to ensure you are making the optimal choice. Buyers and evaluators who manage multi-line-item bids love the efficiencies gained by this process, as they avoid the necessity of scoring individual spreadsheets or hard copies. The use of bid tables greatly reduces the amount of manual data entry involved in the process, along with the risk of human error. **Questionnaires:** Bonfire's Questionnaires feature supports automatic side-by-side scoring to quickly evaluate large amounts of qualitative information. Like Bid Tables, the Questionnaires feature extracts the information from vendors' submissions and organizes it side-by-side for ease of comparison. Bonfire's Questionnaires module also provides an auto-scoring capability where vendors submit their responses in a formatted Excel file where they must fill in predetermined response fields, such as 'True/False', or 'Does Not Meet/Meets/Exceeds.' Bonfire can then apply predetermined criteria to auto-score the responses, allowing teams to score hundreds of questions in just a matter of seconds. Alternatively, the organization can choose to evaluate manually by scoring the questions sets in the easy-to-use, side-by-side scoring panel. **Award & Contract:** Awards can be made within Bonfire, and a notification will go out to the awarded vendor letting them know. The contract can then be generated in Bonfire's Contract Management module, allowing organization staff to view contracts, track expirations of contracts and supporting documents, and issue performance surveys to staff to ensure the awarded vendor is delivering the promised service adequately. **Reporting:** Every single aspect of the solicitation is captured in Bonfire, and date and timestamped. The entire sequence can then be downloaded into a Microsoft Word report to

	ensure complete transparency and defensibility for audits and protests. A complete breakdown of scores and comments can also be downloaded in an excel document. **Community Projects & Cooperative Contracts:** Bonfire Community Projects allows organizations to sift through over 63,000 projects by different public sector agencies across North America. To allow for as broad or as narrow of a selection as is desired, results can be filtered by project type, status, and location. All project details and documents can be viewed and downloaded, allowing staff a head start when running a new or unfamiliar solicitation. Bonfire is also integrated with CoProcure, enabling customers to browse over 50,000+ competitively solicited cooperative contracts. **Contract Management:** Bonfire Contract Management helps teams digitize all types of contracts and agreements through an easy-to-use, highly configurable dashboard. Like eSourcing and Vendor Management, Contract Management is a highly visual user interface, making it easy to view contract status and proactively manage important dates and reminders. Within a contract, you can view a timeline of all your major milestones, actions, lead times, terms/change orders, and reminders, to help keep you on track. All this information can be exported for reporting purposes. **Vendor Performance Management:** Bonfire Vendor Performance Management allows the organization to track the performance of vendors they are under contract with. This information is stored in the "Vendors" and "Contracts" sections of Bonfire. Users can also create custom vendor performance surveys for specific vendors, determine the desired respondents and custom scorecard, and set a cadence for surveys to be automatically sent. On the Vendor Records page, users can see how their vendors are performing, and flag any risks with their performance.

	eCivis: **eCivis' Grants Network™** is a modular solution that has been a full-service product for over 10 years and is specifically built for managing the full grants management lifecycle in state and local government and will standardize and streamline processes so that grant staff can save time, increase transparency, reduce redundancies, data entry, mitigate compliance risk, and improve organizational collaboration and knowledge. eCivis customers see improved compliance and mission outcomes, operational efficiencies, cost savings, and maximize their funding. The solution consists of the following available components: **Pre-Award Management:** eCivis' Grants Network™ provides the nation's largest professionally curated database of grant opportunities, which allows your grant staff to find relevant grants faster and align funding opportunities to strategic priorities of your organization. The professionally curated grants database allows for users to search for opportunities from Federal, Foundation, and select States, provides summarized information and previously funded applications for references. eCivis' Grants Network provides project management capabilities through ad hoc and templatized tasks to manage the application preparation and submission stages. **Post-Award Management:** eCivis' Grants Network centralizes and automates tasks related to the implementation and close-out of all awarded grants. The tracking and reporting capabilities allow for comprehensive project and grants management. The solution also can import financial transactions from your ERP or financial system directly into the eCivis system to combine all your programmatic and fiscal grant data in one centralized system. **Subrecipient Management:** Using one centralized portal, Grantors can streamline application intake, post-award reporting, communicate with

	subrecipients, and establish clear goals and priorities to ensure grants are performing in compliance with Uniform Guidance requirements. **eCivis Portal:** A free online network that simplifies the grants process for a Grantor's applicants/subrecipients and allows for a streamlined location to submit applications and manage awards. **Allocate:** Cloud-based cost allocation software that allows you to automatically determine indirect costs and develop budgets by quickly importing your cost data and excel spreadsheets all into one platform. The solution is a user-friendly, web-based, and dedicated Grants Management platform that centralizes, facilitates, and manages all components of the Organization's grant management process, including the following: ▪ Finding relevant grants and determining eligibility faster ▪ Provide robust ability to aggregate and report accomplishments, award status, grant status, fiscal status, and project/program completion status across projects by type and/or funding source. ▪ Centralized storage of grant project records and documents ▪ Robust task management to align with business processes and internal controls policies and procedures. ▪ Leverage online technology to improve customer service, program accountability and accessibility, and overall program management of Grantor Programs. ▪ Improve efficiency of project application, review, selection, reporting, oversight, and data compilation ▪ Maintenance of embedded workflows & online applications ▪ Standardize data entry by applicants and projects ▪ Standardize and modernize common practices and procedures

	OpenCounter: **OpenCounter's Business and Residential Portals** allow customers to answer permitting/licensing questions online, which improves the end-user customer experience while saving staff time. In addition to Business and Residential permitting, OpenCounter also provides permitting decision tree software for Special Event permitting. OpenCounter's Permit Discovery Portals are designed to redirect customer inquiries to an online self-service portal. Customers have 24/7 access to information that provides a complete picture of the permitting and licensing requirements for their specific project and location. The result is a significant reduction in the complexity and ambiguity customers face when creating a new business, renovating their home, or planning a public event. Redirecting customer inquiries online will save valuable time for staff to focus on high priority work, such as processing submitted applications, reducing turnaround time. To capture all the requirements necessary to provide public users with complete information for their specific project, OpenCounter works with departments and agencies across the jurisdiction, to capture requirements, fees, possible incentives, and other critical pieces of information. **OpenCounter's Permit Discovery Portals** are designed with accessibility in mind. The Portals are mobile-friendly and can be used on any internet connected device from any location. Also, the Portals can be translated into approximately 40 different languages using human-powered language translation services. **OpenCounter's Permit Discovery solution** includes an **Admin Portal** where City personnel have access to an Analytics Dashboard showing the volume of user utilization, staff efficiency, scoping time, lookups by permission, lookups by land use, heatmap of interest in your jurisdiction, and more.

	Also, the jurisdiction staff have access via the Admin Portal to all project related information including: ▪ Location ▪ parcel, ▪ clearance determination ▪ land use, ▪ zoning district ▪ zoning overlays ▪ permit ▪ requirements ▪ fee calculations ▪ questions asked/user responses On the administrative side, we work with your team to understand internal workflow and translate regulations into a user-friendly digital process for staff. Our team's public sector experience along with innovative project management tools ensures that the implementation is both accurate and on-track. Our technology allows for concurrent reviews/approvals and provides a centralized place for all departments to see everything that's happening on an event/project without having to call or email each other for a status update. These tools, along with reporting and data download capabilities will reduce bottlenecks in workflow, the amount of time staff spend on administrative tasks, and permit issuance time. OpenCounter strives to help our clients achieve administrative and operational efficiency by providing a full-service support model that includes making updates and modifications to all aspects of the software on behalf of jurisdiction personnel. OpenCounter's full-service offering requires less City oversight/administration and is included in the cost proposal found in this document. OpenCounter's key team members come from across our organization to provide best-in-class customer support. OpenCounter's Government Services team manages the implementation and product build-out from beginning to end. The Government Services Team exclusively comes from the public sector, which affords us the unique ability

	to understand both the intent of the regulation as well as its practical application. OpenCounter's solution implementations take weeks to months rather than months to years, which sets us apart from other firms. **Sherpa:** **Sherpa Budgeting – Budget Formulation and Management** ▪ Enterprise budgeting for state, local and education. ▪ Operating and capital budget development. ▪ Biennial and multiyear budgeting. ▪ Flexible workflow and decision tracking. ▪ End-user reporting and querying. ▪ Modeling and forecasting. ▪ Position cost forecasting. ▪ User configurable budget forms and processes. ▪ Decision tracking and analytics. **Sherpa Analytics and Dashboards** • Cloud-based comprehensive financial reporting structure to meet every reporting need - budget preparation, budget monitoring performance tracking, capital budgeting, and ad-hoc analysis. ▪ Ability to format and print text. Report on any text field by a simple query. ▪ Narrative is reportable alongside all other data. ▪ Data is all real time. ▪ Standard reports are configured to precise requirements. ▪ End users can copy standard reports and make them their own with unlimited ad hoc capabilities. ▪ Drill to detail from tabular and graphic views. ▪ Integrates performance data directly from agency systems including mapping and visualization tools and dashboards.

	Sherpa Publishing ▪ Cloud-based automated publishing of budget books and documents. ▪ Directly acquire information from a multitude of sources, including the most up-to-date budget and narrative information. ▪ Create budget documents with tables, text, images, graphs, table of contents, indices, hyperlinks, and other information as needed. ▪ Distribute publishing to a wide variety of users, who can all collaborate in developing the content required for the book. ▪ Users can view in real-time how their sections of the book will print, well in advance of printing the document. **Sherpa Transparency** ▪ Build trust with citizens by transparent financials and accountable metrics. ▪ Showcase financial and non-financial data with interactive charts, tables and graphics with descriptive text, and informational pop-ups. ▪ Share data through all social channels, access via web and mobile. ▪ Engage with council, staff, citizens, and others in your community for better conversations about programs and services. ▪ Minimize data duplication/re-entry with seamless integration with Sherpa Budget. **Questica** Questica replaces existing budget processes with our flexible, cloud-based public sector budgeting solution that implements greater efficiencies by fully automating the budget process. Questica Budget's integrated Operating, Personnel, Capital, and Performance modules along with our OpenBook visualization tool form

	the solution that enables public sector customers to transform their budgeting cycle from end-to-end with a single source of truth that enables data-driven budgeting and decision-making, while improving transparency. **Operating module:** Questica Budget is designed for non-finance and non-technical users across multiple departments to collect, prepare and maintain budget information directly in the system. Budgets can be categorized on an organizational basis where cost centers roll-up into their respective departments and divisions. Cost centers can easily be moved from one department and division to another, as well as from one fund to the next. Additional hierarchical structures can be configured as needed. Role-based security ensures that users have streamlined access to only the data and functions that they need. Cost Center information can be maintained, and comments, notes, and attachments (e.g., scans, documents, or links) may be added to the budget or even to the detailed line items. **Personnel Planning module:** Because a public sector organization's budget is comprised mostly of personnel expense, the ability to budget personnel as accurately and granularly as possible is essential to developing a reliable budget and pinpointing challenges early to proactively develop solutions. Questica's Personnel module supports a complex compensation budget with easy-to-use tools to accurately budget and forecast salaries, wages, and modifiers (e.g., health benefits) independently by month (if desired) for each position or employee. **Capital Planning module:** Questica's dedicated Capital module allows for the creation of capital project budgets including

	phases, funding, multi-year budgets, and updates to the operating budget impacts. Questica Capital module simplifies and centralizes the process of Capital budget planning and execution, empowering staff to enter details and make capital requests with approval workflow. **Performance module:** Questica Budget's Performance module enables organizations to establish objectives and facilitates tracking their progress towards achieving targets over time. Targets can be defined for the measures that an organization wishes to track, and using warning and critical threshold limits, those items requiring focus and attention can be easily identified. Measures, whether financial or statistical, may reference existing values already in the system, or may otherwise be manually entered. In either case, these measures can also be calculated based on other measures. They can be consolidated under various Programs and can also be incorporated into an Organizational Scorecard. Responsibilities can be established for the various Programs and Measures, inclusive of due date and automated reminders, to facilitate workflow processing. **OpenBook Visualization and Transparency:** Questica Budget's OpenBook tool fosters open and accessible transparency for public agencies, enabling the City's information to be visualized in an array of charts, tables, bars, graphs, and include descriptive text, and informational pop-ups.
1.5.2. **Additional Offering.** Please include any additional products and services not included in the scope of the solicitation that you think will enhance and add value to this contract's participating agencies.	**N/A**
1.5.3. ***Open Market Products.*** Provide a detailed description of your ability to	**N/A**

	accommodate requests for Open Market Products. Open Market Products is a category of products that cannot be found in your standard catalog offering or non-inventoried products.	
1.5.4.	***Warranty.*** Provide a copy of the manufacturer's warranty. If required, please attach the warranty as an attachment, as instructed in this document. Describe notable features and/or characteristics of the warranty that a public sector customer would find interesting or appealing. Pricing related to the any extended warranty options must be included in ***Attachment B – Cost Proposal***.	Software Limited Warranty. GTY warrants that the Platform Services will operate in substantial conformity with the applicable written documentation provided by GTY. For any breach of this warranty, Customer's remedy shall be that GTY will, at its expense, correct any errors identified by Customer in the Platform Services. GTY also warrants that it will maintain hosted Platform Services at reputable third-party service providers and hosting facilities. GTY warrants that it has implemented industry best practices security measures, including without limitation, technical, physical, and procedural controls to protect Customer Data against destruction, loss, alteration, unauthorized disclosure to third parties or unauthorized access by employees or contractors employed by GTY, whether by accident or otherwise. However, the Customer acknowledges and agrees that, notwithstanding such security measures, use of or connection to the Internet provides the opportunity for unauthorized third parties to circumvent such precautions and illegally gain access to the Platform Services and Customer Data. Accordingly, GTY cannot and does not guarantee the privacy, security or authenticity of any information so transmitted over or stored in any system connected to the Internet.
1.5.5.	***Security***. Describe the security protocols in place to ensure the safe transmission of information being shared through your products and services.	GTY Technology Holdings Inc. has implemented industry best practices security measures, including without limitation, technical, physical, and procedural controls to protect Customer Data against destruction, loss, alteration, unauthorized disclosure to third parties or unauthorized access by employees or contractors employed by GTY. Data is encrypted in transit and at rest. All traffic between the customers and GTY solutions are secure during transit. GTY servers are configured to switch any unencrypted requests over to an encrypted connection. We also test our backup and recovery processes to ensure that we can recover data in the event of a disaster.

2. Business Operations	
2.1.1. Logistics	
2.1.2. ***Distribution & Shipping Capabilities.*** Describe how supplier proposes to distribute the products/services in Bidder's defined geographic reach. Your response may include, but is not limited to, information related to the number of distribution facilities, supply chain partners, fill rates, on-time delivery rates, and your ability to accommodate expedited orders.	There is no physical delivery/installation with GTY solutions. GTY platforms are cloud-based, SaaS solutions. GTY solutions are accessible to any user through their internet browser if they have an internet connection. As part of the implementation experience, a GTY implementation manager will assist with any required customizations or configurations.
2.2. **Customer Service**	
2.2.1. ***Customer Service Department***. Describe your company's customer service department & operations. Your description may include, but is not limited to, hours of operation, number and location of service centers, parts outlets, number of customer service representatives. Clarify if the service centers are owned by your company of if they are a network of subcontractors.	Upon joining GTY (Bonfire, eCivis, Questica, and Sherpa), customers will have access to a dedicated Customer Success Manager (CSM) who will act as an additional support pillar beyond GTY's customer support team. The CSM will help facilitate training, offer best practices on new projects, help provide continuous learning, and be available to facilitate any technical support questions. Technical support is available for anyone interacting with GTY solutions (purchasers, evaluators, vendors, and more) via - telephone (toll-free), chat, and email, from Monday-Friday, from 7am-7pm CST, website articles, videos, and live chat. all users. **OpenCounter** provides technical support, solely to the **Support Contacts**, regarding the operation of the features and functionality of the Hosted Services, via phone during OpenCounter's standard support hours, or via email at support@opencounter.com. OpenCounter's support hours are Monday through Friday, 6:00 AM to 4:00 PM Pacific Time, excluding federal holidays.
2.2.2. ***Training & Support***. Describe any training or other support resources you provide to	GTY offers a flexible, customer centric approach to training services which include, but is not limited to:

support end users in better understanding how to utilize your products and services?	Remote Training Services, On-Site Training Services, Train-the-Trainer Services, & Knowledge Center (On-Line) services.
2.2.3. ***Implementation***. Outline any implementation or other resources you provide in helping to configure your solutions, whether during the initial startup, or ongoing as part of the software maintenance.	Please see Appendix C – Solution Overview & Implementation
2.3. Customer Set Up; Order & Invoice Processing; Payment	
2.3.1. ***Order & Invoice Process***. Describe your company's proposal development, order, and invoice process. Your response should include, but is not limited to, acceptable payment methods and standard payment terms.	GTY invoices clients on a project and/or annual basis. Upon receipt of a signed Sales Order, GTY will issue an invoice with Net 30 terms for payment via check, credit card, ACH, or SWIFT.
3. PRICING	
3.1. Cost Proposal	
3.1.1. ***Pricing Model.*** Provide a description of your pricing model or methodology identifying how the model works for the products and services included in your proposal. Your response should describe how the proposed pricing model is able to be audited by an Equalis Group member to assure compliance with the pricing in the Master Agreement.	Our pricing model is comprised of 2 components: **A. Software as a Service (SaaS)** – all our solutions are Commercial Off The Shelf (COTS) software applications which are priced on a subscription basis. The overall subscription fee comprised of 3 components: 1. **Cost of the software** (this is amortized to reduce the upfront costs). As such, some solutions require a minimum 5-year subscription term in our Agreements 2. **Cloud hosting services** –our solutions are cloud hosted with tier 1 hosting services providers (AWS, Azure)

	3. **Ongoing maintenance and support** **B. Implementation Services** – these are quoted individually for each purchase, as they are unique to the requirements of each project. Implementation services are quoted on a fixed price deliverable basis according to an agreed upon Scope of Work, which provides cost certainty to our customers. Implementation of our software can comprise any/all the following deliverables: **C. Consulting services** included fit gap analysis, business process review and change management 1. Project management 2. Data migration 3. Integrations 4. System configuration 5. Customizations 6. Testing 7. Training *SaaS pricing will be quoted as per the list pricing provided in in our response. We would propose sharing copies of all contracts that leverage the Master Agreement with Equalis so that they can be audited for compliance with our list pricing. Similarly, the hourly rate for services that is used to arrive at implementation services pricing can be audited by this same process.*
3.1.2. ***Auditable.*** Describe how the proposed pricing model can be audited by public sector agencies or CCOG to assure compliance with pricing in the Master Agreement.	GTY will report upon utilization to CCOG to ensure all contracts follow, and adhere to, the Master Agreement pricing.

GTY

3.1.3. ***Cost Proposal Value.*** Which of the following statements best describes the pricing offered included in Bidder's cost proposal.	The prices offered in your Cost Proposal are: ☐ lower than what you offer other group purchasing organizations, cooperative purchasing organizations, or state purchasing departments. ☒ equal to what you offer other group purchasing organizations, cooperative purchasing organizations, or state purchasing departments. ☐ higher than what you offer other group purchasing organizations, cooperative purchasing organizations, or state purchasing departments. ☐ not applicable. Please explain below.
	Click or tap here to enter text.
3.1.4. ***Additional Savings.*** Describe any quantity or volume discounts or rebate programs included in your Cost Proposal.	GTY will extend a 15% discount upon the purchase of 2 or more GTY solutions. The discount requires a new contract for each product.
3.1.5. ***Pricing Open Market or Sourced Goods.*** If relevant, propose a method for the pricing of Open Market Items. For example, you may supply such items "at cost" or "at cost plus a percentage" or you supply a quote for each such request. **NOTE**: For a definition of Open Market Items, please refer to **Part One, Section 5 – Pricing**.	**N/A**
3.1.6. ***Total Cost of Acquisition.*** Identify any total cost of acquisition costs that are ***NOT*** included in the pricing submitted with your response. This cost includes all additional charges that are not directly identified as freight or shipping charges. For example, list costs for items like installation, set up, mandatory training, or initial inspection. Identify any parties that impose such costs and their relationship to the Bidder.	**N/A**

4. Go-To-Market Strategy

4.1. Bidder Organizational Structure & Staffing of Relationship

4.1.1. ***Key Contacts.*** Provide contact information and resumes for the person(s) who will be responsible for the following areas: 1. Executive Contact 2. Contract Manager 3. Sales Leader 4. Reporting Contact 5. Marketing Contact. Indicate who the primary contact will be if it is not the Sales Leader	**Executive Contact:** James Ha, Chief Growth Officer **Contract Manager:** Jon Bourne, Executive Vice President, General Counsel and Secretary **Sales Leader:** James Ha, Chief Growth Officer **Reporting Contact:** Julie Christina Piesina, Director, Customer Development **Marketing Contact:** Heather Hennessy, VP of Marketing
4.1.2. ***Sales Organization.*** Provide a description of your sales organization, including key staff members, the size of the organization, in-house vs. third-party sales resources, geographic territories, vertical market segmentation, etc.	GTY Technology is a purpose-built vertical SaaS/Cloud company that provides budget, grants management, payment, permitting and procurement solution primarily to North American State, Local and Education (SLED) organization. GTY Technology employs a full-time, in-house sales team of 100+ people located across the United State and Canada. GTY Technology is proud to serve over 2,000 public sector organizations. The sales organization is assigned territory based on geographic region, organization type, and size. A sales team may include a Business Development Representative, Account Executive, Sales Engineer or Solutions Architect, and a Customer Success Manager. For complex engagements (e.g., large local government and state government), a Project Manager, or Implementation Lead may be assigned to the selling team. **Key Sales Leaders:** James Ha, Chief Growth Officer Stefan Baerg, SVP of Sales (Budget and Grants Management) Bill Brunson, VP of Sales (Procurement)
4.2. Contract Implementation Strategy & Expectations	

4.2.1.	***Contract Expectation.*** What are your company's expectations in the event of a contract award?	here to enter response. Upon a contract award, GTY Technology would evaluate resources and additional resources as needed to successfully deliver the solutions under contract. ere to enter response.
4.2.2.	***Five (5) Year Sales Vision & Strategy.*** Describe your company's vision and strategy to leverage a resulting contract with Equalis over the next five (5) years. Your response may include but is not limited to; the geographic or public sector vertical markets being targeted; your strategy for acquiring new business and retaining existing business; how the contract will be deployed with your sales team; and the time frames in which this will be completed.	Upon a contract award, GTY Technology would evaluate resources and additional resources as needed to successfully deliver the solutions under contract. Our Vision. GTY Technology is a portfolio of cloud-first solutions designed to support critical public sector functions in a fragmented technology market. GTY is the first platform to deliver multiple enterprise solutions across the core functions of budget, digital engagement, grants management, payment, permitting, and procurement. GTY will become the first cloud platform that connects the data between public administration functions and civic and partner facing functions so governments can seamlessly transform how it attracts and engages its stakeholders for the next 100 years. GTY believe this partnership will help deliver better services and great impact to the communities its customers serve. **Redefining end-to-end.** GTY Technology products provide deep coverage across core revenue and cost management functions in State and Local government, and Education, or SLED. GTY customers can pursue managed budgets, track capital projects, procure goods and services, provide license and permits, and accept payments for services and taxes, and pursue and manage federal funding with a single partner. **Revenue Management.** Our digital services provide the deepest integration with banking and payment services in the industry creating a secure, tightly integrated system to manage the intake of payment and service revenue. GTY customers can also pursue, manage, and administer their own grant funds. These capabilities give customers a comprehensive view of operating revenue across tax revenues, services fees, and grant funding.

	Expert Implementation and Support. GTY solutions are implemented by full-time, in-house professional services team. The team consists of 50+ highly experienced professionals. GTY will engage third-party partners in the areas of change management, business process redesign, and staff augmentation as required by each customer and agreed upon in a formal scope of work. GTY provides customers with customer success and customer support services. In some cases, these resources are 100% dedicated to an account based on the scope of work. **Sales and Marketing.** GTY solutions are sold through a direct sales and marketing team of over 150 professionals. GTY's go-to-market strategy is to highlight its 2,000+ customers. GTY customers provide potential State and Local government, and Education customers with confidence in GTY and its ability to deliver on time and on budget. GTY products have served customers for more than a decade, delivering proven SaaS/Cloud solutions that work. Modern SaaS/Cloud. GTY solutions can be sold immediately upon contract award. Sales and implementation teams can be scaled appropriately as needed. GTY has the resources and capital to make investments to support growth as required. .
4.2.3. ***Sales Objectives.*** What are your top line sales objectives in each of the five (5) years if awarded this contract?	GTY Technology's 5-year sales objectives are as follows: Year 1: $2,474,573.43 Year 2: $3,464,402.80 Year 3: $4,850,163.92 Year 4: $6,305,213.09 Year 5: $8,196,777.02
5. ADMIN FEE & REPORTING	
5.1. Bidder Organizational Structure & Staffing of Relationship	

5.1.1. ***Administrative Fee.*** Equalis Group only generates revenue when the Winning Supplier generates revenue based on contract utilization by current and future Members. The administrative fee is normally calculated as a percentage of the total Spend for agencies accessing product and services through the Master Agreement and is typically two percent (2%) to three percent (3%). In some categories, a flat fee or another fee structure may be acceptable. **Please provide your proposed Administrative Fee percentage or structure.** **NOTE**: The proposed Administrative Fee language for this contract is based on the terms disclosed in the **Attachment A – Model Administration Agreement**.	**2%**
5.1.2. ***Sales & Administrative Fee Reporting.*** Equalis Group requires monthly reports detailing sales invoiced the prior month and associated Administrative Fees earned by the 15th of each month. Confirm that your company will meet this reporting requirement. If not, explain why and propose an alternative time schedule for providing these reports to Equalis Group.	**YES**
5.1.3. ***Self-Audit.*** Describe any self-audit process or program that you plan to employ to verify compliance with your proposed contract with Equalis Group. This process includes ensuring that Members obtain the correct pricing, reports reflect all sales made under the Contract, and Winning Supplier remit the proper admin fee to Equalis.	GTY contracts team will report on, and monitor, all orders and invoicing against CCOG to ensure compliance.

OTHER REQUIRED PROPOSAL FORMS:

- ☒ Proposal Form 3: Diversity Vendor Certification Participation
- ☒ Proposal Form 4: Certifications and Licenses
- ☒ Proposal Form 5: Unresolved Findings for Recovery
- ☒ Proposal Form 6: Mandatory Disclosures
- ☒ Proposal Form 7: Dealer, Reseller, and Distributor Authorization
- ☒ Proposal Form 8: Mandatory Supplier & Proposal Certifications
- ☒ Proposal From 9: Clean Air Act & Clean Water Act
- ☒ Proposal From 10: Debarment Notice
- ☒ Proposal Form 11: Lobbying Certification
- ☒ Proposal Form 12: Contractor Certification Requirements
- ☒ Proposal Form 13: Boycott Certification
- ☒ Proposal Form 14 Federal Funds Certification Forms
- ☒ Proposal Form 15: Arizona Contractor Requirements
- ☒ Proposal Form 16: New Jersey Requirements
- ☒ Proposal Form 17: General Terms and Conditions Acceptance Form
- ☒ Proposal Form 18: Equalis Group Administration Agreement Declaration
- ☒ Proposal Form 19: Master Agreement Signature Form

PROPOSAL FORM 3: DIVERSITY VENDOR CERTIFICATION PARTICIPATION

Diversity Vendor Certification Participation - It is the policy of some Members participating in Equalis Group to involve minority and women business enterprises (M/WBE), small and/or disadvantaged business enterprises, disable veterans' business enterprises, historically utilized businesses (HUB) and other diversity recognized businesses in the purchase of goods and services. Respondents shall indicate below whether or not they hold certification in any of the classified areas and include proof of such certification with their response.

a. **Minority Women Business Enterprise**
   Respondent certifies that this firm is an MWBE: ☐Yes ☒No
   List certifying agency: Click or tap here to enter text.

b. **Small Business Enterprise (SBE) or Disadvantaged Business Enterprise ("DBE")**
   Respondent certifies that this firm is a SBE or DBE: ☐Yes ☒No
   List certifying agency: Click or tap here to enter text.

c. **Disabled Veterans Business Enterprise (DVBE)**
   Respondent certifies that this firm is an DVBE: ☐Yes ☒No
   List certifying agency: Click or tap here to enter text.

d. **Historically Underutilized Businesses (HUB)**
   Respondent certifies that this firm is an HUB: ☐Yes ☒No
   List certifying agency: Click or tap here to enter text.

e. **Historically Underutilized Business Zone Enterprise (HUBZone)**
   Respondent certifies that this firm is an HUBZone: ☐Yes ☒No
   List certifying agency: Click or tap here to enter text.

f. **Other**
   Respondent certifies that this firm is a recognized diversity certificate holder: ☐Yes ☒No
   List certifying agency: Click or tap here to enter text.

PROPOSAL FORM 4: CERTIFICATIONS AND LICENSES

Provide a copy of all current licenses, registrations and certifications issued by federal, state and local agencies, and any other licenses, registrations or certifications from any other governmental entity with jurisdiction, allowing Bidder to provide the products and services included in their proposal which can include, but not limited to licenses, registrations or certifications. M/WBE, HUB, DVBE, small and disadvantaged business certifications and other diverse business certifications, as well as manufacturer certifications for sales and service must be included if applicable

Please also list and include copies of any certificates you hold that would show value for your response not already included above.

N/A

(The rest of this page is intentionally left blank)

PROPOSAL FORM 5: UNRESOLVED FINDINGS FOR RECOVERY

O.R.C. Chapter 9.24 prohibits CCOG from awarding a contract to any entity against whom the Auditor of State has issued a finding for recovery, if such finding for recovery is "unresolved" at the time of award. By submitting a proposal, a Bidder warrants that it is not now, and will not become, subject to an "unresolved" finding for recovery under **O.R.C. Chapter 9.24** prior to the award of any contract arising out of this RFP, without notifying CCOG of such finding. The Proposal Review Team will not evaluate a proposal from any Bidder whose name, or the name of any of the subcontractors proposed by the Bidder, appears on the website of the Auditor of the State of Ohio as having an "unresolved" finding for recovery.

Is your company the subject of any unresolved findings for recoveries?

☐ Yes
☒ No

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PROPOSAL FORM 6: MANDATORY DISCLOSURES

1. *Mandatory Contract Performance Disclosure.*

Disclose whether your company's performance and/or the performance of any of the proposed subcontractor(s) under contracts for the provision of products and services that are the same or similar to those to be provided for the Program which is the subject of this RFP has resulted in any formal claims for breach of those contracts. For purposes of this disclosure, "**formal claims**" means any claims for breach that have been filed as a lawsuit in any court, submitted for arbitration (whether voluntary or involuntary, binding or not), or assigned to mediation. For any such claims disclosed, fully explain the details of those claims, including the allegations regarding all alleged breaches, any written or legal action resulting from those allegations, and the results of any litigation, arbitration, or mediation regarding those claims, including terms of any settlement. While disclosure of any formal claims will not automatically disqualify a Bidder from consideration, at the sole discretion of Equalis Group, such claims and a review of the background details may result in a rejection of a Bidder's proposal. Equalis Group will make this decision based on the Proposal Review Team's determination of the seriousness of the claims, the potential impact that the behavior that led to the claims could have on the Bidder's performance of the work, and the best interests of Members.

Provide statement here. **N/A**

2. *Mandatory Disclosure of Governmental Investigations.*

Indicate whether your company and/or any of the proposed subcontractor(s) has been the subject of any adverse regulatory or adverse administrative governmental action (federal, state, or local) with respect to your company's performance of services similar to those described in this RFP. If any such instances are disclosed, Bidders must fully explain, in detail, the nature of the governmental action, the allegations that led to the governmental action, and the results of the governmental action including any legal action that was taken against the Bidder by the governmental agency. While disclosure of any governmental action will not automatically disqualify a Bidder from consideration, such governmental action and a review of the background details may result in a rejection of the Bidder's proposal at Group's sole discretion. Equalis Group will make this decision based on the Proposal Review Team's determination of the seriousness of the claims, the potential impact that the behavior that led to the claims could have on the Bidder's performance of the work, and the best interests of Members.

Provide statement here. **N/A**

PROPOSAL FORM 7: DEALER, RESELLER, AND DISTRIBUTOR AUTHORIZATION

CCOG allows Suppliers to authorize dealers, distributors, and resellers to sell the products and services made available through, and consistent with the Terms and Conditions set forth in, the Master Agreement. If Supplier intends to authorize their dealers, distributors, or resellers access to the Master Agreement in the event of a contract award Supplier must provide a list, either in the form of a document or a weblink, to identify those organizations who are being authorized access to the Master Agreement.

Will the Supplier authorize dealers, distributors, resellers access to Master Agreement?

☐ **Yes**

☒ **No**

If yes, how will Supplier disclose which organization(s) will have access to the Master Agreement? This list can be updated from time to time upon CCOG's approval.

Bidder Response: Click or tap here to enter text.

PROPOSAL FORM 8: MANDATORY SUPPLIER & PROPOSAL CERTIFICATIONS

CCOG may not enter into contracts with any suppliers who have been found to be ineligible for state contracts under specific federal or Ohio statutes or regulations. Bidders responding to any CCOG RFP MUST certify that they are NOT ineligible by signing each of the statements below. **Failure to provide proper affirming signature on any of these statements will result in a Bidder's proposal being deemed nonresponsive to this RFP.**

I, James Ha, hereby certify and affirm that GTY Technology Holdings Inc., has not been debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in transactions by the Unites States Department of Labor, the United States Department of Health and Human Services, or any other federal department or agency as set forth in 29 CFR Part 98, or 45 CFR Part 76, or other applicable statutes.

AND

I, James Ha, hereby certify and affirm that GTY Technology Holdings Inc., is in compliance with all federal, state, and local laws, rules, and regulations, including but not limited to the Occupational Safety and Health Act and the Ohio Bureau of Employment Services and the following:

- Not penalized or debarred from any public contracts or falsified certified payroll records or any other violation of the Fair Labor Standards Act in the last three (3) years;
- Not found to have violated any worker's compensation law within the last three (3) years;
- Not violated any employee discrimination law within the last three (3) years;
- Not have been found to have committed more than one (1) willful or repeated OSHA violation of a safety standard *(as opposed to a record keeping or administrative standard)* in the last three (3) years;
- Not have an Experience Modification Rating of greater than 1.5 (a penalty-rated employer) with respect to the Bureau of Workers' Compensation risk assessment rating; and
- Not have failed to file any required tax returns or failed to pay any required taxes to any governmental entity within the past three (3) years.

AND

I, James Ha, hereby certify and affirm that *GTY Technology Holdings Inc.,* is not on the list established by the Ohio Secretary of State, pursuant to **ORC Section 121.23**, which identifies persons and businesses with more than one unfair labor practice contempt of court finding against them.

AND

I, James Ha, hereby certify and affirm that ***GTY Technology*** either is not subject to a finding for recovery under **ORC Section 9.24**, or has taken appropriate remedial steps required under that statute to resolve any findings for recovery, or otherwise qualifies under that section to enter into contracts with CCOG.

I, James Ha, hereby affirm that this proposal accurately represents the capabilities and qualifications of *GTY Technology*, and I hereby affirm that the cost(s) proposed to CCOG for the performance of services and/or provision of goods covered in this proposal in response to this CCOG RFP is a firm fixed price structure as described in the Cost Proposal, inclusive of all incidental as well as primary costs. *(Failure to provide the proper affirming signature on this item may result in the disqualification of your proposal.)*

PROPOSAL FORM 9: CLEAN AIR ACT & CLEAN WATER ACT

The Bidder is in compliance with all applicable standards, orders or regulations issued pursuant to the Clean Air Act of 1970, as Amended (42 U.S. C. 1857 (h), Section 508 of the Clean Water Act, as amended (33 U.S.C. 1368), Executive Order 117389 and Environmental Protection Agency Regulation, 40 CFR Part 15 as required under OMB Circular A-102, Attachment O, Paragraph 14 (1) regarding reporting violations to the grantor agency and to the United States Environment Protection Agency Assistant Administrator for the Enforcement.

Authorized signature:	
Printed Name:	James Ha
Company Name:	GTY Technology Holdings Inc.
Mailing Address:	800 Boylston Street, 16th Floor, Boston, MA 02199
Email Address:	james.ha@gtytechnology.com
Job Title:	Chief Growth Officer

PROPOSAL FORM 10: DEBARMENT NOTICE

I, the Bidder, certify that my company has not been debarred, suspended or otherwise ineligible for participation in Federal Assistance programs under Executive Order 12549, “Debarment and Suspension”, as described in the Federal Register and Rules and Regulations.

Respondents Name:	James Ha
Mailing Address:	800 Boylston Street, 16th Floor Boston, MA 02199
Signature	
Title of Signatory:	Chief Growth Officer

PROPOSAL FORM 11: LOBBYING CERTIFICATIONS

Submission of this certification is a prerequisite for making or entering into this transaction and is imposed by **Section 1352, Title 31, U.S. Code**. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Any person who fails to file the required certification shall be subject to civil penalty of not less than ten thousand dollars ($10,000) and not more than one hundred thousand dollars ($100,000) for each such failure.

The undersigned certifies, to the best of his/her knowledge and belief, on behalf of Bidder that:

1. No Federal appropriated funds have been paid or will be paid on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of a Federal contract, the making of a Federal grant, the making of a Federal loan, the entering into a cooperative agreement, and the extension, continuation, renewal, amendment, or modification of a Federal contract, grant, loan, or cooperative agreement.

2. If any funds other than Federal appropriated funds have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract or cooperative agreement, the undersigned shall complete and submit Standard Form LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.

3. The undersigned shall require that the language of this certification be included in the award documents for all covered sub-awards exceeding one hundred thousand dollars ($100,000) in Federal funds at all appropriate tiers and that all sub-recipients shall certify and disclose accordingly.

Signature: ______________________

Date: 11/9/22

PROPOSAL FORM 12: CONTRACTOR CERTIFICATION REQUIREMENTS

1. *Contractor's Employment Eligibility*

By entering the contract, Contractor warrants compliance with the Federal Immigration and Nationality Act (FINA), and all other federal and state immigration laws and regulations. The Contractor further warrants that it is in compliance with the various state statutes of the states it will operate this contract in.

Participating Government Entities including School Districts may request verification of compliance from any Contractor or subcontractor performing work under this Contract. These Entities reserve the right to confirm compliance in accordance with applicable laws.

Should the Participating Entities suspect or find that the Contractor or any of its subcontractors are not in compliance, they may pursue any and all remedies allowed by law, including, but not limited to: suspension of work, termination of the Contract for default, and suspension and/or debarment of the Contractor. All costs necessary to verify compliance are the responsibility of the Contractor.

The Respondent complies and maintains compliance with the appropriate statutes which requires compliance with federal immigration laws by State employers, State contractors and State subcontractors in accordance with the E-Verify Employee Eligibility Verification Program.

Contractor shall comply with governing board policy of the CCOG Participating entities in which work is being performed.

2. *Fingerprint & Criminal Background Checks*

If required to provide services on school district property at least five (5) times during a month, contractor shall submit a full set of fingerprints to the school district if requested of each person or employee who may provide such service. Alternately, the school district may fingerprint those persons or employees. An exception to this requirement may be made as authorized in Governing Board policy. The district shall conduct a fingerprint check in accordance with the appropriate state and federal laws of all contractors, subcontractors or vendors and their employees for which fingerprints are submitted to the district. Contractor, subcontractors, vendors and their employees shall not provide services on school district properties until authorized by the District.

The Respondent shall comply with fingerprinting requirements in accordance with appropriate statutes in the state in which the work is being performed unless otherwise exempted.

Contractor shall comply with governing board policy in the school district or Participating Entity in which work is being performed.

Signature: ______________________

Date: 11/9/22

PROPOSAL FORM 13: BOYCOTT CERTIFICATION

Bidder must certify that during the term of any Agreement, it does not boycott Israel and will not boycott Israel. “Boycott” means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

Does Bidder agree? **JH**

(Initials of Authorized Representative)

PROPOSAL FORM 14: FEDERAL FUNDS CERTIFICATION FORMS

When a participating agency seeks to procure goods and services using funds under a federal grant or contract, specific federal laws, regulations, and requirements may apply in addition to those under state law. This includes, but is not limited to, the procurement standards of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR 200 (sometimes referred to as the "Uniform Guidance" or "EDGAR" requirements).

All bidders submitting proposals must complete this Federal Funds Certification Form regarding bidder's willingness and ability to comply with certain requirements which may be applicable to specific participating agency purchases using federal grant funds. This completed form will be made available to Members for their use while considering their purchasing options when using federal grant funds. Members may also require Supplier Partners to enter into ancillary agreements, in addition to the contract's general terms and conditions, to address the member's specific contractual needs, including contract requirements for a procurement using federal grants or contracts.

For each of the items below, respondent should certify their agreement and ability to comply, where applicable, by having respondents authorized representative complete and initial the applicable lines after each section and sign the acknowledgment at the end of this form. If a Bidder fails to complete any item in this form, CCOG will consider the respondent's response to be that they are unable or unwilling to comply. A negative response to any of the items may, if applicable, impact the ability of a participating agency to purchase from the Supplier Partner using federal funds.

1. *Supplier Partner Violation or Breach of Contract Terms*

Contracts for more than the simplified acquisition threshold currently set at one hundred fifty thousand dollars ($150,000), which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 USC 1908, must address administrative, contractual, or legal remedies in instances where Supplier Partners violate or breach contract terms, and provide for such sanctions and penalties as appropriate.

Any contract award will be subject to Terms and Conditions of the Master Agreement, as well as any additional terms and conditions in any purchase order, participating agency ancillary contract, or Member construction contract agreed upon by Supplier Partner and the participating agency which mut be consistent with and protect the participating agency at least to the same extent as the CCOG Terms and Conditions.

The remedies under the contract are in addition to any other remedies that may be available under law or in equity. By submitting a proposal, you agree to these Supplier Partner violation and breach of contract terms.

Does Bidder agree? **JH** Click or tap here to enter text.
(Initials of Authorized Representative)

2. *Termination for Cause or Convenience*

When a participating agency expends federal funds, the participating agency reserves the right to immediately terminate any agreement in excess of ten thousand dollars ($10,000) resulting from this procurement process in the event of a breach or default of the agreement by Offeror in the event Offeror fails to: (1) meet schedules, deadlines, and/or delivery dates within the time specified in the procurement solicitation, contract, and/or a purchase order; (2) make any payments owed; or (3) otherwise perform in accordance with the contract and/or the procurement solicitation.

Participating agency also reserves the right to terminate the contract immediately, with written notice to offeror, for convenience, if participating agency believes, in its sole discretion that it is in the best interest of participating agency to do so. Bidder will be compensated for work performed and accepted and goods accepted by participating agency as of the termination date if the contract is terminated for convenience of participating agency. Any award under this procurement process is not exclusive and participating agency reserves the right to purchase goods and services from other offerors when it is in participating agency's best interest.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

3. *Equal Employment Opportunity*

Except as otherwise provided under 41 CFR Part 60, all participating agency purchases or contracts that meet the definition of "federally assisted construction contract" in 41 CFR Part 60-1.3 shall be deemed to include the equal opportunity clause provided under 41 CFR 60-1.4(b), in accordance with Executive Order 11246, "Equal Employment Opportunity" (30 FR 12319, 12935, 3 CFR Part, 1964-1965 Comp., p. 339), as amended by Executive Order 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and implementing regulations at 41 CFR Part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."

The equal opportunity clause provided under 41 CFR 60-1.4(b) is hereby incorporated by reference. Supplier Partner agrees that such provision applies to any participating agency purchase or contract that meets the definition of "federally assisted construction contract" in 41 CFR Part 60-1.3 and Supplier Partner agrees that it shall comply with such provision.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

4. *Davis-Bacon Act*

When required by Federal program legislation, Supplier Partner agrees that, for all participating agency prime construction contracts/purchases in excess of two thousand dollars ($2,000), Supplier Partner shall comply with the Davis-Bacon Act (40 USC 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, Supplier Partner is required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determinate made by the Secretary of Labor. In addition, Supplier Partner shall pay wages not less than once a week.

Current prevailing wage determinations issued by the Department of Labor are available at www.wdol.gov. Supplier Partner agrees that, for any purchase to which this requirement applies, the award of the purchase to the Supplier Partner is conditioned upon Supplier Partner's acceptance of the wage determination.

Supplier Partner further agrees that it shall also comply with the Copeland "Anti-Kickback" Act (40 USC 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States". The Act provides that each Supplier Partner or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

5. *Contract Work Hours and Safety Standards Act*

Where applicable, for all participating agency contracts or purchases in excess of one hundred thousand dollars ($100,000) that involve the employment of mechanics or laborers, Supplier Partner agrees to comply with 40 USC 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR Part 5). Under 40 USC 3702 of the Act, Supplier Partner is required to compute the wages of every mechanic and laborer on the basis of a standard work week of forty (40) hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of forty (40) hours in the work week. The requirements of 40 USC 3704 are applicable to construction work and provide that no laborer or mechanic must be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

6. *Right to Inventions Made Under a Contract or Agreement*

If the participating agency's Federal award meets the definition of "funding agreement" under 37 CFR 401.2(a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance or experimental, developmental, or research work under that "funding agreement," the recipient or subrecipient must comply with the requirements of 37 CFR Part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.

Supplier Partner agrees to comply with the above requirements when applicable.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

7. *Clean Air Act and Federal Water Pollution Control Act*

Clean Air Act (42 USC 7401-7671q.) and the Federal Water Pollution Control Act (33 USC 1251-1387), as amended – Contracts and subgrants of amounts in excess of one hundred fifty thousand dollars ($150,000) must contain a provision that requires the non-Federal award to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act (42 USC 7401-7671q.) and the Federal Water Pollution Control Act, as amended (33 USC 1251-1387). Violations must be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

When required, Supplier Partner agrees to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

8. ***Debarment and Suspension***

Debarment and Suspension (Executive Orders 12549 and 12689) – A contract award (see 2 CFR 180.220) must not be made to parties listed on the government-wide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR Part 1966 Comp. p. 189) and 12689 (3CFR Part 1989 Comp. p. 235), "Debarment and Suspension." SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.

Supplier Partner certifies that Supplier Partner is not currently listed on the government-wide exclusions in SAM, is not debarred, suspended, or otherwise excluded by agencies or declared ineligible under statutory or regulatory authority other than Executive Order 12549. Supplier Partner further agrees to immediately notify the Cooperative and all Members with pending purchases or seeking to purchase from Supplier Partner if Supplier Partner is later listed on the government-wide exclusions in SAM, or is debarred, suspended, or otherwise excluded by agencies or declared ineligible under statutory or regulatory authority other than Executive Order 12549.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

9. ***Byrd Anti-Lobbying Amendment***

Byrd Anti-Lobbying Amendment (31 USC 1352) – Supplier Partners that apply or bid for an award exceeding one hundred thousand dollars ($100,000) must file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 USC 1352. Each tier must also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the non-Federal award. As applicable, Supplier Partner agrees to file all certifications and disclosures required by, and otherwise comply with, the Byrd Anti-Lobbying Amendment (31 USC 1352).

Does Bidder agree? **JH**
(Initials of Authorized Representative)

10. ***Procurement of Recovered Materials***

For participating agency purchases utilizing Federal funds, Supplier Partner agrees to comply with Section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act where applicable and provide such information and certifications as a participating agency maybe required to confirm estimates and otherwise comply. The requirements of Section 6002 includes procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR Part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds ten thousand dollars ($10,000) or the value of the quantity acquired during the preceding fiscal year exceeded ten thousand dollars ($10,000); procuring solid waste management services in a manner that maximizes energy and resource recovery, and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

11. ***Profit as a Separate Element of Price***

For purchases using federal funds in excess of one hundred fifty thousand dollars ($150,000), a participating agency may be required to negotiate profit as a separate element of the price. See, 2 CFR 200.324(b). When required by a participating agency, Supplier Partner agrees to provide information and negotiate with the participating agency regarding profit as a separate element of the price for a particular purchase. However, Supplier Partner agrees that the total price, including profit, charged by Supplier Partner to the participating agency shall not exceed the awarded pricing, including any applicable discount, under Supplier Partner's Group Purchasing Agreement.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

12. ***Prohibition on Certain Telecommunications and Video Surveillance Services or Equipment***

Vendor agrees that recipients and subrecipients are prohibited from obligating or expending loan or grant funds to procure or obtain, extend or renew a contract to procure or obtain, or enter into a contract (or extend or renew a contract) to procure or obtain equipment, services, or systems that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system from companies described in Public Law 115-232, section 889. Telecommunications or video surveillance equipment or services produced or provided by an entity that the Secretary of Defense, in consultation with the Director of the National Intelligence or the Director of the Federal Bureau of Investigation, reasonably believes to be an entity owned or controlled by, or otherwise connected to, the government of a covered foreign country are also prohibited.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

13. ***Domestic preferences for procurements***

For participating agency purchases utilizing Federal funds, Bidder agrees to provide proof, where applicable, that the materials, including but not limited to, iron, aluminum, steel, cement, and other manufactured products are produced in the United States.

"Produced in the United States" means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.

"Manufactured products" means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

14. ***General Compliance and Cooperation with Members***

In addition to the foregoing specific requirements, Vendor agrees, in accepting any purchase order from a Member, it shall make a good faith effort to work with Members to provide such information and to satisfy such requirements as may apply to a particular participating agency purchase or purchases including, but not limited to, applicable recordkeeping and record retention requirements.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

15. ***Applicability to Subcontractors***

Offeror agrees that all contracts it awards pursuant to the Contract shall be bound by the foregoing terms and conditions.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

By signature below, I certify that the information in this form is true, complete, and accurate and that I am authorized by my company to make this certification and all consents and agreements contained herein.

Authorized signature: ______________________

Printed Name: James Ha

Company Name: GTY Technology Holdings inc.

Mailing Address: 800 Boylston Street, 16th Floor
Boston, MA 02199

Job Title: Chief Growth Officecer

GTY

PROPOSAL FORM 15: ARIZONA CONTRACTOR REQUIREMENTS

Please answer the following question. If yes, please complete Proposal Form 15.

Does the awarded supplier intend to make their products and services available to public agencies in the State of Arizona?	☒ Yes ☐ No

In the event the Awarded Supplier desires to pursue public sector opportunities in the State of Arizona, it is important to understand the requirements for working with those public agencies. The documentation and information contained in this proposal form are intended to provide the respondent with documentation that could be relevant to the providing products & services to public agencies in the State of Arizona. It is the responsibility of the public agency to ensure they are in compliance with local requirements.

AZ Compliance with Federal and State Requirements
Contractor agrees when working on any federally assisted projects with more than $2,000.00 in labor costs, to comply with all federal and state requirements, as well as Equal Opportunity Employment requirements and all other federal and state laws, statutes, etc. Contractor agrees to post wage rates at the work site and submit a copy of their payroll to the member for their files. Contractor must retain records for three years to allow the federal grantor agency access to these records, upon demand. Contractor also agrees to comply with the Arizona Executive Order 75-5, as amended by Executive Order 99-4.

When working on contracts funded with Federal Grant monies, contractor additionally agrees to comply with the administrative requirements for grants, and cooperative agreements to state, local and federally recognized Indian Tribal Governments.

AZ compliance with workforce requirements
Pursuant to ARS 41-4401, Contractor and subcontractor(s) warrant their compliance with all federal and state immigration laws and regulations that relate to their employees, and compliance with ARS 23-214 subsection A, which states, …" every employer, after hiring an employee, shall verify the employment eligibility of the employee through the E-Verify program"

CCOG reserves the right to cancel or suspend the use of any contract for violations of immigration laws and regulations. CCOG and its members reserve the right to inspect the papers of any contractor or subcontract employee who works under this contract to ensure compliance with the warranty above.

AZ Contractor Employee Work Eligibility
By entering into this contract, contractor agrees and warrants compliance with A.R.S. 41-4401, A.R.S. 23-214, the Federal Immigration and Nationality Act (FINA), and all other Federal immigration laws and regulations. CCOG and/or CCOG members may request verification of compliance from any contractor or sub-contractor performing work under this contract. CCOG and CCOG members reserve the right to confirm compliance. In the event that CCOG or CCOG members suspect or find that any contractor or subcontractor is not in compliance, CCOG may pursue any and all remedies allowed by law, including but not limited to suspension

of work, termination of contract, suspension and/or debarment of the contractor. All cost associated with any legal action will be the responsibility of the contractor.

AZ Non-Compliance
All federally assisted contracts to members that exceed $10,000.00 may be terminated by the federal grantee for noncompliance by contractor. In projects that are not federally funded, Respondent must agree to meet any federal, state or local requirements as necessary. In addition, if compliance with the federal regulations increases the contract costs beyond the agreed upon costs in this solicitation, the additional costs may only apply to the portion of the work paid by the federal grantee.

Registered Sex Offender Restrictions (Arizona)
For work to be performed at an Arizona school, contractor agrees that no employee or employee of a subcontractor who has been adjudicated to be a registered sex offender will perform work at any time when students are present, or reasonably expected to be present. Contractor agrees that a violation of this condition shall be considered a material breach and may result in the cancellation of the purchase order at the CCOG member's discretion. Contractor must identify any additional costs associated with compliance to this term. If no costs are specified, compliance with this term will be provided at no additional charge.

Offshore Performance of Work Prohibited
Due to security and identity protection concerns, direct services under this contract shall be performed within the borders of the United States.

Terrorism Country Divestments: In accordance with A.R.S. 35-392, CCOG and CCOG members are prohibited from purchasing from a company that is in violation of the Export Administration Act. By entering into the contract, contractor warrants compliance with the Export Administration Act.

The undersigned hereby accepts and agrees to comply with all statutory compliance and notice requirements listed in this document.

Does Bidder agree? **JH**
(Initials of Authorized Representative)

Date: 11/9/2022

PROPOSAL FORM 16: NEW JERSEY REQUIREMENTS

Please answer the following question. If yes, please complete Proposal Form 15.

Does the awarded supplier intend to make their products and services available to public agencies in the State of New Jersey?	☐ Yes ☒ No

In the event the Awarded Supplier desires to pursue public sector opportunities in the State of New Jersey, it is important to understand the requirements for working with those public agencies. The documentation and information contained in this proposal form are intended to provide the respondent with documentation that could be relevant to the providing products & services to public agencies in the State of New Jersey. It is the responsibility of the public agency to ensure they are in compliance with local requirements.

New Jersey vendors are also required to comply with the following New Jersey statutes when applicable:

- All anti-discrimination laws, including those contained in N.J.S.A. 10:2-1 through N.J.S.A. 10:2-14, N.J.S.A. 10:5-1, and N.J.S.A. 10:5-31 through 10:5-38.
- Compliance with Prevailing Wage Act, N.J.S.A. 34:11-56.26, for all contracts within the contemplation of the Act.
- Compliance with Public Works Contractor Registration Act, N.J.S.A. 34:11-56.26
- Bid and Performance Security, as required by the applicable municipal or state statutes.

A. *Ownership Disclosure Form (N.J.S. 52:25-24.2)*

Pursuant to the requirements of P.L. 1999, Chapter 440 effective April 17, 2000 (Local Public Contracts Law), the Respondent shall complete the form attached to these specifications listing the persons owning 10 percent (10%) or more of the firm presenting the proposal.

Company Name:	Click or tap here to enter text.
Street:	Click or tap here to enter text.
City, State, Zip Code:	Click or tap here to enter text.

Complete as appropriate:

I, Click or tap here to enter text. , certify that I am the sole owner of Click or tap here to enter text., that there are no partners and the business is not incorporated, and the provisions of N.J.S. 52:25-24.2 do not apply.

OR:

I, Click or tap here to enter text., a partner in Click or tap here to enter text., do hereby certify that the following is a list of all individual partners who own a 10% or greater interest therein. I further certify that if one (1) or more of the partners is itself a corporation or partnership, there is also set forth the names and addresses of the stockholders holding 10% or more of that corporation's stock or the individual partners owning 10% or greater interest in that partnership.

OR:

I, Click or tap here to enter text., an authorized representative Click or tap here to enter text., a corporation, do hereby certify that the following is a list of the names and addresses of all stockholders in the corporation who own 10% or more of its stock of any class. I further certify that if one (1) or more of such stockholders is itself a corporation or partnership, that there is also set forth the names and addresses of the stockholders holding 10% or more of the corporation's stock or the individual partners owning a 10% or greater interest in that partnership.

GTY

(Note: If there are no partners or stockholders owning 10% or more interest, indicate none.)

Name	Address	Interest

I further certify that the statements and information contained herein, are complete and correct to the best of my knowledge and belief.

Signature: ______________________

Date: Click or tap here to enter text.

B. *Non-Collusion Affidavit*

Bidder Name: Enter Bidder Name

Street Address: Enter Bidder Name

City, State Zip: Enter Bidder Name

State of New Jersey

County of Insert County name

I, Insert name here. of the Insert name of City in the County of Insert name of County, State of Insert name of State of full age, being duly sworn according to law on my oath depose and say that:

I am the Insert name of job title. of the firm of Insert company name. the Bidder making the Proposal for the goods, services or public work specified under the Harrison Township Board of Education attached proposal, and that I executed the said proposal with full authority to do so; that said Respondent has not directly or indirectly entered into any agreement, participated in any collusion, or otherwise taken any action in restraint of free, competitive bidding in connection with the above proposal, and that all statements contained in said bid proposal and in this affidavit are true and correct, and made with full knowledge that the Harrison Township Board of Education relies upon the truth of the statements contained in said bid proposal and in the statements contained in this affidavit in awarding the contract for the said goods, services or public work.

I further warrant that no person or selling agency has been employed or retained to solicit or secure such contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, except bona fide employees or bona fide established commercial or selling agencies maintained by

Authorized signature: ______________________________

Job Title: Insert job title here.

Subscribed and sworn before me

this ______ day of ______________, 20____

____

Notary Public of New Jersey

My commission expires , 20____

SEAL

C. *Affirmative Action Affidavit (P.L. 1975, C.127)*

Company Name: Click or tap here to enter text.

Street Address: Click or tap here to enter text.

City, State, Zip Code: Click or tap here to enter text.

Bid Proposal Certification:

Indicate below your compliance with New Jersey Affirmative Action regulations. Your proposal will be accepted even if you are not in compliance at this time. No contract and/or purchase order may be issued, however, until all Affirmative Action requirements are met.

Required Affirmative Action Evidence:

Procurement, Professional & Service Contracts (Exhibit A)

Suppliers must submit with proposal:

1. *A photo copy of their Federal Letter of Affirmative Action Plan Approval*

   OR
2. *A photo copy of their Certificate of Employee Information Report*

   OR
3. *A complete Affirmative Action Employee Information Report (AA302)*

Public Work – Over $50,000 Total Project Cost:

☐No approved Federal or New Jersey Affirmative Action Plan. We will complete Report Form AA201-A upon receipt from the Harrison Township Board of Education

☐Approved Federal or New Jersey Plan – certificate enclosed

I further certify that the statements and information contained herein, are complete and correct to the best of my knowledge and belief.

Authorized Signature: ______________________

Title of Signatory: Click or tap here to enter text.

Date: Click or tap here to enter text.

P.L. 1995, c. 127 (N.J.A.C. 17:27)

MANDATORY AFFIRMATIVE ACTION LANGUAGE

PROCUREMENT, PROFESSIONAL AND SERVICE CONTRACTS

During the performance of this contract, the contractor agrees as follows:

The contractor or subcontractor, where applicable, will not discriminate against any employee or applicant for employment because of age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation. The contractor will take affirmative action to ensure that such applicants are recruited and employed, and that employees are treated during employment, without regard to their age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Public Agency Compliance Officer setting forth provisions of this non-discrimination clause.

The contractor or subcontractor, where applicable will, in all solicitations or advertisement for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation.

The contractor or subcontractor, where applicable, will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer advising the labor union or workers' representative of the contractor's commitments under this act and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

The contractor or subcontractor, where applicable, agrees to comply with any regulations promulgated by the Treasurer pursuant to P.L. 1975, c. 127, as amended and supplemented from time to time and the Americans with Disabilities Act.

The contractor or subcontractor agrees to attempt in good faith to employ minority and female workers trade consistent with the applicable county employment goal prescribed by N.J.A.C. 17:27-5.2 promulgated by the Treasurer pursuant to P.L. 1975, C.127, as amended and supplemented from time to time or in accordance with a binding determination of the applicable county employment goals determined by the Affirmative

Action Office pursuant to N.J.A.C. 17:27-5.2 promulgated by the Treasurer pursuant to P.L. 1975, C.127, as amended and supplemented from time to time.

The contractor or subcontractor agrees to inform in writing appropriate recruitment agencies in the area, including employment agencies, placement bureaus, colleges, universities, labor unions, that it does not discriminate on the basis of age, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation, and that it will discontinue the use of any recruitment agency which engages in direct or indirect discriminatory practices.

The contractor or subcontractor agrees to revise any of it testing procedures, if necessary, to assure that all personnel testing conforms with the principles of job-related testing, as established by the statutes and court decisions of the state of New Jersey and as established by applicable Federal law and applicable Federal court decisions.

The contractor or subcontractor agrees to review all procedures relating to transfer, upgrading, downgrading and lay-off to ensure that all such actions are taken without regard to age, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation, and conform with the applicable employment goals, consistent with the statutes and court decisions of the State of New Jersey, and applicable Federal law and applicable Federal court decisions.

The contractor and its subcontractors shall furnish such reports or other documents to the Affirmative Action Office as may be requested by the office from time to time in order to carry out the purposes of these regulations, and public agencies shall furnish such information as may be requested by the Affirmative Action Office for conducting a compliance investigation pursuant to Subchapter 10 of the Administrative Code (NJAC 17:27).

____

Signature of Procurement Agent

D. *C. 271 Political Contribution Disclosure Form*

PUBLIC AGENCY INSTRUCTIONS

This page provides guidance to public agencies entering into contracts with business entities that are required to file Political Contribution Disclosure forms with the agency. **It is not intended to be provided to contractors.** What follows are instructions on the use of form local units can provide to contractors that are required to disclose political contributions pursuant to N.J.S.A. 19:44A-20.26 (P.L. 2005, c. 271, s.2). Additional information is available in Local Finance Notice 2006-1 (https://www.nj.gov/dca/divisions/dlgs/resources/lfns_2006.html).

1. The disclosure is required for all contracts in excess of $17,500 that are **not awarded** pursuant to a "fair and open" process (N.J.S.A. 19:44A-20.7).
2. Due to the potential length of some contractor submissions, the public agency should consider allowing data to be submitted in electronic form (i.e., spreadsheet, pdf file, etc.). Submissions must be kept with the contract documents or in an appropriate computer file and be available for public access. **The form is worded to accept this alternate submission.** The text should be amended if electronic submission will not be allowed.
3. The submission must be **received from the contractor and** on file at least 10 days prior to award of the contract. Resolutions of award should reflect that the disclosure has been received and is on file.
4. The contractor must disclose contributions made to candidate and party committees covering a wide range of public agencies, including all public agencies that have elected officials in the county of the public agency, state legislative positions, and various state entities. The Division of Local Government Services recommends that contractors be provided a list of the affected agencies. This will assist contractors in determining the campaign and political committees of the officials and candidates affected by the disclosure.
    a) The Division has prepared model disclosure forms for each county. They can be downloaded from the "County PCD Forms" link on the Pay-to-Play web site at https://www.state.nj.us/dca/divisions/dlgs/programs/pay_2_play.html They will be updated from time-to-time as necessary.
    b) A public agency using these forms **should edit them to properly reflect the correct legislative district**(s). As the forms are county-based, **they list all legislative districts** in each county. **Districts that do not represent the public agency should be removed from the lists.**
    c) Some contractors may find it easier to provide a single list that covers all contributions, regardless of the county. These submissions are appropriate and should be accepted.
    d) The form may be used "as-is", subject to edits as described herein.
    e) The "Contractor Instructions" sheet is intended to be provided with the form. It is recommended that the Instructions and the form be printed on the same piece of paper. The form notes that the Instructions are printed on the back of the form; where that is not the case, the text should be edited accordingly.
    f) The form is a Word document and can be edited to meet local needs, and posted for download on web sites, used as an e-mail attachment, or provided as a printed document.
5. It is recommended that the contractor also complete a "Stockholder Disclosure Certification." This will assist the local unit in its obligation to ensure that contractor did not make any prohibited contributions to the

committees listed on the Business Entity Disclosure Certification in the 12 months prior to the contract. (See Local Finance Notice 2006-7 for additional information on this obligation) A sample Certification form is part of this package and the instruction to complete it is included in the Contractor Instructions. **NOTE: This section is not applicable to Boards of Education.**

CONTRACTOR INSTRUCTIONS

Business entities (contractors) receiving contracts from a public agency in the state of New Jersey that are NOT awarded pursuant to a "fair and open" process (defined at N.J.S.A. 19:44A-20.7) are subject to the provisions of P.L. 2005, c. 271, s.2 (N.J.S.A. 19:44A-20.26). This law provides that 10 days prior to the award of such a contract, the contractor shall disclose contributions to:

- any State, county, or municipal committee of a political party
- any legislative leadership committee*
- any continuing political committee (a.k.a., political action committee)
- any candidate committee of a candidate for, or holder of, an elective office:
    - of the public entity awarding the contract
    - of that county in which that public entity is located
    - of another public entity within that county
    - or of a legislative district in which that public entity is located or, when the public entity is a county, of any legislative district which includes all or part of the county. The disclosure must list reportable contributions to any of the committees that exceed $300 per election cycle that were made during the 12 months prior to award of the contract. See N.J.S.A. 19:44A-8 and 19:44A-16 for more details on reportable contributions.

N.J.S.A. 19:44A-20.26 itemizes the parties from whom contributions must be disclosed when a business entity is not a natural person. This includes the following:

- individuals with an "interest" ownership or control of more than 10% of the profits or assets of a business entity or 10% of the stock in the case of a business entity that is a corporation for profit
- all principals, partners, officers, or directors of the business entity or their spouses
- any subsidiaries directly or indirectly controlled by the business entity
- IRS Code Section 527 New Jersey based organizations, directly or indirectly controlled by the business entity and filing as continuing political committees, (PACs). When the business entity is a natural person, "a contribution by that person's spouse or child, residing therewith, shall be deemed to be a contribution by the business entity." [N.J.S.A. 19:44A-20.26(b)] The contributor must be listed on the disclosure. Any business entity that fails to comply with the disclosure provisions shall be subject to a fine imposed by ELEC in an amount to be determined by the Commission which may be based upon the amount that the business entity failed to report. The enclosed list of agencies is provided to assist the contractor in identifying those public agencies whose elected official and/or candidate campaign committees are affected by the disclosure requirement. It is the contractor's responsibility to identify the specific committees to which contributions may have been made and need to be disclosed. The disclosed information may exceed the minimum requirement. The enclosed form, a content-consistent facsimile, or an electronic data file containing the required details (along with a signed cover sheet) may be used as the contractor's submission and is disclosable to the public under the Open Public Records Act. The contractor must also complete the attached Stockholder Disclosure Certification. This will assist the agency in meeting its obligations under the law.

NOTE: This section does not apply to Board of Education contracts.

[1] N.J.S.A. 19:44A-3(s): "The term "legislative leadership committee" means a committee established, authorized to be established, or designated by the President of the Senate, the Minority Leader of the Senate, the Speaker of the General Assembly or the Minority Leader of the General Assembly pursuant to section 16 of P.L.1993, c.65 (C.19:44A-10.1) for the purpose of receiving contributions and making expenditures."

C. 271 POLITICAL CONTRIBUTION DISCLOSURE FORM

Required Pursuant To N.J.S.A. 19:44A-20.26

This form or its permitted facsimile must be submitted to the local unit no later than 10 days prior to the award of the contract.

Part I – Vendor Information

Vendor Name:	Insert vendor name here.		
Address:	Insert street address here.		
City:	Insert City Here.	State:State.	Zip:Zip Code

The undersigned being authorized to certify, hereby certifies that the submission provided herein represents compliance with the provisions of N.J.S.A. 19:44A-20.26 and as represented by the Instructions accompanying this form.

	Insert Full Name	Insert Title.
Signature of Vendor	Printed Name	Title

Part II – Contribution Disclosure

Disclosure requirement: Pursuant to N.J.S.A. 19:44A-20.26 this disclosure must include all reportable political contributions (more than $300 per election cycle) over the 12 months prior to submission to the committees of the government entities listed on the form provided by the local unit.

☐ Check here if disclosure is provided in electronic form.

Contributor Name	Recipient Name	Date	Dollar Amount
			$

☐ Check here if the information is continued on subsequent page(s)

Continuation Page

C. 271 POLITICAL CONTRIBUTION DISCLOSURE FORM

Required Pursuant To N.J.S.A. 19:44A-20.26

Page ___ of ______

Vendor Name:

Contributor Name	**Recipient Name**	**Date**	**Dollar Amount**
Contributor Name	Recipient Name	Date	Amount
Contributor Name	Recipient Name	Date	Amount
Contributor Name	Recipient Name	Date	Amount
Contributor Name	Recipient Name	Date	Amount
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Contributor Name	Recipient Name	Date	$Amount
Contributor Name	Recipient Name	Date	$Amount
Contributor Name	Recipient Name	Date	$Amount
Contributor Name	Recipient Name	Date	$Amount

☐ Check here if the information is continued on subsequent page(s)

List of Agencies with Elected Officials Required for Political Contribution Disclosure

N.J.S.A. 19:44A-20.26

County Name:

State: Governor, and Legislative Leadership Committees

Legislative District #s:

State Senator and two members of the General Assembly per district.

County:

Freeholders	County Clerk	Sheriff
{County Executive}	Surrogate	

Municipalities (Mayor and members of governing body, regardless of title):

USERS SHOULD CREATE THEIR OWN FORM, OR DOWNLOAD FROM WWW.NJ.GOV/DCA/LGS/P2P A COUNTY-BASED, CUSTOMIZABLE FORM.

E. *Stockholder Disclosure Certification*

Name of Business:

☐ I certify that the list below contains the names and home addresses of all stockholders holding 10% or more of the issued and outstanding stock of the undersigned.

OR

☐ I certify that no one stockholder owns 10% or more of the issued and outstanding stock of the undersigned.

Check the box that represents the type of business organization:

☐ Partnership
☐ Corporation
☐ Sole Proprietorship
☐ Limited Partnership
☐ Limited Liability Corporation
☐ Limited Liability Partnership
☐ Subchapter S Corporation

Sign and notarize the form below, and, if necessary, complete the stockholder list below.

Stockholders:

Name: Stockholder Name	Name: Stockholder Name

Home Address: Home Address	Home Address: Home Address
Name: Stockholder Name Home Address: Home Address	Name: Stockholder Name Home Address: Home Address
Name: Stockholder Name Home Address: Home Address	Name: Stockholder Name Home Address: Home Address
Subscribed and sworn before me this ___ day of ___________, 2 __. (Notary Public) My Commission expires:	_________________________________ (Affiant) _________________________________ (Print name & title of affiant) (Corporate Seal)

PROPOSAL FORM 17: GENERAL TERMS AND CONDITIONS ACCEPTANCE FORM

Check one of the following responses to the General Terms and Conditions in this solicitation, including the Master Agreement:

☒ We take no exceptions/deviations to the general terms and conditions

*(**Note**: If none are listed below, it is understood that no exceptions/deviations are taken.)*

☐ We take the following exceptions/deviations to the general terms and conditions. All exceptions/deviations must be clearly explained. Reference the corresponding general terms and conditions that you are taking exceptions/deviations to. Clearly state if you are adding additions terms and conditions to the general terms and conditions. Provide details on your exceptions/deviations below:

1. Key Missing Provisions.

- warranties, limitations on warranties.
- limitation on liability.
- intellectual property ownership.
- service level agreements

Please Note: Please see Appendix C: GTY Standard Term & Conditions

*(**Note**: Unacceptable exceptions shall remove your proposal from consideration for award. CCOG shall be the sole judge on the acceptance of exceptions/deviations and the decision shall be final.)*

PROPOSAL FORM 18: EQUALIS GROUP ADMINISTRATION AGREEMENT DECLARATION

Attachment A - Sample Administration Agreement of this solicitation is for reference only. Contracting with Equalis Group and the Winning Supplier will occur after contract award.

Execution of the Administration Agreement is required for the Master Agreement to be administered by Equalis Group. **Attachment A - Sample Administration Agreement** defines i) the roles and responsibilities of both parties relating to marketing and selling the Program to current and prospective Members, and ii) the financial terms between Equalis Group and Winning Supplier.

Redlined copies of this agreement should not be submitted with the response. Should a respondent be recommended for award, this agreement will be negotiated and executed between Equalis Group and the respondent. Respondents must select one of the following options for submitting their response.

☒ Bidder agrees to all terms and conditions outlined in the **Attachment A - Sample Administration Agreement**.

☐ Bidder wishes to negotiate directly with Equalis Group on terms and conditions outlined in the Sample Administration Agreement. Negotiations will commence after CCOG has completed contract award.

PROPOSAL FORM 19: MASTER AGREEMENT SIGNATURE FORM

BIDDERS MUST SUBMIT THIS FORM COMPLETED AND SIGNED WITH THEIR RESPONSE TO BE CONSIDERED FOR AWARD.

The undersigned hereby proposes and agrees to furnish Products & Services in strict compliance with the terms, specifications, and conditions contained within this RFP and the Master Agreement at the prices proposed within the submitted proposal unless noted in writing. The undersigned further certifies that he/she is an officer of the company and has authority to negotiate and bind the company named below and has not prepared this proposal in collusion with any other Bidder and that the contents of this proposal as to prices, terms or conditions of said proposal have not been communicated by the undersigned nor by any employee or agent to any person engaged in this type of business prior to the official opening of this proposal.

Company Name	GTY Technology Holdings Inc.
Address	800 Boylston Street, 16th Floor
City/State/Zip	Boston, MA 02199
Phone Number	626.204.5338
Email Address	james.ha@gtytechnology.com
Printed Name	James HA
Job Title	Chief Growth Officer
Authorized Signature	

Initial Term of the Master Agreement

Contract Effective Date:	January 1, 2023
Contract Expiration Date:	December 31, 2026
Contract Number:	

*(**Note**: Contract Number will be applied prior to CCOG and Equalis Group countersigning.)*

The Cooperative Council of Governments, Inc. 6001 Cochran Road, Suite 333 Cleveland, Ohio 44139		Equalis Group, LLC. 5550 Granite Parkway, Suite 298 Plano, Texas 75024	
By:		By:	
Name:	Scott A. Morgan	Name:	Eric Merkle
As:	CCOG Board President	As:	SVP, Procurement & Operations
Date:		Date:	

APPENDIX A

GTY Technology Holdings Inc. – Financials

GTY Technology Holdings Inc.

GTY TECHNOLOGY HOLDINGS INC.

FORM 10-Q
(Quarterly Report)

Filed 05/13/22 for the Period Ending 03/31/22

Address	800 BOYLSTON STREET
	16TH FLOOR
	BOSTON, MA, 02199
Telephone	8774653200
CIK	0001682325
Symbol	GTYH
SIC Code	7374 - Services-Computer Processing and Data Preparation
Industry	IT Services & Consulting
Sector	Technology
Fiscal Year	12/31

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

GTY TECHNOLOGY HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Massachusetts	**001-37931**	**83-2860149**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

800 Boylston Street, 16th Floor Boston, MA 02199
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(877) 465-3200**

Not Applicable
(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	GTYH	Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 13, 2022, 59,409,278 shares of common stock, par value $0.0001 per share, were outstanding.

GTY TECHNOLOGY HOLDINGS INC.

Form 10-Q

For the Quarter Ended March 31, 2022

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

GTY TECHNOLOGY HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	March 31, 2022 (unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 11,274	$ 13,329
Accounts receivable, net	13,510	12,604
Prepaid expenses and other current assets	5,766	4,191
Total current assets	30,550	30,124
Property and equipment, net	3,120	3,208
Finance lease right of use assets	643	722
Operating lease right of use assets	3,281	1,876
Intangible assets, net	82,935	86,528
Goodwill	268,808	268,808
Other assets	3,860	3,678
Total assets	$ 393,197	$ 394,944
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 7,430	$ 5,483
Deferred revenue - current portion	28,688	26,816
Finance lease liability - current portion	41	140
Operating lease liability - current portion	827	581
Contingent consideration - current portion	547	13
Total current liabilities	37,533	33,033
Deferred revenue - less current portion	1,687	1,979
Warrant liability	1,912	4,868
Deferred tax liability	17,137	17,738
Contingent consideration - less current portion	40,807	43,032
Term loans, net	24,940	24,641
Operating lease liability - less current portion	3,859	2,716
Total liabilities	127,875	128,007
Commitments and contingencies		
Shareholders' equity:		
Common stock	6	6
Exchangeable shares	47,447	50,358
Additional paid in capital	407,851	401,507
Accumulated other comprehensive loss	(437)	(44)
Treasury stock	(8,343)	(8,343)
Accumulated deficit	(181,202)	(176,547)
Total shareholders' equity	265,322	266,937
Total liabilities and shareholders' equity	$ 393,197	$ 394,944

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)
(Amounts in thousands, except per share amounts)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Revenues	$ 15,900	$ 13,259
Cost of revenues	6,037	4,742
Gross Profit	9,863	8,517
Operating expenses		
Sales and marketing	5,245	3,762
General and administrative	6,295	5,193
Research and development	4,033	2,985
Amortization of intangible assets	3,593	3,599
Change in fair value of contingent consideration	(1,677)	1,114
Total operating expenses	17,489	16,653
Loss from operations	(7,626)	(8,136)
Other income (expense)		
Interest expense, net	(687)	(859)
Loss from repurchase/issuance of shares	—	(5,333)
Change in fair value of warrant liability	2,956	(4,038)
Gain on extinguishment of debt	—	239
Other income (loss), net	(41)	(71)
Total other income (expense), net	2,228	(10,062)
Loss before income taxes	(5,398)	(18,198)
Benefit from income taxes	743	170
Net loss	(4,655)	(18,028)
Net loss per share, basic and diluted	$ (0.08)	$ (0.32)
Weighted average common shares outstanding, basic and diluted	58,033	55,828
Net loss	$ (4,655)	$ (18,028)
Other comprehensive gain (loss):		
Foreign currency translation gain (loss)	(393)	255
Total other comprehensive gain (loss)	(393)	255
Comprehensive loss	$ (5,048)	$ (17,773)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(Amounts in thousands, except share amounts)

Three Months Ended March 31, 2022

	Common Stock		Exchangeable Shares		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
Balance - December 31, 2021	**57,604,854**	**$ 6**	**5,586,251**	**$ 50,358**	**$ 401,507**	**$ (8,343)**	**$ (176,547)**	**$ (44)**	**$ 266,937**
Net loss	—	—	—	—	—	—	(4,655)	—	**(4,655)**
Foreign currency translation loss	—	—	—	—	—	—	—	(393)	**(393)**
Share-based compensation	—	—	—	—	3,432	—	—	—	**3,432**
Vested and issued restricted stock units	1,399,254	—	—	—	—	—	—	—	**—**
Stock option exercises	1,155	—	—	—	1	—	—	—	**1**
Common stock issued for exchangeable shares	291,167	—	(291,167)	(2,911)	2,911	—	—	—	—
Balance - March 31, 2022	**59,296,430**	**$ 6**	**5,295,084**	**$ 47,447**	**$ 407,851**	**$ (8,343)**	**$ (181,202)**	**$ (437)**	**$ 265,322**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(Amounts in thousands, except share amounts)

Three Months Ended March 31, 2021

	Common Stock		Exchangeable Shares		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
Balance - December 31, 2020	**55,570,282**	**$ 6**	**5,972,779**	**$ 54,224**	**$ 390,232**	**$ (5,633)**	**$ (129,030)**	**$ 6**	**$ 309,805**
Adjustment for correction of an error - warrant liability	—	—	—	—	(9,351)	—	6,311	—	**(3,040)**
Balance - December 31, 2020, as adjusted	**55,570,282**	**6**	**5,972,779**	**54,224**	**380,881**	**(5,633)**	**(122,719)**	**6**	**306,765**
Net loss	—	—	—	—	—	—	(18,028)	—	**(18,028)**
Foreign currency translation gain	—	—	—	—	—	—	—	255	**255**
Share-based compensation	—	—	—	—	1,823	—	—	—	**1,823**
Issuance of common stock	935,633	—	—	—	6,790	—	—	—	**6,790**
Common stock repurchases	(525,060)	—	—	—	—	(2,710)	—	—	**(2,710)**
Vested and issued restricted stock units	1,095,689	—	—	—	—	—	—	—	**—**
Stock option exercises	792	—	—	—	1	—	—	—	**1**
Common stock issued for exchangeable shares	358,658	—	(358,658)	(3,587)	3,587	—	—	—	**—**
Balance - March 31, 2021	**57,435,994**	**$ 6**	**5,614,121**	**$ 50,637**	**$ 393,082**	**$ (8,343)**	**$ (140,747)**	**$ 261**	**$ 294,896**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Amounts in thousands)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows from operating activities:		
Net loss	$ (4,655)	$ (18,028)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	257	253
Amortization of intangible assets	3,593	3,599
Amortization of right of use assets	269	279
Share-based compensation	3,432	1,823
Deferred income tax benefit	(601)	(170)
Loss on issuance/repurchase of shares	—	5,333
Change in fair value of warrant liability	(2,956)	4,038
Change in fair value of contingent consideration	(1,677)	1,114
Amortization of deferred debt issuance costs	166	172
Accrual of paid in kind interest	132	130
Gain on extinguishment of debt	—	(239)
Bad debt expense	—	5
Loss on disposal of fixed assets	—	24
Changes in operating assets and liabilities:		
Accounts receivable	(866)	(789)
Prepaid expenses and other assets	(1,749)	(1,536)
Accounts payable and accrued liabilities	1,799	(813)
Deferred revenue and other liabilities	1,394	1,747
Operating lease liabilities	(229)	(348)
Net cash used in operating activities	(1,691)	(3,406)
Cash flows from investing activities:		
Capital expenditures	(170)	(31)
Proceeds from disposal of fixed assets	—	6
Net cash used in investing activities	(170)	(25)
Cash flows from financing activities:		
Contingent consideration payments	(14)	(28)
Stock options exercises	1	1
Common stock repurchases	—	(8,043)
Proceeds from issuance of common stock, net of costs	—	6,790
Repayments of finance lease liabilities	(99)	(144)
Net cash used in financing activities	(112)	(1,424)
Effect of foreign currency on cash and cash equivalents	(82)	(9)
Net change in cash and cash equivalents	(2,055)	(4,864)
Cash and cash equivalents, beginning of period	13,329	22,800
Cash and cash equivalents, end of period	**$ 11,274**	**$ 17,936**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
SUPPLEMENTAL CASH FLOWS DISCLOSURE
(Amounts in thousands)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 518	$ 510
Noncash Investing and Financing Activities:		
Exchangeable shares converted to common stock	$ 2,911	$ 3,587

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GTY TECHNOLOGY HOLDINGS, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
MARCH 31, 2022

(Amounts in tables in thousands, except share and per share amounts)

Note 1. Organization and Business Operations

GTY Technology Holdings Inc. and its subsidiaries ("GTY" or the "Company") offers a cloud-based suite of solutions primarily for North American state and local governments. GTY's cloud-based suite of solutions for state and local governments addresses functions in procurement, payments, grant management, budgeting and permitting.

The Company is headquartered in Boston, Massachusetts and has other offices in the United States and Canada. The following is a brief description of the Company's primary subsidiaries and their businesses.

Bonfire, a Procurement Business

Bonfire Interactive Ltd. ("Bonfire" or "Procurement") was incorporated on March 5, 2012 under the laws of the Province of Ontario. Bonfire is a provider of strategic sourcing and procurement software, serving customers in government, the broader public sector, and various highly regulated commercial vertical markets. Bonfire offers customers and their sourcing professionals a modern software-as-a-service ("SaaS") application that helps find, engage, evaluate, negotiate and award vendor and supplier contracts. Bonfire delivers workflow automation, data collection and analysis, and collaboration to drive cost savings, compliance, and strategic outcomes. All of Bonfire's applications are delivered as a SaaS offering, and Bonfire offers implementation and premium support services.

CityBase, a Payments Business

CityBase, Inc. ("CityBase" or "Payments"), a Delaware corporation headquartered in Chicago, provides dynamic content, digital services, and integrated payments via a SaaS platform that includes technological functionality accessible via web and mobile, kiosk, point-of-sale, and other channels. CityBase software integrates its platform to underlying systems of record, billing, and other source systems, and configures payments and digital services to meet the requirements of its customers, which include government agencies and utility companies.

eCivis, a Grants Management Business

eCivis, Inc. ("eCivis" or "Grants Management"), a Delaware corporation headquartered in Los Angeles, California, is a leading SaaS provider of grants management and indirect cost reimbursement solutions that enable its customers to standardize and streamline complex grant processes in a fully integrated platform. The eCivis platform consists of four core cloud-based products, including grants research, grants management, sub-recipient management, and cost allocation and recovery. To assist its customers in the implementation of its cloud-based products, eCivis offers one-time implementation services, including data integration, grants migration and change management. Additionally, eCivis provides ongoing grants management training, cost allocation plan consulting and cost recovery services.

Open Counter, a Permitting Business

Open Counter Enterprises Inc. ("Open Counter" or "Permitting"), a Delaware corporation headquartered in Boston, Massachusetts, is a developer and provider of software tools for cities to streamline permitting and licensing services for municipal governments. Open Counter provides customers with software through a hosted platform and provides professional services related to software implementation.

Questica, a Budget Business

Questica Software Inc. ("Questica" and, collectively with Sherpa, "Budget") is a British Columbia corporation organized in 1998 and headquartered in Burlington, Ontario, Canada. Questica designs and develops budgeting software that supports the unique requirements of the public sector. The Questica suite of products are part of a comprehensive web-based budgeting preparation, performance, management, data visualization and visual publication solution that enables public sector and non-profit organizations to improve and shorten their budgeting cycles.

Sherpa, a Budget Business

Sherpa Government Solutions LLC (“Sherpa” and, collectively with Questica, “Budget”) is a Colorado limited liability company headquartered in Denver, Colorado, established in 2004. Sherpa is a leading provider of public sector budgeting software and consulting services that help state and local governments create and manage budgets and performance. Customers purchase Sherpa’s software and then engage its consulting services to configure the software and receive training on how to manage the software going forward. Following implementation, customers continue to use the software in exchange for maintenance or subscription fees.

Note 2. Going Concern and Liquidity

The Company’s condensed consolidated financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the condensed consolidated financial statements, the Company had an accumulated deficit of approximately $181.2 million at March 31, 2022, a net loss of approximately $4.7 million, approximately $1.7 million net cash used in operating activities for the three months ended March 31, 2022, and $30.0 million of term loans due within 12 months of the date of these condensed consolidated financial statements. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

The Company is attempting to further expand its customer base; scale up its production of various products; increase revenue; and replace the term loans with financing with terms similar to the current agreement in place; however, the Company’s cash position may not be sufficient to support its daily operations through the next twelve months from the date of filing this 10-Q. While the Company believes in the viability of its platform and in its ability to raise additional funds by way of a public or private offering, there can be no assurances to that effect.

The condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Certain information and disclosures normally included in condensed consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission (“SEC”) on February 18, 2022.

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The accompanying condensed consolidated financial statements reflect all normal recurring adjustments that are necessary to present fairly the results for the interim periods presented. Interim results are not necessarily indicative of the results for the full year ending December 31, 2022.

Certain reclassifications have been made to conform to current period presentation. These reclassifications include the presentation of the gain on extinguishment of debt and the proceeds from the disposal of fixed assets. There was no impact to net loss or net change in cash and cash equivalents, respectively.

Principles of Consolidation

The condensed consolidated financial statements include all accounts of the Company and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in the accompanying condensed consolidated financial statements.

Use of Estimates

The preparation of the condensed consolidated financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheets and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates include revenue recognition, the carrying value of goodwill, the fair value of acquired intangibles, the capitalization of software development costs, the useful lives of intangible assets, share-based compensation, right of use assets, warrant liability, financing and operating lease liabilities, contingent consideration and the valuation allowance of deferred tax assets resulting from net operating losses.

COVID-19 Update

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause customer slowdowns or shutdowns, depress demand, and adversely impact results of operations. During the quarter ended March 31, 2022, the Company faced significant uncertainties and continues to expect uncertainties around its key accounting estimates to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. Estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in the consolidated financial statements.

Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 as filed with the SEC on February 18, 2022.

Fair Value

The fair value of an asset or liability is the price that would be received to sell an asset or transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes a fair value hierarchy that maximizes the use of observable inputs and

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minimizes the use of unobservable inputs when measuring fair value and defines three levels of inputs that may be used to measure fair value.

- Level 1 — uses quoted prices in active markets for identical assets or liabilities.
- Level 2 — uses observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — uses one or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment.

The Company's only material financial instruments carried at fair value as of March 31, 2022 and December 31, 2021, with changes in fair value flowing through current earnings, consist of contingent consideration liabilities recorded in conjunction with business combinations and the fair value of its warrant liabilities are as follows:

		Fair Value Measurement at Reporting Date Using		
	Balance as of March 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contingent consideration – current	$ 547	$ —	$ —	$ 547
Contingent consideration – long term	40,807	—	—	40,807
Warrant liability	1,912	—	—	1,912
Total liabilities measured at fair value	$ 43,266	$ —	$ —	$ 43,266

		Fair Value Measurement at Reporting Date Using		
	Balance as of December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contingent consideration – current	$ 13	$ —	$ —	$ 13
Contingent consideration – long term	43,032	—	—	43,032
Warrant liability	4,868	—	—	4,868
Total liabilities measured at fair value	$ 47,913	$ —	$ —	$ 47,913

There were no transfers made among the three levels in the fair value hierarchy during the three months ended March 31, 2022.

The following tables present additional information about Level 3 liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealized gains and losses for liabilities within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

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Changes in contingent consideration liabilities measured at fair value from December 31, 2021 to March 31, 2022 were as follows:

Contingent consideration – December 31, 2021	$ 43,045
Change in fair value of contingent consideration	(1,677)
Payments of contingent consideration	(14)
Contingent consideration – March 31, 2022	$ 41,354

On February 19, 2019, the Company consummated several acquisitions (collectively, the "Acquisition"), pursuant to which it acquired each of Bonfire, CityBase, eCivis , Open Counter, Questica and Sherpa (together with Bonfire, CityBase, eCivis, Open Counter and Questica, the "Acquired Companies").

The fair value of the Company's contingent consideration liabilities recorded as part of the Acquisition has been classified within Level 3 in the fair value hierarchy. The contingent consideration represents the estimated fair value of future payments due to the sellers based on each company's achievement of annual earnings targets in certain years and other events considered in certain transaction documents. The fair values of the contingent consideration were calculated through the use of either Monte Carlo simulation or modified Black-Scholes analyses based on earnings projections for the respective earn-out periods, corresponding earnings thresholds, and approximate timing of payments as outlined in the purchase agreements for each of the Acquired Companies. The analyses utilized the following assumptions: (i) expected term; (ii) risk-adjusted net sales or earnings; (iii) risk-free interest rate; and (iv) expected volatility of earnings. Estimated payments, as determined through the respective models, were further discounted by a credit spread assumption to account for credit risk. The contingent consideration is revalued to fair value each period, and any increase or decrease is recorded in operating income (loss). The fair value of the contingent consideration may be impacted by certain unobservable inputs, most significantly with regard to discount rates, expected volatility and historical and projected performance. Significant changes to these inputs in isolation could result in a significantly different fair value measurement.

As of March 31, 2022, the contingent consideration liability consists of consideration due to former shareholders of CityBase and shareholders associated with an asset purchase by eCivis prior to the Acquisition.

Shareholders associated with CityBase may receive, upon CityBase's trailing twelve-month net revenue exceeding $37.0 million, or the CityBase threshold, on or prior to December 31, 2048, an earnout payment equal to a number of shares (or, in the case of certain individuals associated with CityBase who are not accredited investors, the cash value thereof) of our common stock calculated by dividing $54.5 million by the greater of (x) $10.00 or (y) the volume-weighted average closing price for the shares of our common stock for the 30 trading days immediately preceding the payment date. The fair value of contingent consideration as of March 31, 2022 is $40.8 million. The valuation of contingent consideration as of March 31, 2022 was derived from a Monte Carlo simulation of payout patterns from revenue estimates provided by the Company.

Pursuant to the terms of a 2018 asset purchase agreement by eCivis, shareholders associated with the purchase may receive cash consideration equal to 7.5% of new revenue between $500,000 and 999,999.99, 10% of new revenue above $1,000,000, 2% of renewal revenue up to 249,999.99 3% of renewal revenue between $250,000.00 to $749,999.99 and 5% above $750,000.00 in each earn-out year beginning in 2018 and ending in 2022. Only revenue derived from the acquired assets is eligible. The potential undiscounted amount of all future payments that the Company could be required to make is unlimited. The total fair value of the associated contingent liability as of March 31, 2022 is approximately $0.5 million. The valuation of contingent consideration as of March 31, 2022 was derived from a discounted cash flow model based on expected payment amounts estimated by the Company.

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Changes in the warrant liability measured at fair value from December 31, 2021 to March 31, 2022 were as follows:

Warrant liability – December 31, 2021	$ 4,868
Change in fair value of warrant liability	(2,956)
Warrant liability – March 31, 2022	$ 1,912

The warrant liability was estimated using a Black-Scholes model derived from a Monte Carlo simulation of the Company's outstanding public warrants. These inputs were primarily derived from the implied volatility of the traded public warrant price. The warrant liability is revalued to fair value each period, and any increase or decrease is recorded in other income (expense).

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and term loans approximates fair value because of the short-term nature of these instruments.

The Company measures certain assets at fair value on a non-recurring basis, generally annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include goodwill and other intangible assets.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Disaggregation of Revenues

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Subscriptions, support and maintenance	$ 12,545	$ 10,165
Professional services	3,012	2,941
License	39	63
Asset sales	304	90
Total revenues	$ 15,900	$ 13,259

Revenues

Subscription, support and maintenance. The Company delivers its solutions primarily as a subscription service that provides customers with access to SaaS related support and updates during the term of the arrangement. Revenues are recognized ratably over the contract term as the customer simultaneously receives and consumes the benefits of the subscription, as the service is made available by the Company. The first year of subscription fees are typically payable within 30 days after the execution of a contract, and thereafter upon renewal. The Company initially records subscription fees as contract liabilities and recognizes revenues on a straight-line basis over the term of the agreement.

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The Company's contracts may include variable consideration in the form of usage fees, which are constrained and recognized once the uncertainties associated with the constraint are resolved, which is when usage occurs and the fee is known.

Subscription, support and maintenance revenues also includes kiosk rentals and support or maintenance pertaining to license sales. Revenues from kiosk rentals and support are recognized on a straight-line basis over the support period.

Revenues from subscription, support and maintenance comprised approximately 79% and 77% of total revenues for the three months ended March 31, 2022 and 2021, respectively.

Professional services. The Company's professional services contracts generate revenues on a time and materials or fixed fee basis. Revenues are recognized as the services are rendered for time and materials contracts. Revenues are recognized when the milestones are achieved and accepted by the customer or on a proportional performance basis for fixed fee contracts. Training revenues are recognized as the services are performed. Revenues from professional services comprised approximately 19% and 22% of total revenues for the three months ended March 31, 2022 and 2021, respectively.

License. Revenues from distinct licensed software are recognized upfront when the software is made available to the customer, which normally coincides with contract execution, as this is when the customer has the risks and rewards of the right to use the software. Revenues from licenses comprised less than 1% of total revenues for the three months ended March 31, 2022 and 2021.

Asset sales. Revenues from asset sales are recognized when the asset, typically a kiosk, has been received by the customer and is fully operational and ready to accept transactions, which is when the customer obtains control and has the risks and rewards of the asset. Asset sales comprised approximately 2% and 1% of total revenues for the three months ended March 31, 2022 and 2021, respectively.

Net Loss per Share

Net loss per share of common stock is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share of common stock is computed similarly to basic net income per share of common stock except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. Due to the net loss for the three months ended March 31, 2022 and 2021, diluted and basic loss per share are the same.

Securities that could potentially dilute net loss per share in the future that were not included in the computation of diluted loss per share at March 31, 2022 and 2021 are as follows:

	2022	2021
Warrants to purchase common stock	27,093,316	27,093,334
Unvested restricted stock units	2,900,250	3,173,584
Options to purchase common stock	239,088	245,112
Total	30,232,654	30,512,030

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Income Taxes

In determining the quarterly benefit from income taxes, the Company uses the annual estimated effective tax rate applied to the actual year-to-date loss, adjusted for discrete items arising in that quarter. The Company's annual estimated effective tax rate differs from the U.S. federal statutory rate of 21% as a result of state taxes, foreign taxes and changes in the Company's valuation allowance for domestic income taxes. For the three months ended March 31, 2022 and 2021, the Company recorded a $0.7 million and $0.2 million benefit from income taxes, respectively.

Recently Adopted Accounting Pronouncements

On January 1, 2021, the Company adopted ASU 2019-12, Income Taxes (Topic 740), *Simplifying the Accounting for Income Taxes.* ASU 2019-12 simplifies various aspects related to accounting for income taxes, removes certain exceptions to the general principles in Topic 740 and clarifies and amends existing guidance to improve consistent application. The adoption of this new standard did not have a material impact on the Company's condensed consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In November 2021, the Financial Accounting Standards Board issued ASU No. 2021-10, *Government Assistance (Topic 832): Disclosure by Business Entities about Government Assistance* (ASU 2021-10), which requires the disclosure of government assistance received by most business entities relating to: (1) the types of government assistance received; (2) the accounting for such assistance; and (3) the effect of the assistance on a business entity's financial statements. This guidance will be effective for our annual financial statements for the year ended December 31, 2022. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

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Note 4. Intangible Assets

The Company recognized goodwill and certain identifiable intangible assets in connection with business combinations. Identifiable intangible assets consist of the following as of March 31, 2022 and December 31, 2021:

	March 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents / Developed Technology	$ 60,084	$ (23,350)	$ 36,734
Trade Names / Trademarks	16,348	(5,235)	11,113
Customer Relationships	51,003	(15,915)	35,088
Non-Compete Agreements	1,162	(1,162)	-
Total Intangibles	$ 128,597	$ (45,662)	$ 82,935

	December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents / Developed Technology	$ 60,084	$ (21,494)	$ 38,590
Trade Names / Trademarks	16,348	(4,836)	11,512
Customer Relationships	51,003	(14,630)	36,373
Non-Compete Agreements	1,162	(1,109)	53
Total Intangibles	$ 128,597	$ (42,069)	$ 86,528

Amortization expense recognized by the Company related to intangible assets was $3.6 million for each of the three months ended March 31, 2022 and 2021.

The estimated aggregate future amortization expense for intangible assets is as follows:

Nine months ending December 31, 2022	10,683
Year ending December 31, 2023	14,224
Year ending December 31, 2024	14,263
Year ending December 31, 2025	14,224
Year ending December 31, 2026	14,224
Thereafter	15,317
	$ 82,935

Note 5. Leases

The Company leases office space under agreements classified as operating leases that expire on various dates through 2030. Such leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of the Company's leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and right of use assets as the Company is not reasonably certain to exercise the options. Variable expenses generally represent the Company's share of the landlord's operating expenses.

At March 31, 2022, the Company had operating right of use assets of approximately $3.3 million and operating lease liabilities of approximately $4.7 million, which are included in the condensed consolidated balance sheet. The right of use assets obtained in exchange for new operating lease liabilities was approximately $1.6 million for the three months ended March 31, 2022.

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The Company purchases kiosks that are funded by finance leases that expire on various dates through 2023 and are included in fixed assets. At March 31, 2022, the Company had finance lease right of use assets of $0.6 million and finance lease liabilities of less than $0.1 million.

The following summarizes quantitative information about the Company's leases:

Three Months Ended March 31, 2022:

	Procurement	Payments	Grants Management	Budget	Total
Finance lease cost					
Amortization of right-of-use assets	$ —	$ 79	$ —	$ —	$ 79
Interest	—	3	—	—	3
Operating lease cost	112	33	30	110	285
Total lease cost	$ 112	$ 115	$ 30	$ 110	$ 367

	Procurement	Payments	Grants Management	Budget	Total
Weighted-average remaining lease term – finance leases	N/A	0.2	N/A	N/A	0.2
Weighted-average remaining lease term – operating leases	0.3	4.9	0.8	8.6	6.2
Weighted-average discount rate – finance leases	N/A	13.0 %	N/A	N/A	13.0 %
Weighted-average discount rate – operating leases	10.0 %	10.0 %	8.0 %	4.8 %	6.6 %

As of March 31, 2022, future minimum lease payments under non-cancellable leases are as follows:

	Procurement	Payments	Grants Management	Budget	Operating Leases	Finance Leases
Year Ending December 31, 2022	$ 125	$ 291	$ 103	$ 326	$ 845	$ 45
Year Ending December 31, 2023	—	394	—	386	780	—
Year Ending December 31, 2024	—	400	—	371	771	—
Year Ending December 31, 2025	—	407	—	421	828	—
Year Ending December 31, 2026	—	413	—	421	834	—
Thereafter	—	69	—	1,704	1,773	—
Total	$ 125	$ 1,974	$ 103	$ 3,629	$ 5,831	$ 45
Less present value discount	(2)	(424)	(4)	(715)	(1,145)	(4)
Present value of lease liabilities	$ 123	$ 1,550	$ 99	$ 2,914	$ 4,686	$ 41

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Note 6. Term Loans

Credit Facility

On November 13, 2020, the Company entered into a senior secured term loan facility ("November 2020 Credit Facility") that provides for borrowing of term loans in an aggregate principal amount of $25,000,000. The November 2020 Credit Facility has a maturity date of 30 months from the borrowing of the term loans. Amounts outstanding under the November 2020 Credit Facility accrue interest at a rate of eight percent plus LIBOR and two percent payment-in-kind ("PIK") interest. The November 2020 Credit Facility is supported by a security interest in the assets of the Company and includes certain financial covenants pertaining to annual recurring revenue, revenue, and cash. As of March 31, 2022, the Company was compliant with all financial covenants.

For the three months ended March 31, 2022 and 2021, the Company recognized $0.7 million and $0.8 million of interest expense, including amortization of deferred issuance costs, respectively, under the November 2020 Credit Facility. At March 31, 2022 and December 31, 2021, the Company had accrued approximately $0.2 million and $0.3 million of accrued cash interest and $0.7 million and $0.6 million of PIK interest, respectively.

The Company's term loan as of March 31, 2022 is summarized as follows:

	November 2020 Credit Facility
Principal	$ 25,000
Payment-in-kind ("PIK") accrued interest	732
Unamortized deferred issuance costs	(792)
Term loans, net	$ 24,940
Maturity date	May 2023
Interest rate	8% + LIBOR
PIK interest rate	2%

Note 7. Commitments and Contingencies

Legal Proceedings

From time to time, the Company may become involved in legal proceedings arising in the ordinary course of its business. The Company is not currently a party to any legal proceedings that, if determined adversely to the Company, would have a material adverse effect on the Company.

Indemnification

Additionally, in the ordinary course of business, the Company may provide indemnification of varying scope and terms to customers, vendors, investors, directors and officers with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying

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agreement and the maximum potential amount of future payments that the Company could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is indeterminable. The Company has never paid a material claim, nor has it been sued in connection with these indemnification arrangements.

As of March 31, 2022 and December 31, 2021, the Company has not accrued a liability for any legal proceedings, claims or indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with them is not probable or reasonably estimable.

Note 8. Shareholders' Equity

Common Stock – GTY is authorized to issue 400,000,000 shares of common stock with a par value of $0.0001 per share. The Company had 60,917,843 shares issued and 59,296,430 shares outstanding as of March 31, 2022 and 59,226,267 shares issued and 57,604,854 shares outstanding as of December 31, 2021, net of treasury stock.

On February 4, 2022, the Company entered into an At Market Issuance Sales Agreement with B. Riley Securities, Inc. ("B. Riley Securities") and Needham & Company, LLC ("Needham & Company" and together with B. Riley Securities, the "Sales Agents") with respect to an at-the-market offering program under which the Company may offer and sell, from time to time at its sole discretion, shares of its common stock, par value $0.0001 per share, having an aggregate offering price of up to $10.0 million through B. Riley Securities and Needham & Company as its sales agents. The issuance and sale, if any, of shares of common stock by the Company under the At Market Sales Agreement will be made pursuant to the Company's effective registration statement on Form S-3 (File No. 333-262289). The parties agreed that the At Market Issuance Sales Agreement dated November 25, 2020 between the Company and the Sales Agents (the "Prior ATM Agreement") has terminated. During the three months ended March 31, 2021, the Company sold 935,633 of common shares for $6.8 million in proceeds under the Prior ATM Agreement.

During the three months ended March 31, 2022 and 2021, the Company issued 291,167 and 358,658 shares of common stock, respectively, for the same number of exchangeable shares to the former shareholders of Questica and Bonfire.

Share Redemptions

Under the agreements with eCivis, the Company acquired eCivis for aggregate consideration of approximately $14.0 million in cash and 2,883,433 shares of Company common stock, including 703,631 shares of the Company's common stock which are redeemable for cash at any time in the sole discretion of the Company for a price of $10.00 per share (the "Redeemable Shares"). Upon redemption of the Redeemable Shares, the Company must simultaneously redeem additional shares from the holder equal to 40% of the number of Redeemable Shares being redeemed (the "Additional Shares") at $10 per share. If the Redeemable Shares were not redeemed by February 12, 2020 and February 12, 2021, the Company was required to issue additional shares, as calculated based on the number of outstanding Redeemable Shares. In June 2019, 178,571 Redeemable Shares and 71,428 Additional Shares were redeemed and the Company recorded a $0.8 million loss. During February 2020, the Company issued 334,254 Additional Shares and recorded a $2.1 million loss. The remaining 525,060 shares of common stock were redeemed for a total of $8.0 million and the Company recorded a $5.3 million loss during the three months ended March 31, 2021.

Preferred Shares – GTY is authorized to issue 25,000,000 preferred shares with a par value of $0.0001 per share. As of March 31, 2022 and December 31, 2021, there were no preferred shares issued or outstanding.

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Warrants

At March 31, 2022, there were a total of 27,093,316 warrants outstanding including 18,400,000 public warrants and 8,693,316 private warrants. The warrants were originally sold as part of the units offered in the Company's initial public offering and expire five years from the date of the Acquisition or February 2024. Each warrant entitles the holder thereof to purchase one share of common stock at a price of $11.50 per share, subject to adjustments. The warrants may be exercised only for a whole number of shares of common stock. No fractional shares will be issued upon exercise of the warrants.

The Company may call the public warrants for redemption, in whole and not in part, at a price of $0.01 per warrant, upon not less than 30 days' prior written notice of redemption to each warrant holder, if, and only if, the reported last sale price of common stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sends the notice of redemption to the warrant holders. The private warrants are not callable for redemption and are marked to market and included in warrant liabilities with non-cash fair value adjustments recorded into earnings during each reporting period.

Note 9. Share-Based Compensation

Stock Options

In connection with the Acquisition, the Company adopted a stock option plan and issued 408,667 stock options to employees. The total fair value of the stock options at the grant date was $3.6 million.

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Total Intrinsic Value
Outstanding as of December 31, 2021	240,421	$ 2.28	6.0	$ 1,130
Granted	—	—	—	—
Exercised	(1,155)	1.16		
Forfeited/expired	(178)	1.16		
Outstanding as of March 31, 2022	239,088	$ 2.29	5.7	$ 1,091
Options vested and exercisable	232,401	$ 2.28	5.7	$ 1,062

For each of the three months ended March 31, 2022 and 2021, the Company recorded less than $0.1 million of share-based compensation expense related to the options. As of March 31, 2022, the Company has less than $0.1 million of unrecognized share-based compensation cost to be recognized over 0.2 years.

Restricted Stock Units

Subsequent to the Acquisition, the Company adopted a plan to issue restricted stock units ("RSUs") to employees as annual performance awards. RSUs may vest in ratable annual installments over either two or four years, as applicable, from the date, or RSUs may vest subject to the achievement of certain performance conditions over a three-year performance period, in each case, assuming continuous service by the employees through the applicable vesting dates.

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A summary of the Company's RSU's and related information is as follows:

	Number of Units	Weighted Average Grant Price
Unvested as of December 31, 2021	3,751,306	$ 5.73
Granted	1,375,826	4.20
Vested	(2,022,842)	5.40
Forfeited/expired	(204,040)	5.59
Unvested as of March 31, 2022	2,900,250	$ 5.25

For the three months ended March 31, 2022 and 2021, the Company recorded approximately $3.4 million and $1.8 million, respectively, of share-based compensation expense related to the RSUs. As of March 31, 2022, the Company had unrecognized share-based compensation expense related to all unvested RSUs of approximately $13.7 million. The weighted average remaining contractual term of unvested RSUs is approximately 1.2 years at March 31, 2022. 177,246 of the unvested RSUs contain performance conditions subject to achieving segment specific revenue and profitability metrics.

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(Amounts in tables in thousands, except share and per share amounts)

Note 10. Segment Reporting

The Company conducts its business through the following five operating segments: Procurement, Payments, Grants Management, Permitting, and Budget.

The accounting policies of the operating segments are the same as those described in Note 3. The following provides operating information about the Company's reportable segments for the periods presented:

	Corporate	Procurement	Payments	Grants Management	Permitting	Budget	Total
Three Months Ended March 31, 2022							
Total revenue	$ —	2,939	3,046	2,153	729	7,033	$ 15,900
Cost of revenues	—	676	1,974	1,007	207	2,173	6,037
Income (loss) from operations	(2,627)	(909)	(1,797)	(1,551)	(409)	(333)	(7,626)
Amortization of intangible assets	—	642	1,339	326	302	984	3,593
Depreciation expense	—	43	93	9	1	111	257
Interest income (expense), net	(687)	—	—	—	—	—	(687)
Benefit from (provision for) income taxes	—	859	—	—	—	(116)	743
Three Months Ended March 31, 2021							
Total revenue	$ —	2,437	2,229	1,750	695	6,148	$ 13,259
Cost of revenues	—	470	1,566	650	154	1,902	4,742
Loss from operations	(1,756)	(805)	(4,846)	(969)	(387)	627	(8,136)
Amortization of intangible assets	—	651	1,355	323	297	973	3,599
Depreciation expense	—	47	94	9	2	101	253
Interest income (expense), net	(844)	—	(12)	(3)	—	—	(859)
Benefit from (provision for) income taxes	—	—	—	—	—	170	170
As of March 31, 2022							
Goodwill	$ —	68,744	77,622	45,140	16,834	60,468	$ 268,808
Assets	9,566	92,919	82,205	52,470	21,600	134,437	393,197
As of December 31, 2021							
Goodwill	$ —	68,744	77,622	45,140	16,834	60,468	$ 268,808
Assets	15,063	92,352	84,940	53,168	22,186	127,235	394,944

Revenues from North America customers accounted for greater than 90% of the Company's revenues for the periods presented.

Note 11. Subsequent Events

Second Amendment to November 2020 Credit Facility

On April 1, 2022, the Company entered into a Second Amendment to the November 2020 Credit Facility (the "Second Amendment"). Under the Second Amendment, a term loan in the aggregate principal amount of $5,000,000 was made (the "Second Amendment Term Loan"), in addition to the term loan in the aggregate principal amount of $25,000,000 previously made under the November 2020 Credit Facility (the "Initial Term Loan"). The terms and conditions of the Second Amendment Term Loan are substantially the same as the terms and conditions of the Initial Term Loan, except that (i) the closing fee for the Second Amendment Term Loan is 2.0% rather than 2.5% and (ii) no prepayment fee is payable with respect to the Second Amendment Term Loan.

GTY TECHNOLOGY HOLDINGS, INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
MARCH 31, 2022

(Amounts in tables in thousands, except share and per share amounts)

Agreement and Plan of Merger

On April 28, 2022, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with GI Georgia Midco Inc., a Delaware corporation ("Parent"), and GI Georgia Merger Sub Inc., a Massachusetts corporation and a wholly owned subsidiary of Parent ("Merger Sub"). The Merger Agreement provides, subject to its terms and conditions, for the acquisition of the Company by Parent at a price of $6.30 per share of common stock, par value $0.0001, of the Company (each, a "Share"), in cash, without interest and subject to deduction for any required withholding tax (the "Merger Consideration"), through the merger of Merger Sub with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly owned subsidiary of Parent. Parent and Merger Sub are owned by funds affiliated with GI Partners (collectively, "GI Partners"). The Company's shareholders will be asked to vote on the approval of the merger agreement at a special meeting of shareholders that will be held on a date to be announced. The merger agreement is subject to approval by holders of 66⅔% of the outstanding shares of the Company's capital stock entitled to vote on such matter at the special meeting of shareholders as well as receipt of regulatory approvals and satisfaction of other customary conditions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with the financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K filed with the SEC on February 18, 2022. Certain statements in this Quarterly Report on Form 10-Q are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements involve a number of risks, uncertainties and other factors that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that could materially affect such forward-looking statements can be found in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 and elsewhere in this Form 10-Q. Investors are urged to consider these factors carefully in evaluating any forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date hereof, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Certain statements in the following discussions are based on non-GAAP financial measures. A "non-GAAP financial measure" is a numerical measure of a registrant's historical or future financial performance, financial position or cash flows that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statements of comprehensive income, balance sheets or statements of cash flows of the issuer; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. The Company includes non-GAAP financial measures in this Management's Discussion and Analysis, as the Company's management believes that these measures and the information they provide are useful to investors because they permit investors to view the Company's performance using the same tools that management uses and to better evaluate the Company's ongoing business performance. In order to better align the Company's reported results with the internal metrics used by the Company's management to evaluate business performance as well as to provide better comparisons to prior periods and peer data, non-GAAP measures exclude the impact of purchase accounting related to the Acquisition. See "Reconciliation of Non-GAAP Revenues" below for more information and reconciliations of such measures to the nearest comparable GAAP measures.

Overview

We are a public sector company that offers a cloud-based suite of solutions primarily for North American state and local governments. Our six wholly-owned subsidiaries are Bonfire, CityBase, eCivis, Open Counter, Questica and Sherpa. Through our operating subsidiaries, we serve some of the fastest growing segments in the government technology sector, specifically procurement, payments, grants management, permitting, and budgeting.

We were formed on August 11, 2016 for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses (the "business combination"). Until the business combination, we did not engage in any operations nor generate any revenues. We recognized an opportunity to replace costly legacy on-premises software systems with scalable and efficient SaaS products. Our search led to the acquisition (the "Acquisition") of Bonfire, CityBase, eCivis, Open Counter, Questica, and Sherpa on February 19, 2019.

Our customers are primarily located in the United States and Canada, including counties, municipalities, special districts, law enforcement agencies and public school districts. We plan to continue to increase our customer base by leveraging our comprehensive product portfolio with our existing customer base, investing in direct sales to new customers, and using relationships with other companies that offer complementary products and services.

We have historically signed a high percentage of agreements with new customers, as well as renewal agreements with existing customers, in the second and third quarters of each year and usually during the last month of the quarter. This can be attributed to buying patterns typical in the public sector. As the terms of most of our customer agreements are measured in full year increments, agreements initially entered into in any given month of any quarter will generally come up for renewal at that same time in subsequent years. This seasonality is reflected in our invoicing and cash flows with our highest collections occurring in the second half of each calendar year.

Our variable consideration or usage fee revenue is also dependent on the payment patterns of our customers' constituents. Historically, a high percentage of these usage fees have been earned in the second and fourth quarters of each year. This seasonality is also reflected in our revenues and cash flows during the respective periods.

Expansion and Further Penetration of Our Customer Base. We employ a strategy that focuses on acquiring new customers and growing our relationships with existing customers over time. We believe that significant opportunity exists for us to acquire new customers as well as expand the use of our platforms by selling additional products and increasing the number of users within our current customers' organizations.

Investment in Growth. We plan to continue to invest in our business so that we can capitalize on our market opportunity. We intend to continue to grow our sales and marketing team to acquire new customers and to increase sales to existing customers. We intend to continue to grow our research and development team to extend the functionality and range of our applications. We also intend to invest in new and improved information technology solutions to support our business. However, we expect our sales and marketing expenses and research and development expenses as a percentage of revenues to decrease over time as we grow our revenues and gain economies of scale by increasing our customer base and increase sales to our existing customer base. We believe that these investments will contribute to our long-term growth, although they may adversely affect our profitability in the near term.

Leveraging Relationships. We plan to continue to strengthen and expand our relationships with technology vendors, professional services firms, and resellers. These relationships enable us to increase the speed of deployment and offer a wider range of integrated services to our customers. We intend to support these existing relationships, seek additional relationships and further expand our channel of resellers to help us increase our presence in existing markets and to expand into new markets. Our business and results of operations will be significantly affected by whether we succeed in leveraging and expanding these relationships.

Market Adoption of Our Platforms. A key focus of our sales and marketing efforts is creating market awareness about the benefits of our cloud-based SaaS platforms. The market for SaaS solutions is less mature than the market for on-premise software applications, and potential customers may be slow or unwilling to migrate from their legacy solutions. Our business and operating results will be significantly affected by the degree to and speed with which organizations adopt our solutions.

Key Components of our Results of Operations

Revenues

Subscription, support and maintenance. We deliver our solutions primarily as a subscription service and provide customers with access to SaaS-related support and updates during the term of the arrangement. Revenues are recognized ratably over the contract term as the customer simultaneously receives and consumes the benefits of the subscription service. Subscription fees are typically payable within 30 days after the execution of a contract, and thereafter upon renewal. We initially record subscription fees as contract liabilities and recognize revenues on a straight-line basis over the term of the agreement.

Our contracts may include variable consideration in the form of usage fees, which are included in the transaction price in the period in which the usage occurs and the fee is known.

Subscription, support and maintenance revenues also includes kiosk rentals and support or maintenance pertaining to license sales. Revenues from kiosk rentals and support are recognized on a straight-line basis over the support period.

Revenues from subscription, support and maintenance comprised approximately 79% and 77% of total revenues for the three months ended March 31, 2022 and 2021, respectively.

Professional services. Our professional services contracts generate revenues on a time and materials, fixed fee or subscription basis. Revenues are recognized as the services are rendered for time and materials contracts. Revenues are recognized when the milestones are achieved and accepted by the customer or on a proportional performance basis for fixed fee contracts. Revenues are recognized ratably over the contract term for subscription contracts. The milestone method for revenue recognition is used when there is substantive uncertainty at the date the contract is entered into regarding whether the milestone will be achieved. Training revenues are recognized as the services are performed. Revenues from professional services comprised approximately 19% and 22% of total revenues for the three months ended March 31, 2022 and 2021, respectively.

License. Revenues from distinct licensed software are recognized upfront when that software is made available to the customer, which normally coincides with contract execution, as this is when the customer has the risks and rewards of the right to use the software. Revenues from licenses comprised less than 1% for the three months ended March 31, 2022 and 2021.

Asset sales. Revenues from asset sales are recognized when the asset, typically a kiosk, has been received by the customer and is fully operational and ready to accept transactions, which is when the customer obtains control and has the risks and rewards of the asset. Asset sales comprised approximately 2% and 1% of total revenues for the three months ended March 31, 2022 and 2021, respectively.

Cost of Revenues

Cost of revenues primarily consists of salaries and benefits of personnel relating to our hosting operations and support, implementation, and grants research. Cost of revenues includes data center costs including depreciation of the Company's data center assets, third-party licensing costs, consulting fees, and the amortization of acquired technology from recent acquisitions.

Operating Expenses

Sales and marketing

Sales and marketing expenses consist primarily of personnel costs of our sales and marketing employees, including salaries, sales commissions and incentives and benefits, travel and related costs, outside consulting fees, marketing programs, including lead generation, and costs of advertising and trade shows. We defer sales commissions and amortize them ratably over the expected customer life. We expect that sales and marketing expenses will increase as we expand our direct sales teams and increase sales through our strategic relationships and resellers.

Research and development

Research and development expenses consist primarily of salaries and benefits associated with our engineering, product and quality assurance personnel. Research and development expenses also include the cost of third-party contractors. Other than internal-use software development costs that qualify for capitalization, research and development costs are expensed as incurred. We expect research and development costs to increase as we develop new solutions and make improvements to our existing platforms.

General and administrative

General and administrative expenses consist primarily of salaries and benefits with our executive, finance, legal, human resources, compliance and other administrative personnel, accounting, auditing and legal professional services fees, recruitment costs, and other corporate-related expenses. We expect that general and administrative expenses will increase as we scale our business, but at a lower rate over time.

Results of Operations

Three Months Ended March 31, 2022 Compared to the Three Months Ended March 31, 2021

Total revenues

Our total revenues were $15.9 million for the three months ended March 31, 2022. Excluding the $0.1 million impact of purchase accounting, our total non-GAAP revenues for the three months ended March 31, 2022 was $16.0 million compared to $13.4 million for the three months ended March 31, 2021, representing a 20% increase. This increase was driven by an increase in the number of customers, an increase in the number of users added by existing customers and an increase in the number of products purchased by existing customers. The change in revenues for each operating segment is provided in the following table (in thousands, except percentages):

	Generally Accepted Accounting Principles ("GAAP")				Non-GAAP			
	Total Revenues 2022	Total Revenues 2021	Increase / (Decrease) in Dollars	Increase / (Decrease) in %	Total Revenues 2022	Total Revenues 2021	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Procurement	$ 2,939	$ 2,437	$ 502	21 %	$ 2,939	$ 2,437	$ 502	21 %
Payments	3,046	2,229	817	37 %	3,175	2,351	824	35 %
Grants Management	2,153	1,750	403	23 %	2,153	1,750	403	23 %
Permitting	729	695	34	5 %	729	695	34	5 %
Budget	7,033	6,148	885	14 %	7,033	6,148	885	14 %
Total	$ 15,900	$ 13,259	$ 2,641	20 %	$ 16,029	$ 13,381	$ 2,648	20 %

A reconciliation of non-GAAP revenues and other non-GAAP financial measures is included in the section titled "Reconciliation of Non-GAAP Financial Measures" in this Quarterly Report on Form 10-Q.

Total cost of revenues

Our total cost of revenues for the three months ended March 31, 2022 increased primarily as a result of costs associated with our headcount additions to support our revenue growth. The change in cost of revenues for each operating segment is due to the following (in thousands, except percentages):

	Total Cost of Revenues 2022	Total Cost of Revenues 2021	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Procurement	$ 676	$ 470	$ 206	44 %
Payments	1,974	1,566	408	26 %
Grants Management	1,007	650	357	55 %
Permitting	207	154	53	34 %
Budget	2,173	1,902	271	14 %
Total	$ 6,037	$ 4,742	$ 1,295	27 %

Procurement

Procurement's total cost of revenues increased by $0.2 million or 44% primarily due to a $0.1 million or 30% increase in salaries and wages driven by a 33% increase in average headcount from March 31, 2021 to March 31, 2022 and a $0.1 million increase in stock-based compensation related to the issuance of restricted stock units.

Payments

Payments' total cost of revenues increased by $0.4 million or 26% primarily due to a $0.2 million increase in kiosk operations, a $0.1 million increase in costs associated with the sale of kiosks, and a $0.1 million increase in implementation costs.

Grants Management

Grants Management's total cost of revenues increased by $0.4 million or 55% primary due to a $0.1 million increase in hosting costs, a $0.1 million increase in the cost of third-party contractors to support implementations, a $0.1 million increase in royalty expense, and a $0.1 million or 21% increase in salaries and wages.

Permitting

Permitting's total cost of revenues increased by $0.1 million or 55% due to a $0.1 million increase in salaries and wages.

Budget

Budget's total cost of revenues increased by $0.3 million or 14% primarily due to a $0.3 million or 26% increase in salaries and wages driven by a 17% increase in average headcount from March 31, 2021 to March 31, 2022.

Operating expenses (sales and marketing, general and administrative, and research and development)

Our operating expenses (including sales and marketing, general and administrative and research and development expenses) for the three months ended March 31, 2022 have increased due primarily to an increase in salaries and wages from an increase in headcount, reestablishment of business travel, and expansion of third-party costs to support operations. The change in operating expenses for each operating segment is due to the following (in thousands, except percentages):

	Total Operating Expenses 2022	Total Operating Expenses 2021	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Procurement	$ 2,531	$ 2,121	$ 410	19 %
Payments	3,208	3,054	154	5 %
Grants Management	2,370	1,732	638	37 %
Permitting	629	631	(2)	(0)%
Budget	4,207	2,646	1,561	59 %
Corporate	2,628	1,756	872	50 %
Total	$ 15,573	$ 11,940	$ 3,633	30 %

Procurement

Procurement's total operating expense increased by $0.4 million or 19% primarily due to a $0.3 million or 52% increase in research and development expense, a $0.2 million or 18% increase in sales and marketing expense, and partially offset by a $0.1 million or 8% decrease in general and administrative expense. The increase in research and development expense was primarily due to a $0.3 million or 53% increase in salaries and wages due to a 58% increase in average headcount from March 31, 2021 to March 31, 2022. The increase in sales and marketing expense was primarily due to a $0.2 million or 28% increase in salaries and wages due to a 21% increase in average headcount from March 31, 2021 to March 31, 2022. The decrease in general and administrative expense was primarily due to a $0.1 million decrease in share-based compensation expense.

Payments

Payments' total operating expense increased by $0.2 million or 5% primarily due to a $0.2 million or 18% increase in research and development expense. The increase in research and development expense was primarily due to a $0.2 million or 15% increase in salaries and wages due to a 21% increase in average headcount from March 31, 2021 to March 31, 2022.

Grants Management

Grants Management's total operating expense increased by $0.6 million or 37% primarily due to a $0.4 million or 78% increase in research and development expense and a $0.2 million or 31% increase in sales and marketing expense. The increase in research and development expense was due to a $0.3 million increase in the cost of third-party contractors. The increase in sales and marketing expense was due to a $0.2 million or 47% increase in salaries and wages due to a 68% increase in average headcount from March 31, 2021 to March 31, 2022.

Permitting

Permitting's total operating expense was materially consistent year-over-year.

Budget

Budget's total operating expense increased by $1.6 million or 59% primarily due to a $0.8 million or 75% increase in sales and marketing expense and a $0.7 million or 69% increase in general and administrative expense. The increase in sales and marketing expense was primarily due to a $0.4 million or 53% increase in salaries and wages and a $0.3 million increase in share-based compensation expense. The increase in salaries and wages was due primarily to a 39% increase in average headcount from March 31, 2021 to March 31, 2022. The increase in general and administrative expense was primarily due to a $0.8 million increase in share-based compensation expense.

Corporate

Corporate expenses are primarily comprised of outside services including legal, accounting and consulting fees, payroll and related expenses, corporate insurance, and share-based compensation. Corporate expenses increased by $0.9 million or 50% due to a $0.4 million or 29% increase in salaries and wages, a $0.2 million increase in share-based compensation expense, a $0.1 million increase in insurance costs, and a $0.1 million increase in outside services.

Other operating expenses

Amortization of intangible assets

Amortization of intangible assets consists of the amortization of finite lived intangibles resulting from the Acquisition as described in Note 4 of the notes to our condensed consolidated financial statements.

Change in fair value of contingent consideration

The change in fair value of contingent consideration consists of any adjustments to the contingent consideration liability since the Acquisition.

Other income (expense)

Interest income (expense)

Interest income (expense) is primarily comprised of the investments held by GTY Corporate, offset by interest under the November 2020 Credit Facility.

Loss on repurchase/issuance of shares

Loss on repurchase/issuance of shares is comprised of the difference in fair value between the price in which shares are issued and the market value on the date of grant.

Change in fair value of warrant liability

Change in fair value between the current price of the Company's warrants and the previously reported price.

Gain on extinguishment of debt

Gain on extinguishment of debt is comprised of debt forgiveness associated with loans under the Paycheck Protection Program.

Other income (loss)

Other income (loss) is comprised primarily of unrealized gains and losses associated with transactions in currencies that are not denominated in U.S. Dollars.

Reconciliation of Non-GAAP Revenues

To supplement our condensed consolidated financial statements, which are prepared in accordance with U.S. generally accepted accounting principles, or GAAP, we have provided certain financial measures that have not been prepared in accordance with GAAP ("non-GAAP financial measures"), which include (i) non-GAAP revenues, (ii) non-GAAP gross profit and non-GAAP gross margin and (iii) non-GAAP loss from operations.

We use these non-GAAP financial measures internally in analyzing our financial results and believe that these metrics are useful to investors, as a supplement to the corresponding GAAP measure, in evaluating our ongoing operational performance and trends. However, it is important to note that particular items we exclude from, or include in, our non-GAAP financial measures may differ from the items excluded from, or included in, similar non-GAAP financial measures used by other companies in the same industry. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

Non-GAAP Revenues. Non-GAAP revenues are defined as GAAP revenues adjusted for the impact of purchase accounting resulting from a company's business combination which reduced its acquired contract liabilities to fair value. The Company believes that presenting non-GAAP revenues is useful to investors as it eliminates the impact of the purchase accounting adjustments to revenues to allow for a direct comparison between current and future periods.

Non-GAAP Gross Profit and Non-GAAP Gross Margin. Non-GAAP gross profit is defined as GAAP gross profit adjusted for the impact of purchase accounting resulting from a company's business combination and share-based compensation included in cost of revenues. Non-GAAP gross margin is defined as non-GAAP gross profit divided by non-GAAP revenues. The Company believes that presenting non-GAAP gross profit and margin is useful to investors as it eliminates the impact of the purchase accounting adjustments to allow for a direct comparison between periods.

Non-GAAP Loss from Operations. Non-GAAP loss from operations is defined as GAAP loss from operations adjusted for the impact of purchase accounting to revenues resulting from a company's business combination, the amortization of acquired intangible assets, share-based compensation, acquisition related costs, goodwill impairment expense, restructuring charges and the change in fair value of contingent consideration. The Company believes that presenting non-GAAP loss from operations is useful to investors as it eliminates the impact of certain non-cash and acquisition related expenses to allow a direct comparison of loss from operations between all periods presented.

Below is a reconciliation of non-GAAP revenues, non-GAAP gross profit and non-GAAP gross margin and non-GAAP loss from operations to their most directly comparable GAAP financial measures (in thousands, except percentages):

	Three Months Ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Revenues	$ 15,900	$ 16,620	$ 13,259
Purchase accounting adjustment to revenue	129	104	122
Non-GAAP Revenues	**$ 16,029**	**$ 16,724**	**$ 13,381**
Gross Profit	$ 9,863	$ 10,120	$ 8,517
Purchase accounting adjustment to revenue	129	104	122
Share-based compensation	447	357	292
Non-GAAP Gross Profit	**$ 10,439**	**$ 10,581**	**$ 8,931**
Gross Margin	62 %	61 %	64 %
Non-GAAP Gross Margin	**65 %**	**63 %**	**67 %**
Loss from operations	$ (7,626)	$ (20,976)	$ (8,136)
Purchase accounting adjustment to revenue	129	104	122
Amortization of intangibles	3,593	3,668	3,599
Share-based compensation	3,432	2,942	1,823
Goodwill impairment expense	—	15,827	—
Change in fair value of contingent consideration	(1,677)	(3,002)	1,114
Non-GAAP Loss from operations	**$ (2,149)**	**$ (1,437)**	**$ (1,478)**

Below is a reconciliation of non-GAAP revenues to revenues by operating segment:

	Three Months Ended March 31,					
	Procurement	Payments	Grants Management	Permitting	Budget	Total Revenues
Revenues 2022	$ 2,939	$ 3,046	$ 2,153	$ 729	$ 7,033	$ 15,900
Purchase accounting adjustment to revenues	—	129	—	—	—	129
Non-GAAP Revenues 2021	$ 2,939	$ 3,175	$ 2,153	$ 729	$ 7,033	$ 16,029
Revenues 2021	$ 2,437	$ 2,229	$ 1,750	$ 695	$ 6,148	$ 13,259
Purchase accounting adjustment to revenues	—	122	—	—	—	122
Non-GAAP Revenues 2020	$ 2,437	$ 2,351	$ 1,750	$ 695	$ 6,148	$ 13,381
% change	*21 %*	*35 %*	*23 %*	*5 %*	*14 %*	*20 %*

Liquidity and Capital Resources

As of March 31, 2022, we had a cash balance of approximately $11.3 million. From the date of the Acquisition through March 31, 2022, our liquidity needs have been satisfied through proceeds from the January–February 2020 private investment in public equity, or PIPE, transactions, proceeds from our initial public offering that were released in February 2019 from the trust account established in connection with such offering for the benefit of our shareholders, proceeds from our June 2019 registered direct offering, proceeds from our February 2020 and November 2020 credit facilities, proceeds from issuances of stock under our at-the-market offering program, and loan proceeds in April–May 2020 from the Paycheck Protection Program.

As reflected in the condensed consolidated financial statements, the Company had an accumulated deficit of approximately $181.2 million at March 31, 2022, a net loss of approximately $4.7 million, approximately $1.7 million net cash used in operating activities for the three months ended March 31, 2022, and $30.0 million of term loans due within 12 months of the date of these condensed consolidated financial statements. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company is attempting to further expand its customer base; scale up its production of various products; increase revenue; and replace the term loans with financing with terms similar to the current agreement in place; however, the Company's cash position may not be sufficient to support its daily operations through the next twelve months from the date of filing this 10-Q. While the Company believes in the viability of its platform and in its ability to raise additional funds by way of a public or private offering, there can be no assurances to that effect.

The condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

COVID-19 Update

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause customer slowdowns or shutdowns, depress demand, and adversely impact results of operations. During the quarter ended March 31, 2022, the Company faced significant uncertainties and continues to expect uncertainties around its key accounting estimates to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. Estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in the consolidated financial statements.

Historical Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net cash used in operating activities	$ (1,691)	$ (3,406)
Net cash used in investing activities	$ (170)	$ (25)
Net cash used in financing activities	$ (112)	$ (1,424)

Net Cash Used In Operating Activities

Our net loss and cash flows from operating activities are significantly influenced by our investments in headcount and infrastructure to support anticipated growth.

For the three months ended March 31, 2022, net cash used in operations was $1.7 million resulting from our net loss of $4.7 million and partially offset by changes in operating assets and liabilities of $0.4 million and net non-cash expenses of $2.6 million. The $2.6 million of non-cash expenses was comprised of $3.6 million of amortization of intangible assets acquired as a result of the Acquisition, $3.4 million from share-based compensation resulting from our issuance of stock options and restricted stock units, and partially offset by a $3.0 million change in fair value of warrant liability and a $1.7 million change in contingent consideration. The changes in operating assets and liabilities of $0.4 million was comprised primarily of a $1.8 million increase in accounts payable and accrued liabilities and a $1.4 million increase in deferred revenue and other liabilities and partially offset by a $1.7 million increase in prepaid expenses and other assets, a $0.9 million increase in accounts receivable, and a $0.2 million decrease in operating lease liabilities.

For the three months ended March 31, 2021, net cash used in operations was $3.4 million resulting from our net loss of $18.0 million and changes in operating assets and liabilities of $1.7 million, offset by net non-cash expenses of $16.4 million. The $16.4 million of non-cash expenses was comprised of a $5.3 million loss associated with the redemption of common stock, a $4.0 million change in fair value of warrant liability, $3.6 million of amortization of intangible assets acquired as a result of the Acquisition, $1.8 million from share-based compensation resulting from our issuance of stock options and restricted stock units and a $1.1 million change in contingent consideration, offset by $0.2 million of deferred tax benefits related to the tax and book basis difference on the amortization of intangible assets and $0.2 million gain on extinguishment of debt. The changes in operating assets and liabilities of $(1.7) million was comprised primarily of a $1.5 million increase in prepaid expenses and other assets, a $0.8 million decrease in accounts payable and accrued liabilities, and a $0.8 million increase in accounts receivable, offset by a $1.7 million increase in deferred revenue and other long-term liabilities.

Net Cash Used In Investing Activities

Our primary investing activities have consisted of capital expenditures.

For the three months ended March 31, 2022, cash used in investing activities was $0.2 million resulting from capital expenditures.

For the three months ended March 31, 2021, cash used in investing activities was less than $0.1 million resulting from capital expenditures.

Net Cash Used in Financing Activities

For the three months ended March 31, 2022, cash used in financing activities was $0.1 million primarily due to repayments of finance lease liabilities.

For the three months ended March 31, 2021, cash used in financing activities was $1.4 million primarily due to $8.0 million in redemptions of common shares offset by $6.8 million in proceeds from the issuance of common stock.

Critical Accounting Policies and Use of Estimates

See Note 3 of the notes to our unaudited condensed consolidated financial statements.

Recent Accounting Pronouncements

The impact of recently issued accounting standards is set forth in Note 3, Summary of Significant Accounting Policies, of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet transactions. We have no guarantees or obligations other than those which arise out of normal business operations.

Contractual Obligations and Commitments

As of March 31, 2022, there were no significant changes to our contractual obligations from those presented as of December 31, 2021 in our Annual Report on Form 10-K filed with the SEC on February 18, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

During the three ended March 31, 2022, there were no material changes to our interest rate risk disclosures, market risk disclosures and foreign currency exchange rate risk disclosures reported in our Annual Report on Form 10-K filed with the SEC on February 18, 2022 for the year ended December 31, 2021.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and our Principal Financial Officer, to allow timely decisions regarding required disclosure.

The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

With respect to the quarter ended March 31, 2022, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures. Based upon this evaluation, the Company's Principal Executive Officer and Principal Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Based on its evaluation, management concluded that our internal control over financial reporting was effective as of March 31, 2022.

Changes in Internal Control over Financial Reporting

During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As previously disclosed, on March 19, 2021, the Company received a request (the "Initial Request") from the Securities and Exchange Commission (the "SEC") for documents relating to the Company's business combination consummated on February 19, 2019 and related transactions, including those described in a Form 8-K filed by the Company on February 14, 2019. The Company cooperated in the SEC's investigation and delivered its last response to the Initial Request on August 6, 2021. On May 9, 2022, the Company received an additional request from the SEC for documents relating to such business combination and intends to cooperate with such additional request and any further requests it receives from the SEC.

Item 1A. Risk Factors

The reader should carefully consider, in connection with the other information in this Quarterly Report on Form 10-Q, the factors discussed in the section entitled "Risk Factors" of our 2021 Annual Report on Form 10-K. These factors could cause our actual results to differ materially from those stated in forward-looking statements contained in this document and elsewhere.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds from Registered Securities

None.

Item 6. Exhibits.

Exhibit Number	Description
1.1	At Market Issuance Sales Agreement dated February 4, 2022 with the Sales Agents with respect to an at-the-market offering program under which the Company may offer and sell, from time to time at its sole discretion, shares of its common stock, par value $0.0001 per share having an aggregate offering price of up to $10,000,000 through the Sales Agents, and under which the parties agreed that the At Market Issuance Sales Agreement dated November 25, 2020 between them had terminated (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2022).
2.1†	Agreement and Plan of Merger, dated April 28, 2022, by and among GTY Technology Holdings Inc., GI Georgia Midco Inc. and GI Georgia Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2022).
3.1	Amended and Restated Bylaws of the Company (f/k/a GTY Govtech, Inc.) dated July 26, 2021 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on July 27, 2021).
10.1+	Waiver and Consent by TJ Parass dated January 26, 2022 with respect to the Parass Employment Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 26, 2022).
10.2+	Waiver and Consent by John Curran dated January 26, 2022 with respect to the Curran Employment Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on January 26, 2022).
10.3+	Waiver and Consent by David Farrell dated January 26, 2022 with respect to the Farrell Employment Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on January 26, 2022).
10.4	Second Amendment to Loan and Security Agreement dated April 1, 2022 by and among GTY Technology Holdings Inc., each of the subsidiary guarantors party thereto, the financial institutions parties thereto and Acquiom Agency Services LLC, as agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 6, 2022).
10.5+	First Amendment to Amended and Restated Employment Agreement dated April 28, 2022 by and between the Company and John Curran (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 3, 2022).
31.1*	Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer (Principal Financial Officer) Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1**	Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer (Principal Financial Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in exhibit 101)

* Filed herewith.

**Furnished herewith.

+ Management contract or any compensatory plan, contract or arrangement.

† Certain schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby agrees to furnish a copy of any omitted schedules to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on this 13th day of May, 2022.

GTY TECHNOLOGY HOLDINGS INC.

/s/ TJ Parass
Name: TJ Parass
Title: Chief Executive Officer
(Principal Executive Officer)

/s/ John Curran
Name: John Curran
Title: Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, TJ Parass, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 of GTY Technology Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepting accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 13, 2022

By:/s/ TJ Parass
TJ Parass
Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, John Curran, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 of GTY Technology Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepting accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 13, 2022

By: /s/ John Curran
John Curran
Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of GTY Technology Holdings Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, TJ Parass, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2022

/s/ TJ Parass

Name: TJ Parass
Title: Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of GTY Technology Holdings Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Curran, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2022

/s/ John Curran
Name: John Curran
Title: Chief Financial Officer
(Principal Financial Officer)

GTY TECHNOLOGY HOLDINGS INC.

FORM 10-K
(Annual Report)

Filed 02/18/22 for the Period Ending 12/31/21

Address	800 BOYLSTON STREET
	16TH FLOOR
	BOSTON, MA, 02199
Telephone	8774653200
CIK	0001682325
Symbol	GTYH
SIC Code	7374 - Services-Computer Processing and Data Preparation
Industry	IT Services & Consulting
Sector	Technology
Fiscal Year	12/31

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-37931

GTY Technology Holdings Inc.

(Exact name of Registrant as specified in its Charter)

Massachusetts (State or other jurisdiction of incorporation or organization)	**83-2860149** (I.R.S. Employer Identification No.)
800 Boylston Street, 16th Floor **Boston, Massachusetts** (Address of principal executive offices)	**02199** (Zip Code)

Registrant's telephone number, including area code: **(877) 465-3200**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Symbol	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	**GTYH**	**Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $272 million based upon the closing sale price of our common stock of $7.11 on that date. As of February 18, 2022, there were 59,405,228 shares of common stock, $0.0001 par value, issued and 57,783,815 outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Stockholders to be held in 2022, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation and availability of resources. Specifically, forward-looking statements may include statements relating to:

- the benefits of our February 2019 business combination (the "business combination");
- the future financial performance of the Company, including our revenues, cost of revenue, gross profit, operating expenses, ability to generate positive cash flow and ability to achieve profitability;
- the sufficiency of our cash to meet our liquidity needs;
- changes in the market for our products;
- expansion plans and opportunities; and
- other statements preceded by, followed by or that include the words “may,” “can,” “should,” “will,” “estimate,” “plan,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “target” or similar expressions.

You should not place undue reliance on these forward-looking statements in deciding whether to invest in our securities. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- public health crises, epidemics, and pandemics such as the COVID-19 pandemic;
- the extent of the impact of the COVID-19 pandemic, including the duration, spread, and severity of the outbreak and variants, vaccination rates, treatments, testing and any recurrence of the COVID-19 pandemic, the duration and scope of related government orders and restrictions and challenges to them, the impact on our employees, and the extent of the impact of the COVID-19 pandemic on overall demand for the Company’s cloud-based suite of solutions and related products and services;
- local, regional, national, and international economic conditions that have deteriorated as a result of the COVID-19 pandemic including the risks of inflation, the risks of a global recession or a recession in one or more of our key markets, and the impact they may have on us and our customers and our assessment of that impact;
- our ability to attract, retain, and motivate key employees and, if they depart, to recruit, hire and motivate replacements with comparable or better knowledge, skills and abilities;
- the risk that the ongoing integration of the businesses acquired in the business combination, or any subsequent acquisitions, may disrupt current plans and operations;
- the ability to fully recognize the anticipated benefits of the business combination and to recognize the benefits of any subsequent acquisitions, which may be affected by, among other things, competition and the ability of the combined business to grow and manage growth profitably;
- costs related to the business combination and any subsequent acquisitions;
- changes in applicable laws or regulations and the adoption of new accounting standards, statements and interpretations;
- legal proceedings and investigations that could harm our business, including those relating to former special purpose acquisition companies;

- the risk that we are unable to generate sufficient cash flow from our business to make payments on our debt;
- the ability to raise or borrow additional funds on acceptable terms;
- the possibility that we may be adversely affected by other economic, business, or competitive factors; and
- other risks and uncertainties described in this Annual Report on Form 10-K under "Risk Factors."

Our forward-looking statements speak only as of the time that they are made and do not necessarily reflect our outlook at any other point in time, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Unless the context indicates otherwise, the terms "GTY," the "Company," "we," "us" and "our" refer to GTY Technology Holdings Inc., a Massachusetts corporation, formerly known as GTY Govtech, Inc.

Item 1. Business.

GTY Business Overview

GTY is a software-as-a-service ("SaaS") company that offers a primarily cloud-based suite of solutions for the public sector in North America. GTY brings government technology companies together to achieve a new standard in citizen engagement and resource management. GTY solutions provide public sector organizations with the ability to communicate, engage, interact, conduct business, and transact with their constituents in procurement, payments, grants management, budgeting, and permitting.

GTY operates through the following subsidiaries: Bonfire Interactive Ltd., a Canadian company ("Bonfire" or "Procurement") provides strategic sourcing and procurement SaaS to enable confident and compliant spending decisions; CityBase, Inc. ("CityBase" or "Payments") and its wholly owned subsidiary, The Department of Better Technology, Inc. ("Better Technology") provide government payment solutions to connect constituents with utilities and government agencies; eCivis® Inc. ("eCivis" or "Grants Management"), offers a grants management system to maximize grant revenues and track performance; Open Counter Enterprises Inc. ("OpenCounter" or "Permitting") provides government permitting SaaS to guide applicants through complex permitting and licensing procedures; Questica® Software Inc. and Questica USCDN Inc., Canadian companies, and Questica Ltd., a U.S. subsidiary (collectively, "Questica") offer budget preparation and management SaaS and software to deliver on financial and non-financial strategic objectives; Sherpa Government Solutions LLC ("Sherpa" and, together with Questica, "Budget") provides public-sector budgeting SaaS, software and consulting services.

To help attract, develop and retain personnel, we focus on a variety of factors. We design recruitment practices to attract and hire the best people in support of our business and our customers. Market-based compensation and benefits, adjusted to account for the specific states, provinces and countries in which we operate in North America and the locations of employees, facilitate retention of the right people. Training is structured to provide our people with the skills they need to succeed in a modern technology company and in serving our public sector customers. Internal development opportunities, both in our business units and at the holding company, facilitate career development and motivation of, and satisfaction from, individual contributors, management and executives.

We were initially formed as a blank check company incorporated on August 11, 2016 as a Cayman Islands exempted company formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. Until the consummation of the business combination in 2019, we neither engaged in any operations nor generated any revenue.

On November 1, 2016, we consummated our initial public offering of 55,200,000 units, including the issuance of 7,200,000 units as a result of the underwriters' exercise of their over-allotment option in full. Each unit consisted of one Class A ordinary share and one-third of one warrant. Each whole warrant entitled the holder thereof to purchase one Class A ordinary share at a price of $11.50 per share. The units were sold at an offering price of $10.00 per unit, generating gross proceeds, before expenses, of $552 million. Prior to the consummation of the initial public offering, in August 2016, GTY Investors, LLC (the "Sponsor") purchased 8,625,000 Class B ordinary shares ("founder shares") for an aggregate purchase price of $25,000, or approximately $0.002 per share. On each of October 14 and October 26, 2016, we effected a share capitalization resulting in an aggregate of 11,500,000 and 13,800,000 founder shares outstanding, respectively. In October 2016, the Sponsor transferred 25,000 founder shares to each of our independent director nominees at the same per-share purchase price paid by the Sponsor.

Simultaneously with the closing of the initial public offering, we consummated the private placement of 8,693,334 private placement warrants, each exercisable to purchase one Class A ordinary share at $11.50 per share, at a price of $1.50 per private placement warrant, with the Sponsor, generating gross proceeds of approximately $13.04 million.

Upon the closing of the initial public offering and private placement on November 1, 2016, $552 million from the net proceeds of the sale of the units in the initial public offering and the private placement was placed in a U.S.-based trust account maintained by Continental Stock Transfer & Trust Company, acting as trustee.

Initially, we were required to complete our initial business combination by November 1, 2018, which was 24 months from the closing of our initial public offering. On October 30, 2018, our shareholders approved a proposal to amend our second amended and restated memorandum and articles of association to extend the date by which we had to consummate an initial business combination from November 1, 2018 to May 1, 2019. In connection with such proposal, our public shareholders had the right to elect to redeem their Class A ordinary shares for a per share price, payable in cash, based upon the aggregate amount then on deposit in the trust account. Our public shareholders holding 34,011,538 Class A ordinary shares out of a total of 55,200,000 Class A ordinary shares validly elected to redeem their shares and, accordingly, after giving effect to such redemptions, the balance in our trust account was approximately $216.8 million.

On February 19, 2019, we consummated the business combination pursuant to which we acquired Bonfire, CityBase, eCivis, OpenCounter, Questica, and Sherpa (the “Acquisition”). Until the Acquisition, GTY Technology Holdings Inc., a blank check company incorporated in the Cayman Islands (“GTY Cayman”) did not engage in any operations nor generate any revenues. 11,073,040 Class A ordinary shares were redeemed at a per share price of approximately $10.29 in connection with the shareholder vote to approve the business combination. In connection with the closing of the business combination, GTY Govtech, Inc. a Massachusetts corporation, became the parent company of and successor issuer by operation of Rule 12g-3(a) promulgated under the Exchange Act to our predecessor entity, GTY Cayman, and changed its name from GTY Govtech, Inc. to GTY Technology Holdings Inc.

Upon the closing of the business combination, all outstanding Class A ordinary shares were exchanged on a one-for-one basis for shares of common stock, and our outstanding warrants became exercisable for shares of common stock on the same terms as were contained in such warrants prior to the business combination.

Bonfire Business Overview

Bonfire, a corporation originally incorporated under the laws of the Province of Ontario, Canada and now a British Columbia corporation, was founded in 2012 and is a major provider of software technologies for the procurement and vendor or supplier sourcing industry across government, the broader public sector, and various highly-regulated commercial vertical markets. Bonfire offers customers and their sourcing professionals a modern SaaS application that helps find, engage, evaluate, negotiate with, and award contracts to suppliers. Bonfire delivers effective workflow automation, data collection and analysis, and collaboration to drive cost savings, compliance, and strategic outcomes.

Industry Background

The North American public sector represents a significant market for procurement technology. Procurement processes across various levels of government and public sector agencies account for an estimated 9% of gross domestic product for both the United States and Canada, which equals approximately $2.1 trillion per year for the United States and Canada combined. However, most of these spending decisions are made via manual paper processes, off-the-shelf spreadsheet technologies, and legacy internet-based sourcing portals.

In total, the North American public sector market includes over 99,000 cities, counties, towns, and other local government special agencies, and over 17,000 public institutions in academia, public healthcare, transit, utilities, and general state and federal agencies as of the most recent US Census of Governments. Despite differences in revenue sources, service delivery, and organizational mandates, each government body or entity shapes its sourcing practices in similar ways in response to state and federal procurement legislation and the emergence of various best practices.

Each public body faces a similar challenge: how to procure the best good or service, for the best cost, within often rigid compliance and policy directives from elected bodies or other regulation. This compliance- and policy-driven environment makes public sector procurement a significantly more complex and sensitive process than in the private sector. Public sector

procurement teams are typically stewards of tax-payer resources and are subjected to high sourcing scrutiny and ethics requirements. Such entities must balance competing interests like cost-savings, compliance, and quality to achieve uniquely positive outcomes.

Public sector procurement groups are more regularly transitioning tools from offline workflows to online SaaS-enabled platforms to fulfill this mandate. Legacy internet-based portals and procurement suites often fail to respect the complexities of making procurement decisions in a public sector context. Many are mere systems of record and rudimentary interface points for buyers and suppliers. Many more fail to help procurement teams with the key functionalities of managing and analyzing supplier data for optimal sourcing decisions.

Bonfire uniquely captures the complexity and depth of public sector sourcing workflows; the SaaS allows procurement teams to collect highly granular supplier data, analyze and evaluate it across discrete criteria, and ultimately help procurement teams make the best possible decision as a balance of compliance, cost-savings, quality and fit.

Products and Services

Bonfire provides a comprehensive and flexible suite of products that addresses the procurement needs of predominantly public sector customers across academia, public healthcare, local and state government, transit, utilities, and various other state and federal agencies. Bonfire derives all revenues from subscription-based SaaS.

A description of Bonfire's suites of products and services follows:

eRFx & eTendering	● Control for requests for proposals, or RFPs or RFx, and bids, streamlining the entire sourcing workflow from posting to award ● Vendor-friendly online portal to post opportunities and receive structured submissions ● Evaluation tools that give deep insights into suppliers' relative strengths/weaknesses, pricing, and other areas ● Real-time overview of projects and key performance indicators, or KPIs
Contracts	● Contract information in one centralized, searchable, online platform ● Heat-mapped calendar view, reminders and KPIs ● Easy creation of contracts from completed projects
Vendor Performance	● Visibility into vendor performance ● Configure custom surveys for end users and set a cadence to automatically send ● Real-time insights to address issues immediately

Strategy

Bonfire's objective is to grow its revenue and earnings organically, supplemented by focused strategic acquisitions. The key components of its business strategy are to:

- Provide high quality, value-added products to its customers. Central to Bonfire's success so far has been customer satisfaction and trust. Bonfire expects that it will continue to invest heavily in customer success.

- Continue to expand its product offerings. Bonfire intends to continue to build innovative new products for its customers. These include products that leverage the data stored in customers' networks to help customers achieve better sourcing outcomes through predictive analytics, machine learning, blockchain, intra-agency collaboration, and other next-generation technologies.

- Expand its customer base. Continued customer growth is key for Bonfire's strategy. Bonfire plans to continue building out its direct customer acquisition strategy while adding strategic channel relationships.

- Attract and retain highly qualified employees. Bonfire's business is dependent on attracting and retaining excellent managers and employees for product development, go-to-market, administrative, and support activities. Bonfire believes that its mission, scale of the opportunity, and unique culture will allow it to continue recruiting excellent staff.

- Pursue selected strategic acquisitions. Where appropriate, Bonfire may make strategic acquisitions of legacy portal providers as a way of accelerating the adoption of Bonfire. This would allow Bonfire to grow revenues more rapidly than with a purely organic strategy, and to grow its supplier network and corresponding data.

Sales, Marketing and Customers

Bonfire markets its products and services through direct, in-house sales and marketing personnel located in Canada and the United States.

Sales of new products and services are typically generated from outbound marketing and sales campaigns, tradeshows and conferences, word-of-mouth and referrals, and thought-leadership campaigns.

Competition

Bonfire competes with numerous local, regional, and national firms that provide or offer some or many of the same solutions that it provides. Many of these competitors are smaller companies that may be able to offer less expensive solutions than Bonfire's. Many of these firms operate within a specific geographic territory or are in a narrow product or service niche. Bonfire also competes with national firms, some of which have greater financial and technical resources than Bonfire does, including SAP Ariba. Bonfire also occasionally competes with central internal information service departments of local governments, which requires it to persuade the end-user department to discontinue service by its own personnel and outsource the service to Bonfire.

Bonfire competes on a variety of factors, including price, service, name recognition, reputation, technological capabilities, and the ability to modify existing products and services to accommodate the individual requirements of the customer. Bonfire's ability to offer an integrated system of applications for several offices or departments can be a competitive advantage. Local governmental units often are required to seek competitive proposals through a request for proposal process and some prospective customers use consultants to assist them with the proposal and vendor selection process.

Suppliers

Substantially all the computers, peripherals, printers, scanners, operating system software, office automation software, and other equipment necessary for the implementation and provision of Bonfire's SaaS systems and services are currently available from several third-party sources. Hardware is purchased on original equipment manufacturer or distributor terms at discounts from retail. Bonfire has not experienced any significant supply problems.

Research and Development

Bonfire invests substantial resources in research and development to improve its platform and develop new products and features. Bonfire's research and development team is primarily responsible for the design, development, testing, and delivery of its products.

Intellectual Property, Proprietary Rights and Licenses

Bonfire regards certain features of its internal operations, SaaS, and documentation as confidential and proprietary and relies on a combination of contractual restrictions, trade secret laws and other measures to protect its proprietary intellectual property. Bonfire currently does not rely on patents. Bonfire believes that, due to the rapid rate of technological change in the SaaS industry, trade secrets and copyright protection are less significant than factors such as knowledge, ability and experience of its employees, frequent product enhancements, and timeliness and quality of support services. Bonfire typically licenses its SaaS products under non-exclusive agreements, which are generally non-transferable.

Employees

As of December 31, 2021, Bonfire had 103 full-time employees. Bonfire's employees are not covered by any collective bargaining agreement and Bonfire has never experienced a work stoppage. Bonfire believes that its relations with its employees are good.

Properties

Bonfire leases and occupies approximately 21,000 square feet of office space in Ontario, Canada. Such lease expires on June 30, 2022.

Government Regulation

Upon reasonable investigation, we are not aware of any current government regulations that negatively impact in a material way Bonfire's business or ability to compete in its markets.

CityBase Business Overview

CityBase provides dynamic content, digital services, and integrated payments via a SaaS platform that includes functionality accessible via web and mobile, kiosk, point-of-sale, and other channels. CityBase SaaS integrates its platform to underlying systems of record, billing, and other source systems, and configures payments and digital services to meet the requirements of its customers. Its customers include government agencies and utility companies. CityBase, LLC was formed in Delaware on June 9, 2014. On June 21, 2016, CityBase, LLC was converted into a Delaware corporation, CityBase, Inc. To complement and expand CityBase's technology and customer base, on August 17, 2017, CityBase acquired 100% of the equity interests of Better Technology, a Delaware corporation, in exchange for shares of CityBase common stock.

Industry Background

The government technology industry continues to be composed of many legacy technology vendors (which typically use significant customization for implementation), consulting firms, in-house development, and manual processes that have never been digitized. CityBase anticipates that government will further follow the digital transformation of the private sector as constituents will expect such digitalization, in particular given the impact of the COVID-19 pandemic, and ultimately such digitalization is expected to yield cost reductions and improved service to constituents. CityBase also expects a continued momentum amongst government staff and leaders to modernize government services. This future is not defined, but facilitated by, technology and will improve the way that people experience government.

Product and Service Offerings

CityBase provides an enterprise SaaS platform and associated payment kiosks that facilitate government and utility interactions with customers. The key elements of its products and services are digital services and payments.

Digital Services

CityBase's digital services make it easier for constituents to register, apply, search, and pay for government and utility services — and easier for staff to administer these services. "Digital services" includes solutions that address the common interactions that people have with the government or their utility provider, which often remain paper based. CityBase digital services include configurable digital forms and case management tools that replace manual processes or improve existing online processes for government and utility customers. CityBase's digital service tools help government and utility staff process constituent requests faster and more effectively.

Payments

The CityBase platform helps local governments and utilities accept, track, and manage payments from their constituents. CityBase facilitates payments that provide a modern user experience, integrate seamlessly with its customers' existing systems, and are consistent across a large enterprise. The payment technology is available via channels, including web and mobile web, kiosk, and point-of-sale terminals. Its revenue management solution allows customers to manage system-wide payment activity as well as reconcile to individual transactions in one place.

Customers

CityBase's customers include local and county governments and investor or municipal utility companies. Four of CityBase's customers accounted for approximately 70% and 75% of CityBase's total revenues for the years ended December 31, 2021 and 2020, respectively.

Competition

The market for enterprise payment, data analytics, and communication platforms for local governments and utilities is competitive and evolving. CityBase faces competition from several types of internal approaches and independent providers:

- Custom software or SaaS solutions developed by outside consultants or through internal efforts to provide partial- or full-suite offerings;
- Software or SaaS vendors that have developed agency- or utility-specific systems for individual business cases, such as property tax payments, utility payments, or freedom of information requests;
- Other SaaS solution providers; and
- Payment processing solution vendors serving government and utilities.

Competitive factors in CityBase's market may include the following:

- Service
- Price
- Speed to implement
- Citizen-centric design
- Configurability and flexibility
- Back-office function for payment and banking reconciliation

CityBase believes that it compares favorably on the basis of these factors. Some of CityBase's current competitors have, and future competitors may have, greater financial, technical, marketing and other resources, greater resources to devote to research and development, a broader range of products and services, larger marketing budgets, more extensive customer bases and broader customer relationships, and/or longer operating histories, greater name recognition and other resources.

Government Regulation

As a contractor to various government agencies, CityBase is subject to certain restrictions in how it operates. Such restrictions may exist at the individual customer level and may include regulations that govern the fees that CityBase collects for its services or the ability of the government counterparty to terminate its contractual obligations.

Privacy and Data Security

In addition, as a facilitator of credit card payments, CityBase is subject to privacy and data protection laws and payment card industry best practices. CityBase is a Payment Card Industry Level-1 compliant service provider hosted in an Amazon Web Services cloud environment. CityBase takes a number of important measures to promote data privacy and data security, including adhering to the standards and requirements, as defined by the Payment Card Industry Data Security Standard, using tokenization, employing 24/7 fraud and tamper detection, real-time alerting, end-to-end encryption technology, and regularly scheduled internal and external penetration testing.

Research and Development

CityBase invests substantial resources in research and development to improve its platform and develop new products and features. CityBase's research and development organization is primarily responsible for the design, development, testing, and delivery of its products and platform.

Intellectual Property

The success of CityBase depends, in part, on its ability to protect its brands and technologies against infringement and misappropriation. CityBase relies on a combination of contractual restrictions, confidentiality procedures, trade secret laws and other measures to protect its proprietary intellectual property. CityBase does not currently own any patents or hold other intellectual property registrations to protect its intellectual property.

CityBase uses certain intellectual property licensed from third parties, including software made available to the public under open-source licenses. If any proprietary software does not continue to be available on commercially reasonable terms, CityBase believes that alternative software would be available, if necessary.

CityBase cannot be certain that its products and services do not and will not infringe the intellectual property rights of others. To the extent claims against CityBase are successful, it may have to pay substantial monetary damages or discontinue or modify certain products or services that are found to infringe another party's rights.

Employees

As of December 31, 2021, CityBase had 80 full-time employees. CityBase also uses independent contractors to support certain technical and other functions, including implementation engineers, which assist on all phases of the web-based project lifecycle, from project definition through implementation.

CityBase employees are not covered by any collective bargaining agreement, and CityBase has never experienced a work stoppage. CityBase believes that its relations with its employees are good.

eCivis Business Overview

eCivis provides cloud-based grants management and cost allocation SaaS for state, local and tribal governments and other government entities. eCivis helps thousands of public agencies maximize their grant revenues, track financial and program performance, prepare cost allocation plans and budgets, and distribute federal and state grant aid to local communities. eCivis's grants management solutions simplify grant pursuance, proposal development, budgeting, program implementation, performance, reporting, compliance and management of direct recipients and subrecipients in one single centralized enterprise system. eCivis was founded in Pasadena, California in 2000 with the help of local government leaders at the International City/County Management Association.

Industry Background

eCivis has identified a major inefficiency in the flow of government funding between state and federal government and businesses, individuals and various local government entities. The grant funding process is inefficient, with the majority of state, local, and tribal governments lacking essential human and technical resources to pursue and manage the grant process. Instead, staff members without formal training often attempt to fit grants management into their already heavy workload, without access to standardized forms, tools or processes, resulting in inefficient strategy and lost opportunities for funding. Data and information are rarely standardized and is entered into common back-office tools such as spreadsheets and outdated grant management systems without comprehensive tracking and integration functions. Furthermore, currently existing fund management systems may be unable to monitor the proper use of funds, leading to potential mismanagement and even risk of loss and misappropriation of funds. Competitive grants are time sensitive and require immediate attention whereas procurement and internal sources take time to be approved. eCivis provides products and services that can be deployed quickly and with little technical support to address the time sensitive nature of these grant funds.

eCivis's Products and Services

The eCivis grants management solution consists of three core cloud-based products including eCivis Grants Network®, a full lifecycle grants management solution consisting of grants acquisition, grantee management, and grantor management SaaS, eCivis Allocate™, a cost allocation solution, and FundMax™, a full-service solution designed to maximize federal and non-federal funds, including maximizing cost reimbursements using a suite of innovative digital tools and expert support. eCivis also offers implementation services including data integration, grants data migration, project management, and change management. Additionally, eCivis provides ongoing grants management training and cost allocation plan development and consulting.

eCivis Grants Network; Grants Acquisition SaaS

eCivis Grants Network; Grantee Acquisition SaaS provides customers with the ability to manage the entire planning and grant pursuance process by integrating each step from project creation to grant award, so that stakeholders can eliminate unnecessary steps and systems required to secure the right funding for their projects. Users can determine grant award eligibility and financial requirements, create and track projects requiring funding, track goals and objectives for funding, and assign various metrics to review and track organizational performance. The platform provides customers with the ability to search for federal, state and foundation grants, all identified, analyzed and summarized by eCivis's full-time professional research staff. Such grants can be searched with an easy-to-use advanced multi-factor search engine and reviewed via organized standard tabs to effectively identify the most relevant grants. Users can review application files and e-mail grants to internal and external recipients, as well as save or assign grants to internal projects. Built-in compliance tools help determine and confirm whether internal proposals and costs align with applicable federal and non-federal guidelines.

eCivis Grants Network; Grantee Management SaaS

eCivis Grants Network Grantee Management SaaS Solution allows users to manage the entire grant process, from sourcing grant application to closeout as a grantee. Some of the key features of the Grants Management SaaS solution include the ability to organize projects and grants by organizational departments, review an enterprise-wide view of all grant activities, and access advanced workflows and robust management reporting systems. Users can build and save template reports for internal and external reporting, setup required tasks at various post-award stages, integrate project tasks with e-mail calendars, manage the communication and approval of budget amendments, and access a myriad of other features and functions. Users are also able to organize and connect financial data to and from enterprise resource planning ("ERP") and general ledger against grant budgets using data integration functions — over thirty data integrations with government ERP and general ledger are provided to serve this function. Additionally, eCivis also maps compliance requirements into standard available actions across the entire grant lifecycle, and provides a library of resource that can be accessed at any time to understand 2 CFR 200 guidelines.

eCivis Grants Network; Grantor Management SaaS

eCivis Grants Network; Grantor Management SaaS provides grantors and its applicants and grantees with the opportunity to interact with each other in a modern and scalable platform. Grant portals historically, and to some extent continuing today, have not been built to make the experience great for the grantor and the grantee. A grantor solution will track performance history, organize reimbursement requests, streamline communication, manage reporting requirements to support payments to deliver transparency of all grantee activities across all of your departments and agencies. Some of the key features of this platform include the ability to create and track grant solicitation, score and record decisions on applicants, check eligibility data, track application history, track and share performance metrics for grant goals and objectives, allocate and track multiple funding sources, track pre-award grant activity by department, project, Category of Federal Domestic Assistance, and other categories.

eCivis Allocate; Cost Allocation SaaS

eCivis Allocate tracks and compares expenditures and allocation basis by fiscal years, and provides a concise methodology for budgeting and program delivery planning. The platform allows users to maximize efficiency by minimizing time spent entering and reviewing data and producing cost and plans reports, maximize grant and program funding through cost recovery and allocation, provide a clear and concise methodology to assist in developing budgets and planning program delivery, and determine full, defensible, indirect costs to include in indirect cost rate proposals, hourly rates, user fees, and claims for reimbursement under California Senate Bill 90.

eCivis FundMax; Cost Allocation SaaS

eCivis FundMax is a full-service solution designed to maximize federal and non-federal funds, including maximizing cost reimbursements using a suite of innovative digital tools and expert support. The reimbursements from FundMax can generate the required funding to properly implement and utilize eCivis solutions.

Consulting and Training

eCivis's team of experienced consultants and support staff provide training to improve planning, acquisition and effective management of federal and non-federal grants. Further, eCivis's strategic grant development and grant writing service helps stakeholders develop a comprehensive solution leading to sustainable grant success by helping customers, among other things: (i) thoroughly understand key initiatives and internal projects eligible for grant funding, (ii) research grants that align to internal initiatives and organizational priorities to fill existing gaps, (iii) access organizational capacity to apply for grants successfully, (iv) align internal procurement processes and resources to pursue grant opportunities in a more efficient and effective way, and (v) draft grant proposals and provide strategic advice and consulting services to shape priorities per grant funding notices. Finally, the platform also offers a wide array of expert guides and other resources to its users.

Revenues, Sales and Marketing

eCivis derives its revenues primarily from subscription services and professional services. No single contract or customer represents a disproportionate percentage of revenue. eCivis's subscription services revenue primarily consists of fees that provide customers access to either its grant management or cost allocation cloud applications. Such subscriptions are typically one to three years in length, and are priced based on a number of factors, including the number of users having access to the products and the number of products purchased by the customer. eCivis's professional services revenues primarily consist of fees for data integration with the customer's systems and the eCivis grant management application, migration of grants, training, and various grant consulting services.

eCivis focuses its sales and marketing efforts towards local, state and tribal governments and sells its solution to this market primarily through its direct sales force. The length of its sales cycle depends on the size of the potential customer and contract, as well as the type of solution or product being purchased. The sales cycle of its state government customer is generally longer than that of its local government customers. As eCivis has continued to focus on increasing its average contract size and selling more advanced products and, as a result, its sales cycle has lengthened and become less predictable, which could cause variability in results for a particular period. Additionally, the nature, complexity and extent of its implementations also have increased, which has increased and may further increase eCivis's professional services revenues as a percentage of its overall revenues.

Research and Development

eCivis invests substantial resources in research and development to improve its platform and develop new products and features. eCivis' research and development organization is primarily responsible for the design, development, testing, and delivery of its products and platform.

Employees

As of December 31, 2021, eCivis had 68 full-time employees. eCivis also employs independent contractors to support grant services, web development, research publishing and editing, fit-gap analysis, change management, implementation services and marketing. eCivis's employees are not covered by any collective bargaining agreement and eCivis has never experienced a work stoppage. eCivis believes that its relations with its employees are good.

Intellectual Property

eCivis does not own any patents. eCivis owns the registered trademarks: "ECIVIS" and "GRANTS NETWORK" .

Government Regulation

Upon reasonable investigation, we are not aware of any current government regulations that negatively impact in a material way eCivis's business or ability to compete in its markets.

OpenCounter Business Overview

OpenCounter builds SaaS to streamline municipal permitting and licensing. The company markets permit discovery portals, which help constituents to learn about permit requirements and costs, as well as permit and licensing intake forms, which allow constituents to apply and pay for permits online. By automating the permit discovery and permit application steps, these tools reduce the need for in-person meetings, and streamline the review and approval process for agency staff.

OpenCounter's Products and Services

OpenCounter offers the following permit discovery portals and applications:

- The ***Business Portal*** helps entrepreneurs understand the costs and complexity of establishing a business in a particular jurisdiction. The tool aims to provide a comprehensive picture of permitting requirements.

- The ***Residential Portal*** educates homeowners about the rules and regulations regarding residential additions, alterations, and new construction to help plan projects and remain in compliance with city code enforcement.

- The ***Special Events Portal*** helps applicants understand the process involved in hosting a special event in a public space by handling site selection, cost estimation, and event scheduling.

- ***ZoningCheck*** shows applicants where a particular project is permitted, conditionally permitted, or prohibited according to the local zoning code. This helps applicants to understand where their project is allowed and reduces the risk of projects moving forward in areas that are not zoned for the use. ZoningCheck is often paired with the Business, Residential and Special Events Portals, although it is also offered as a stand-alone product.

- ***Online Applications*** allow applicants to apply and pay for permit and license applications online. Incoming applications are routed to agency staff for review and approval. Approved permits are issued electronically through the tool.

As part of the deployment of these products, OpenCounter also offers configuration services to set up and maintain the portals and applications on behalf of municipal customers.

Competition

There are a number of companies that offer permitting and licensing software or SaaS to municipal governments. These include Accela, Infor, and Tyler, among others. These companies built their software with an emphasis on the requirements of city staff users, with a lesser emphasis on the applicant experience.

By focusing on the applicant experience, OpenCounter found a unique niche in the market: enabling an intuitive, user-friendly experience of a complex regulatory process. While competitors allow applicants to submit permit and license applications online, their SaaS typically assumes that the applicant knows which permits and licenses are required, and the costs of those permits and licenses. In contrast, OpenCounter's SaaS guides the applicant through the permit discovery process by calculating the impact of applicable zoning regulations on the choice of location and planned use, the permits required for the project, and the necessary permit fees. OpenCounter's SaaS also alerts applicants about the professional licensure requirements for specific permits, such as whether a licensed contractor, electrician or plumber is needed on their project team. By automating these determinations, OpenCounter has addressed an in-person step referred to as a "pre-application meeting," which is a time-consuming step for both applicants and city staff.

Because OpenCounter is offered as a SaaS solution, its annual pricing is significantly lower than the legacy systems, which have traditionally been on-premise software under perpetual license agreements.

Some of OpenCounter's competition provide educational products that explain the permitting process in general terms. While helpful, these materials do not provide information tailored to specific project details. For example, a restaurant with outdoor seating, live entertainment, and alcohol service may require a different set of permits (with higher costs), than one without those options. Many cities offer PDF documents with this kind of information. For example, San Francisco and Los Angeles offer detailed "Business Portals," but they are still based on templates.

By focusing on permit discovery, OpenCounter has remained agnostic to the back-end systems used by cities. This means that we can launch OpenCounter products in cities using Accela, Infor, or Tyler, and other competitors, without coming into direct competition with offerings from those companies.

Research and Development

OpenCounter invests substantial resources in research and development to improve its platform and develop new products and features. OpenCounter's research and development organization is primarily responsible for the design, development, testing, and delivery of its products and platform.

Employees

As of December 31, 2021, OpenCounter had 16 full-time employees. OpenCounter's employees are not covered by any collective bargaining agreement and OpenCounter has never experienced a work stoppage. OpenCounter believes that its relations with its employees are good.

Intellectual Property

OpenCounter is the registered owner of a trademark *OC OpenCounter*. The company does not hold any patents.

Government Regulation

Upon reasonable investigation, we are not aware of any current government regulations that negatively impact in a material way OpenCounter's business or OpenCounter's ability to compete in the markets it pursues.

Questica Business Overview

Questica offers budgeting, performance management, and transparency and data visualization SaaS solutions throughout North America. Questica was founded by TJ Parass in Ontario, Canada in 1998. Questica uses its 20 years of experience to provide public sector organizations with access to a complete budgeting, performance, transparency and citizen engagement toolkit to better enable data-driven budgeting and decision-making, while increasing data accuracy, saving time and improving stakeholder trust. Questica's solutions are sold to 863 customers as of December 31, 2021, which include state and local governments and public sector organizations such as healthcare, education and not-for-profit organizations.

Questica's Products and Services

Questica has four primary products: (i) *Budget*; (ii) *Performance*; (iii) *OpenBook®*; and (iv) *BudgetBook powered by CaseWare*.

Budget

Questica's *Budget* is a web-based, multi-user budgeting preparation and management solution that provides all budgeting SaaS requirements in one easy-to-access place. *Budget* is a comprehensive, streamlined budgeting SaaS product that enables users to improve and shorten an organization's budgeting cycle by ensuring an accurate and collaborative multi-user budgeting process. It provides multi-year capital budgeting, identifies expenditures and funding sources, provides salary and position planning and performance management modules, supports the creation of future looking financial statements, enables advanced analytics and provides an integrated dashboard that shows all critical data and other relevant information together in an interactive interface. *Budget* directly and seamlessly integrates with Questica's other products, which are described below, as well as the *Balancing Act* budget simulator created by Engaged Public, a Colorado-based public policy consulting firm with which Questica has had a business relationship since August 2018.

Performance

Questica's *Performance* is a management performance measurement tool which permits users to obtain a complete view of performance across an organization. *Performance*, which can integrate with *Budget*, leverages financial and statistical data from an unlimited number of budget and non-budget key performance indicators to effectively measure performance by tracking an organization's progress in converting its objectives and goals into desired outcomes. *Performance* can incorporate data from a variety of other sources such as ERP systems.

OpenBook

Questica's *OpenBook* is a data visualization SaaS that enables the presentation of financial and non-financial data with descriptive text, informational pop-ups, charts and graphs and includes fast information search functionality. *OpenBook*, which can integrate with *Budget*, can display capital infrastructure projects on a map, including the budget data, actual spend, funding sources and accompanying documentation, images, video and other multimedia assets. By facilitating the sharing and communication of financials and other data, *OpenBook* is used by organizations to communicate strategic plans, fundraising and community initiatives, disclose to citizens how tax dollars are spent, and engage with stakeholders regarding plans, projects and issues. Organizations can also link related activities to showcase the depth and scope of capital projects that are happening in a city, region, state, province or country.

Budget Book powered by CaseWare

Questica's *Budget Book powered by CaseWare* is a user-friendly and comprehensive document management and financial reporting tool that allows government agencies to create, collaborate, edit, approve and publish annual budget books. *Budget Book* integrates with *Budget* and leverages CaseWare's *flexible, comprehensive, and automated* Public Sector Accounting Board reporting software solution. The budget book standards for the Government Financial Officers Association's annual Distinguished Budget Presentation Award were used to develop the standard budget book preparation model for *Budget Book*'s interface, permitting agencies to easily prepare professional and compliant budget books that are often very time and resource intensive to produce.

Competition

The competitive landscape for budgeting SaaS, software, performance management, and transparency and data visualization solutions varies depending on the type of solution, the size of the organizations to be served and the geographical locations in which such organizations operate, but in most cases the solutions with which Questica competes are ERP solutions, Microsoft's Excel and home-grown solutions designed by the organizations themselves.

Questica believes the principal competitive factors in its markets include:

- Cost
- Technology
- User Interface
- Customer Service
- Integration
- Public Sector Focus and Expertise
- Product Breadth
- Implementation Track Record

Questica believes that it competes favorably based on these factors.

While there are a number of competitors seeking to provide such solutions, the primary competitors include Oracle's Hyperion Planning, ClearGov, Public Sector Digest Software, MyBudgetFile, Allovue Balance, Adaptive Insights (Workday), Kaufman Hall, OpenGov and Centage's Budget Maestro, which each competes to differing degrees across the spectrum of organizations, geographical locations and vertical markets in which Questica operates. Questica has emerged as a market leader or strong market participant for each type of solution that it provides among these primary competitors.

Questica has focused on establishing relationships with potential customers as early in the process as possible through cold calling, email campaigns, trade show attendance and sponsorships, web marketing, referrals and Questica-sponsored regional events. Questica leverages existing customer references and its broad knowledge and understanding of the public sector and the unique budgeting challenges these customers face to compete with its primary competitors. Questica additionally differentiates itself by solely focusing its product development on the public sector and does not sell or market its products into any other types of customers.

Questica has a sales organization that sells its products, sometimes working with companies that sell complimentary solutions and refer customers to Questica. In addition, Questica uses distributors that sell, implement and provide basic support services to customers and has a number of referral arrangements with companies that introduce Questica's products to their customers and receive referral fees for Questica contracts.

Questica is not dependent on any one customer, and no customer represented more than 10% of total revenues during each of the years ended December 31, 2021 and 2020.

Research and Development

Questica invests substantial resources in research and development to improve its platform and develop new products and features. Questica's research and development organization is primarily responsible for the design, development, testing, and delivery of its products and platform.

Employees

As of December 31, 2021, Questica had 113 full-time employees. Questica's employees are not covered by any collective bargaining agreement and Questica has never experienced a work stoppage. Questica believes that its relations with its employees are good.

Intellectual Property

Questica does not hold any patents but has registered trademarks in the U.S. and Canada for "QUESTICA", "OPENBOOK", and "WHERE BRILLIANT BEGINS".

Government Regulation

Upon reasonable investigation, we are not aware of any current government regulations that negatively impact in a material way Questica's business or Questica's ability to compete in the markets it pursues. However, there are regulations related to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the Americans with Disabilities Act ("ADA") that are relevant to Questica's customers that could in the future necessitate changes to Questica's products to be compliant, and if not addressed, could negatively impact Questica's ability to compete for new business.

Sherpa Business Overview

Sherpa is a leading provider of public sector budgeting SaaS, perpetual license software and consulting services that help state and local governments create and manage budgets and performance. Customers purchase the right to use Sherpa's SaaS or perpetual license software and engage Sherpa consulting services to configure the SaaS or software and train customers. Following the implementation, customers continue to use the SaaS or software while paying maintenance or subscription fees.

Sherpa's customers benefit from a system that simplifies the budgeting process, encourages collaboration and provides detailed projections on substantial portions of their budgets. Increased access to data, including instant aggregation of the budget requests, means customers can spend more time analyzing data and less time collecting it and formatting outputs. Sherpa's business consulting provides access to lessons learned from over 150 public sector budgeting implementations and consultants with a median of 22 years of experience in budgeting and performance management.

Sherpa's contracts are composed of three types: (i) short-term services contracts for software implementation of three to twelve months; and (ii) on-going maintenance of one-to-five year renewable periods; and (iii) optional full service maintenance, which offers clients full system administration functions, renewable annually. Due to the investment made in implementing the SaaS or perpetual license software and the quality of the solution and support, retention rates are very high.

Industry Background

Public sector budgeting has been traditionally performed by either spreadsheet that are compiled by a central office or home-grown systems. Due to the sheer amount of data and publication requirements needed by public sector organizations, using this traditional process can be challenging. Most budget processes experience a significant amount of data re-entry and re-stating, manual compilation and extensive data verification and often rely on a mostly manual preparation of required publications. While products that meet some budgeting software or SaaS requirements exist in the market, many are overly complicated to implement, priced at a point that exceeds the reservation points of most government organizations, or were built for private sector functions. Sherpa's product is flexible enough to meet complex requirements while also scalable to lower budget customers.

Sherpa's Products and Services

Sherpa provides public sector SaaS or perpetual license budgeting software to meet the needs of key stakeholders, executive and legislative branches, budget offices and department users. The key elements of Sherpa's offerings are: (i) a highly configurable SaaS or perpetual license software; (ii) an experienced consulting team; and (iii) a long-term support model.

Highly Configurable SaaS and Software

Sherpa's SaaS and software were designed to be configured by functional staff with no changes to the underlying code. Implementation teams are comprised of functional experts, not technical experts, who are able to understand business requirements and demonstrate configured SaaS or software immediately after requirements meetings. This means customers see their future solution throughout the process and can make refinements without having to wait for an entire build phase to complete.

Consulting

The members of Sherpa's consulting team have a median of 22 years of targeted public sector budgeting experience and together have implemented over 150 public sector budgeting projects. This experience is invaluable to customers for several reasons. Customers can quickly explain their processes and Sherpa's team will understand without multiple iterations, meaning customers dedicate a significantly lower amount of their time to engagements. When customers seek advice, Sherpa can refer them to dozens of relevant examples where other similar customers have faced similar challenges. Sherpa has many innovative customers whose collective thought leadership is channeled through Sherpa's implementation team. Sherpa's team has seen what has worked and what has not, so Sherpa can offer counsel on business processes redesign, including recommended timing relative to the SaaS or software project.

Support

Sherpa's support model is designed to enable customers to use Sherpa's SaaS or software for the long term, traversing changes in economic conditions, leadership, policy, and staff. As part of Sherpa's basic maintenance model, customers can reach out to their consulting team at any time to get assistance, answers to questions or support with activities that are rarely done, such as annual rollovers. This results in customers getting answers to questions immediately, without the struggles of reporting issues through a chain of support staff who are not familiar with the customer processes and configuration.

Revenues

Sherpa currently earn revenues from three main sources: (i) consulting services for implementations and business process design; (ii) SaaS and software fees; and (iii) maintenance fees. Consulting services are composed of one-time implementation fees and system administrator services, where Sherpa serves as the customer's system administrator, typically to provide coverage in stretched budget offices or to cover turnover. Software fees are made up of both perpetual license fees and subscription fees. Maintenance fees are annual fees paid by perpetual license customers to have access to customer support and software upgrades. Hosting services are also provided but are mostly pass-through to Sherpa's hosting providers. Sherpa generally relies on approximately 30 customers for each of its three main revenue sources in a given fiscal year, which are mostly comprised of state and local governments.

Sales and Marketing

Sherpa's primary method of securing sales to date is through responses to requests for proposals. In addition, Sherpa's target audience actively communicates with similar public sector organizations, which leads to word-of-mouth sales. To grow sales beyond responses to requests for proposals and word-of-mouth referrals, Sherpa employs the following sales and marketing strategies:

- Limited conferences where decision-makers attend;
- Collaboration with leading ERP vendors;
- Pre-sales work to introduce customers to Sherpa's offering; and
- Selling via cooperative agreements.

Revenue Growth

Sherpa's primary focus for revenue growth is to ensure Sherpa's current customer base maintains a high degree of customer satisfaction. Sherpa believes that high retention of recurring revenue is critical to create the foundation for revenue growth. Sherpa also believes that high customer satisfaction provides secondary benefits, including strong references and willingness to promote the product and team.

Growing Existing Markets

Sherpa's goals for growth focus on verticals with which Sherpa has had the most success: cities, counties and states. Sherpa's targeted market of large, complex customers has a total available market of 450 counties, 300 cities, 49 states and 600 state agencies. There are also a large number of K-12 opportunities, which Sherpa pursues selectively due to their unique requirements.

New Markets

There are additional verticals where Sherpa's product applies, such as federal government agencies which may be considered for long-term growth.

Technology and Operations

Sherpa's technology leverages Microsoft's widely used SQL Server, which is a relational database management system, and .NET software framework. The power of Sherpa's application is derived from Sherpa's investment in on-screen configuration, all of which is stored in the database, meaning code updates do not have customer-specific features. Since each customer has unique requirements which must be met due to statutory requirements or policy, Sherpa's solution was built to be flexible enough to meet these requirements without code changes or customer customizations. With Sherpa's experience with multiple other budgeting systems, Sherpa's product was built from the ground up with the specific focus on how to create outputs in an efficient manner. Reports are fast and easy to create due to the strong design.

Sherpa's technology infrastructure for hosted customers is provided by Amazon Web Services and is maintained by Sherpa's vendor at Smart Panda Labs. We have multiple hosting sites. Approximately one-third of Sherpa's customer base is serviced on-premises. Sherpa's objective is to provide uninterrupted service 24 hours per day and seven days a week, and Sherpa's operations maintain extensive backup, security and disaster recovery procedures.

Sherpa's solutions are scalable and can be set up quickly for new customers. The average time to stand up a new environment is less than one day. Due to low incidences of system issues, most customers take upgrades only once per year, allowing them to complete their budget cycle uninterrupted.

Competition

Nearly every competitive request for proposals in the budget space will have five or more bidders. Historically, very few are truly competitive across all scoring areas. Sherpa believes that the principal factors upon which its businesses compete are:

- *SaaS and Software capabilities* — Sherpa's SaaS and software generally meets over 98% of requirements
- *Implementation team experience* — Sherpa's team members have extensive, targeted experience
- *Support model* — Sherpa's customers have direct contact with Sherpa's implementation team without a tiered support model
- *References* — References are strong, with surveys resulting in a 9.9/10 average score
- *Price* — Sherpa is generally in the 50th percentile in pricing among competitors for large to mid-sized customers

Sherpa believes Sherpa competes favorably with respect to all of the above-listed factors. Sherpa's main competitors are much larger than Sherpa and have an advantage in name recognition. However, Sherpa believes that in public sector budgeting most decision makers are focused on procuring the best possible product and rarely factor in company size once they are satisfied with the long-term prospects of the offering.

All of Sherpa's prospective customers have preexisting financial and human resources solutions, meaning that Sherpa also faces competition with legacy product offerings. Companies such as Infor, Workday, SAP and Oracle have a substantial market share of financial and human resources software and SaaS, which means they can up-sell their products, often without formal procurements. Sherpa has found, however, that most customers are not satisfied with enterprise resource planning budget products and are moving to best-in-breed for products such as budgeting, grants and strategic sourcing.

Sherpa's primary competitors in the market vary by customer size:

- *Large, complex customers with over $10 billion in budget; competitors* are larger, established companies such as Questica, Oracle, SAP and CGI. Integrators include Grant Thornton, Deloitte, Accenture, Ernst and Young.
- *Mid-sized customers with between $1 billion to $10 billion in budget; Questica* and lower-priced integrators of expensive products such as Oracle or scaled-down offerings of the more expensive products.
- *Smaller customers with less than $1 billion in budget:* Sherpa enters this space selectively, but there is more competition at this level due to price sensitivity.

Research and Development

Sherpa invests substantial resources in research and development to improve its platform and develop new products and features. Sherpa's research and development organization is primarily responsible for the design, development, testing, and delivery of its products and platform.

Employees

As of December 31, 2021, Sherpa had 15 employees. Sherpa also employs independent contractors to support Sherpa's hosting environments. Sherpa's employees are not covered by any collective bargaining agreement and Sherpa has never experienced a work stoppage. Sherpa believes that its relations with its employees are good.

Government Regulation

Upon reasonable investigation, we are not aware of any current government regulations that negatively impact in a material way Sherpa's business or ability to compete in its markets. However, there are regulations related to HIPAA and the ADA that are relevant to Sherpa's customers that could in the future necessitate changes to Sherpa's products to be compliant, and if not addressed, could negatively impact Sherpa's ability to compete for new business.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. Our SEC filings are also available to the public on the internet at a website maintained by the SEC located at http://www.sec.gov.

Our website address is *www.gtytechnology.com*. Through our website, we make available, free of charge, the following documents as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC: our Annual Reports on Form 10-K; our proxy statements for our annual and special shareholder meetings; our Quarterly Reports on Form 10-Q; our Current Reports on Form 8-K; Forms 3, 4 and 5 and Schedules 13D and 13G; and amendments to those documents. The information contained on, or that may be accessed through, our website is not part of, and is not incorporated into, this Annual Report on Form 10-K.

Item 1A. Risk Factors.

RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, prospects, financial condition, or operating results could be harmed by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. The trading price of our securities could decline due to any of these risks, and, as a result, you may lose all or part of your investment.

Our risk factors are grouped into the following categories:

- Risks Relating to Our Business and Industries;
- Risks Relating to SaaS, the Internet, and Technology;
- Public Sector-Related Risk Factors; and
- General Risk Factors.

Risks Relating to Our Business and Industries

Our success depends on our ability to attract, retain and motivate key employees.

Our business is based on successfully attracting, retaining and motivating talented employees representing diverse backgrounds, experiences, and skill sets. The market for highly skilled workers and leaders in our industry is extremely competitive, including as a result of departures from the workforce and work-from-anywhere policies. Maintaining our reputation, as well as a diverse and inclusive work environment that enables all our employees to thrive, are important to our ability to recruit, retain and motivate employees. If we are not successful in our recruiting efforts, or if we cannot retain and motivate highly skilled workers and key leaders, our ability to develop and deliver successful products and services may be adversely affected. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. How employment-related laws are interpreted and applied to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs.

The ongoing integration of the business, management and operations of Bonfire, CityBase, eCivis, OpenCounter, Questica and Sherpa, and the integration of any additional acquisitions, may prove difficult, disrupt our business and operations, divert management attention and adversely affect the business and financial results of our consolidated company.

We completed the business combination in February 2019, which we continue to believe will result in benefits and synergies, including our goal of establishing an efficiently integrated public sector SaaS company through our six operating subsidiaries. We may acquire additional companies or assets, or both. Together, we have believed and continue to believe our subsidiaries can offer solutions to North American state and local governments that may not otherwise be achievable by any one individual business on its own. However, our ability to realize these anticipated benefits depends on the final, successful integration of our businesses. The consolidated company may fail to realize the anticipated benefits of the business combination for a variety of reasons, including the following:

- the inability to complete the integration of all businesses in a timely and cost-efficient manner or do so without adversely impacting revenue, operations and cash flows;
- the failure of our management team to successfully manage the consolidated business and operations of a public company;
- expected synergies or operating efficiencies failing to materialize in whole or part, or not occurring within expected time-frames;
- the failure to successfully manage relationships with each company’s customers and their operating results and businesses generally (including the diversion of management time to react to new and unforeseen issues);
- the failure or inability to timely and efficiently integrate and establish new sales forces without materially adversely impacting our relationships with customers;
- the failure to accurately estimate the potential markets and market shares for the consolidated business’s products, the nature and extent of competitive responses to the business combination and any additional acquisitions and the ability of the consolidated business to achieve or exceed projected market growth rates;
- the inability to attract key personnel or to retain or motivate key personnel with unique talents, expertise or background knowledge as a consequence of both voluntary and involuntary employment actions;
- the failure to successfully advocate the benefits of our consolidated businesses for existing and potential customers or general uncertainty regarding the value proposition of the combined entity or its products;
- difficulties forecasting financial results;
- failures in our financial reporting, including those resulting from system implementations in the context of our ongoing integration efforts, our ability to report or forecast financial results of the consolidated business and our inability to successfully discover and assess and integrate into our reporting system, any of which may adversely impact our ability to make timely and accurate filings with the SEC and other domestic and foreign governmental agencies; and
- the potential that we continue to not be fully aware of the risks and potential liabilities of any of Bonfire, CityBase, eCivis, OpenCounter, Questica, Sherpa or additional acquisitions.

Our ongoing integration may result in additional and unforeseen expenses or delays, distract management from other revenue or acquisition opportunities, and increase the consolidated business’s expenses and working capital requirements. If we are unable to successfully integrate all of our businesses and operations in a timely manner, the anticipated benefits of the business combination and any other acquisitions may not be fully realized, or at all, or may take longer to realize than anticipated. Should any of the foregoing or other currently unanticipated risks arise, our business and results of operations may be materially adversely impacted.

Our goodwill and other long-lived assets are subject to potential impairment that could negatively impact our earnings.

A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired. As of December 31, 2021, we had $355.3 million of goodwill and net intangible assets, comprising approximately 90% of our total assets. If actual results differ from the assumptions and estimates used in our goodwill and long-lived asset valuation calculations, we could incur impairment charges, which would negatively impact our earnings.

During the years ended December 31, 2021 and December 31, 2020, we recognized non-cash goodwill impairment charges of $15.8 million and $2.0 million, respectively, related to the Acquisition. The fair value of the goodwill related to the Acquisition continues to be sensitive to changes in projections for revenue growth and earnings. Numerous risks may cause that fair value to fall below its carrying amount or the value of long-lived assets to not be recoverable. These risks include, but are not limited to, significant negative variances between actual and expected financial results, lowered expectations of future financial results, failure to fully realize anticipated synergies from acquisitions, adverse changes in the business climate, and the loss of key personnel. If we are not able to achieve projected performance levels, future impairments could be possible, which could negatively impact our earnings.

Certain liabilities resulting from acquisitions are estimated and could lead to a material impact on earnings.

As a result of our acquisition activities, we recorded liabilities for future contingent earnout payments that are settled in cash or through the issuance of common stock. Most, but not all, of those payments have been made, and the fair value of these remaining liabilities is assessed on a quarterly basis. Changes in assumptions used to determine the amount of such liabilities or a change in the fair value of our common stock could lead to an adjustment that may have a material impact, favorable or unfavorable, on our results of operations. For additional information regarding our contingent earnout liabilities, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations" and Note 3 of our Financial Statements.

Our failure to generate sufficient cash flows from our business to make payments on our debt would adversely affect our business, financial condition and results of operations.

On November 13, 2020, we entered into a Loan and Security Agreement by and among the Company, each of the subsidiary guarantors from time to time party thereto (each a "Guarantor," and, collectively, the "Guarantors"), the financial institutions from time to time party thereto (each, a "Lender," and, collectively, "Lenders"), and Acquiom Agency Services LLC, a Colorado limited liability company, as agent for the Lenders (the "Loan and Security Agreement" and the facility thereunder, the "Credit Facility"). The Credit Facility is a senior secured term loan facility that provides for borrowing of term loans in an aggregate principal amount of $25,000,000. The Credit Facility has a maturity date of 30 months from the borrowing of the term loans. On the closing date, we fully drew on the Credit Facility. The Credit Facility replaced our prior $12,000,000 unsecured credit facility. The Loan and Security Agreement is supported by a security interest in our assets and the assets of the Guarantors party to the Loan and Security Agreement and to related guaranty agreements. Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance the Credit Facility and any additional debt obligations we may incur depends on our future performance, which is subject to economic, financial, competitive, and other factors that may be beyond our control. Our business may not generate cash flows from operations in the future sufficient to service our debt and to make necessary capital expenditures. If we are unable to generate sufficient cash flows or if our results of operations cause us to fail to comply with our financial covenants, we may be required to take one or more actions, including refinancing our debt, significantly reducing expenses, renegotiating our debt covenants, restructuring our debt, selling assets or obtaining additional capital, each of which may be on terms that may be onerous, highly dilutive or disruptive to our business. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on commercially reasonable or acceptable terms, which could result in a default on our obligations, including under the Credit Facility.

Our Credit Facility restricts our operations, particularly our ability to respond to changes or to take certain actions regarding our business.

The Loan and Security Agreement contains various customary covenants that limit or prohibit the Company's ability to, among other things, (i) incur or guarantee additional indebtedness; (ii) pay certain dividends on its capital stock or redeem, repurchase, retire, or make distributions in respect of its capital stock or subordinated indebtedness or make certain other restricted payments; (iii) make certain loans, acquisitions, capital expenditures or investments; (iv) sell certain assets, including stock of its subsidiaries; (v) enter into certain sale and leaseback transactions; (vi) create or incur certain liens; (vii) consolidate, merge, sell, transfer, or otherwise dispose of all or substantially all of its assets; (viii) enter into certain transactions with its affiliates; and (ix) engage in certain business activities. A violation of the covenants under the Loan and Security Agreement may result in default or an event of default.

The Loan and Security Agreement also contains customary events of default that include, among other things, certain payment defaults, covenant defaults, cross-defaults to other indebtedness, change of control defaults, judgment defaults, and bankruptcy and insolvency defaults. Upon the occurrence of an event of default under the Loan and Security Agreement, the agent, at the direction of the lenders holding greater than 50% of the amounts outstanding, could elect to declare all amounts of such indebtedness outstanding to be immediately due and payable and terminate any commitments to extend further credit.

Furthermore, if we are unable to repay the amounts due and payable under the Credit Facility, those lenders could proceed against the collateral granted to them to secure that indebtedness, which could force us into bankruptcy or liquidation. In the event that our lenders accelerated the repayment of the borrowings, we may not have sufficient assets to repay that indebtedness. Any acceleration of amounts due under the Credit Facility would likely have a material adverse effect on us. As a result of these restrictions, we may be limited in how we conduct business, unable to raise additional debt or equity financing to operate during general economic or business downturns, or unable to compete effectively or take advantage of new business opportunities.

Our restated articles of organization designate the Business Litigation Session of the Superior Court of Suffolk County, Massachusetts as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders and the United States District Court in Boston as the sole and exclusive forum for any claim arising under the Securities Act, which could discourage lawsuits against us and our directors and officers.

Our restated articles of organization designate the Business Litigation Session of the Superior Court of Suffolk County, Massachusetts as the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim for breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our shareholders, any action asserting a claim arising pursuant to any provision of the Massachusetts Business Corporation Act, our articles of organization or our bylaws or any action asserting a claim governed by the internal affairs doctrine, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Our restated articles of organization designate the United States District Court in Boston as the sole and exclusive forum for any claim arising under the Securities Act or any claim for which other courts do not have subject matter jurisdiction including, without limitation, any claim arising under the Exchange Act. This exclusive forum provision may limit the ability of our shareholders to bring a claim in a judicial forum that such shareholders find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us and our directors and officers. Alternatively, if the Business Litigation Session of the Superior Court of Suffolk County, Massachusetts, the United States District Court in Boston or a court outside of Massachusetts were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other venues or jurisdictions, which could materially and adversely affect our business, financial condition, operating results, cash flows and prospects.

Risks Relating to SaaS, the Internet and Technology

Cyber attacks and security vulnerabilities can disrupt our business and harm our competitive position.

Threats to information technology security can take a variety of forms. Individuals and groups of hackers, and sophisticated organizations including state-sponsored organizations, may threaten our information technology or our customers' information technology. These individuals, groups and organizations may develop and deploy malicious software to attack our products and services and gain access to our networks and data centers, or act in a coordinated manner to launch distributed denial of service or other coordinated attacks. Cyber threats are constantly evolving, thereby increasing the difficulty of detecting and successfully defending against them. Cyber threats can have cascading impacts that unfold with increasing speed across our internal networks and systems and those of our customers and companies with which we have business relationships. Breaches of our network or data security could disrupt the security of our internal systems and business applications, impair our ability to provide services to our customers and protect the privacy of our data, result in product development delays, compromise confidential or technical business information harming our competitive position, result in theft or misuse of our intellectual property or other assets, require us to allocate more resources to improve technologies, or otherwise adversely affect our business. Our business policies and internal security controls may not keep pace with these evolving threats.

Disclosure of personally identifiable information or other sensitive customer data could result in liability and harm our reputation.

We store and process large amounts of personally identifiable and other confidential information of our customers. The continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to data security. Despite our efforts to improve security controls, it is possible that our security controls over personal data, training of employees on data security, and other practices may not prevent the improper disclosure of customer data that we store and manage. Disclosure of personally identifiable information or other sensitive customer data could result in material liability and harm our reputation. Additionally, data privacy and security are evolving areas of the law and our business may become subject to new and expanding regulations. Application of these new and changing laws to our business may increase risks and compliance costs.

Hosting services for some of our products and services are dependent upon the uninterrupted operation of data centers.

A material portion of our business is provided through SaaS. These hosting services depend on the uninterrupted operation of data centers and the ability to protect computer equipment and information stored in these data centers against damage that may be caused by natural disaster, fire, power loss, telecommunications or internet failure, acts of terrorism, unauthorized intrusion, computer viruses, and other similar damaging events. If any of our data centers were to become inoperable for an extended period, we might be unable to fulfill our contractual commitments. Although we take what we believe to be reasonable precautions against such occurrences, we can give no assurance that damaging events such as these will not result in a prolonged interruption of our services, which could result in customer dissatisfaction, loss of revenue, and damage to our business.

We run the risk of errors or defects with new products or enhancements to existing products.

Our SaaS products and related services are complex and may contain errors or defects, especially when first introduced or when new versions or enhancements are released. We cannot assure you that material defects and errors will not be found in the future. Any such defects could result in a loss of revenues, negative publicity, or delay market acceptance. Our license and subscription agreements typically contain provisions designed to limit our exposure to potential liability. However, it is possible we may not always successfully negotiate such provisions in our customer contracts or the limitation of liability provisions may not be effective due to existing or future federal, state, or local laws, ordinances, or judicial decisions, or customers declining to negotiate these provisions. We cannot assure you that a successful claim could not be made or would not have a material adverse effect on our future operating results.

We must timely respond to technological changes to be competitive.

The market for our products is characterized by technological change, evolving industry standards in SaaS technology, changes in customer requirements, and frequent new product and service introductions and enhancements. The introduction of products and services embodying new technologies and the emergence of new industry standards can render existing products obsolete and unmarketable. As a result, our future success will depend, in part, upon our ability to enhance existing products and develop and introduce new products and services that keep pace with technological developments, satisfy increasingly sophisticated customer requirements, and achieve market acceptance. We cannot assure you that we will successfully identify new product and service opportunities and develop and bring new products and services to market in a timely and cost-effective manner. The products, capabilities, or technologies developed by others could also render our products or technologies obsolete or noncompetitive. Our business may be adversely affected if we are unable to develop or acquire new SaaS products or related services or develop enhancements to existing products on a timely and cost-effective basis, or if such new products or services or enhancements do not achieve market acceptance.

We may be unable to protect our proprietary rights.

Many of our product and service offerings incorporate proprietary information, trade secrets, know-how, and other intellectual property rights. We rely on a combination of contracts, copyrights, and trade secret laws to establish and protect our proprietary rights in our technology. We cannot be certain that we have taken all appropriate steps to deter misappropriation of our intellectual property. There has also been significant litigation involving intellectual property rights. We are, and in the future may be, a party to litigation to protect our proprietary information, trade secrets, know-how, and other intellectual property rights. We cannot assure you that third parties will not assert infringement or misappropriation claims against one or more of the products or services with respect to current or future products or services. Any claims or litigation, with or without merit, could be time consuming, costly, and a diversion to management. Any such claims and litigation could also cause product delivery delays or service interruptions or require us to enter into royalty or licensing arrangements. Such royalty or licensing arrangements, if required, may not be available on terms acceptable to us, if at all. Therefore, litigation to defend and enforce our intellectual property rights could have a material adverse effect on our business, regardless of the final outcome of such litigation.

Customers may elect to terminate our maintenance contracts and manage operations internally.

It is possible that our customers may elect to not renew maintenance contracts for our software, trying instead to maintain and operate the software themselves using their perpetual license rights (excluding software applications provided on a hosted or cloud basis). This could adversely affect our revenues and profits. Additionally, they may inadvertently allow our intellectual property or other information to fall into the hands of third parties, including our competitors, which could adversely affect our business.

Material portions of our business require the internet infrastructure to be further developed or adequately maintained.

Part of our future success continues to depend on the use of the internet to access public information and perform transactions electronically. This in part requires the further and continuing development and maintenance of the internet infrastructure. Among other things, this further and continuing development and maintenance will require a reliable network backbone with the necessary speed, data capacity, and security, and the timely development of complementary products for providing reliable internet access and services. If this infrastructure fails to be further developed or be adequately maintained, our business would be harmed because users may not be able to access our government portals.

Security breaches or unauthorized access to payment information, including credit card and debit card data, or personal information that we, or our service providers, store, process, use, or transmit for our business may harm our reputation, cause service disruptions, and adversely affect our business and results of operations.

A significant challenge to electronic commerce is the secure transmission of payment information or personal information over information technology networks and systems that process, transmit and store electronic information, and manage or support a variety of business processes. The collection, maintenance, use, disclosure, and disposal of payment information and personal information by our business is regulated at state and federal levels, and cybersecurity legislation, executive orders, and reporting requirements continue to evolve and become more complex. Because we either directly or indirectly through service providers (i) provide the electronic transmission of sensitive and personal information released from and filed with various government entities and (ii) perform online payment and electronic check processing services, we face the risk of a security breach, whether through system attacks, hacking events, acts of vandalism or theft, malware, viruses, human errors, catastrophes, or other unforeseen events that could lead to significant disruptions or compromises of information technology networks and systems or the unauthorized release or use of payment information or personal information. Additionally, vulnerabilities in the security of our own internal systems or those of our service providers could compromise the confidentiality of, or result in unauthorized access to, personal information of our employees.

We rely on encryption and authentication technology purchased or licensed from third parties to provide the security and authentication tools to effectively secure transmission of confidential information, including user credit card and debit card information and banking data. Advances in computer capabilities, new discoveries in the field of cryptography, threats that evolve ahead of tools designed to counter them, or other developments may result in the breach or compromise of technology used by them to protect transaction data. Data breaches can also occur as a result of non-technical issues, such as so-called “social engineering,” or “phishing,” where individuals are manipulated into divulging confidential or personal information.

Despite the various security measures that we have in place to protect payment and personal information from unauthorized disclosure and to comply with applicable laws and regulations, our information technology networks and systems and those of our third-party vendors and service providers cannot be made completely secure against security breaches or disruptions. Even the most well protected information, networks, systems, and facilities remain vulnerable to security breaches or disruptions because (i) the techniques used in such attempts are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected for an extended period and (ii) the security methodologies, protocols, systems, and procedures used for protection are implemented by humans at each level, and human errors may occur. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, or if such measures are implemented, and even if appropriate training is conducted in support of such measures, human errors may still occur. It is impossible for us to entirely mitigate this risk. A party, whether internal or external, able to circumvent our security measures, or those of our service providers, could misappropriate information, including but not limited to payment information and personal information, or cause interruptions or direct damage to companies with which we have relationships or that are users.

Under payment card rules and our contracts with our credit card processors, if there is a breach of payment card information that we store, process, or transmit, we could be subject to fines and be required to pay damages. We could also be liable to customers and vendors for costs of investigation, notification, remediation, and credit monitoring and for any damages to users under applicable laws or our customer and vendor contracts.

In addition, any noncompliance with privacy and security laws or a security breach involving the misappropriation, loss or other unauthorized access, use, or disclosure of payment information or personal information, or other significant disruption involving our information technology networks and systems, or those of our service providers (whether or not caused by a breach of our contractual obligations or our negligence), may lead to negative publicity, impair our ability to conduct our business, subject us to private litigation and government investigations and enforcement actions, and cause us to incur potentially significant liability, damages, or remediation costs. It may also cause the governments with whom we contract to lose confidence in us, any of which may cause the termination or modification of our government contracts and impair our ability to win future contracts. Actual or anticipated attacks and risks affecting our environment, our service providers' environments, or our government customers' environments may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, to train employees, and to engage third-party security experts and consultants. Our insurance coverage may be insufficient to cover or protect against the costs, liabilities, and other adverse effects arising from a security breach or system disruption. If we fail to reasonably maintain the security of confidential information, we may also suffer significant reputational and financial losses, and our results of operations, cash flows, financial condition, and liquidity may be adversely affected.

We may be unable to integrate new technologies and industry standards effectively, which may adversely affect our business and results of operations.

Our future success will depend on our ability to enhance and improve the responsiveness, functionality, and features of our services in accordance with industry standards and to address the increasingly sophisticated technological needs of our customers on a cost-effective and timely basis. Our ability to remain competitive will depend, in part, on our ability to:

- enhance and improve the responsiveness, functionality, and other features of the government services we offer;
- continue to develop our technical expertise;
- develop and introduce new services, applications, and technology to meet changing customer needs and preferences; and
- influence and respond to emerging industry standards and other technological changes in a timely and cost-effective manner.

We cannot ensure that we will be successful in responding to the above technological and industry challenges in a timely and cost-effective manner. If we are unable to integrate new technologies and industry standards effectively, our business could be harmed.

Public Sector-Related Risk Factors

Selling products and services into the public sector poses unique challenges.

We derive substantially all of our revenues from sales of SaaS and related services to state, county, and city governments; utilities; tribal governments; and other public entities. We expect that sales to public sector customers will continue to account for substantially all of our revenues in the future. We face many risks and challenges associated with selling to and contracting with governmental entities, including:

- long and complex sales cycles that vary significantly according to each government entity's policies and procedures;
- the potential need for governments to draft and adopt specific legislation before they can circulate a request for proposal or other solicitation to which we can respond or before they can otherwise award a contract or provide a new digital service;
- varying bid procedures and internal processes for bid acceptance and bid protests;
- contract payments at times being subject to achieving implementation milestones, and differences with customers as to whether milestones have been achieved;

- political resistance to government agencies contracting with third parties to receive or distribute public information, which governments traditionally have offered without charge;
- legislative changes that temporarily or permanently affect governments' authority to contract with third parties or receive or distribute public information or that increase our costs or result in a temporary or permanent suspension of our services;
- regulations that govern the fees governments collect for many of our services, limiting their control over the level of transaction-based fees governments are permitted to retain;
- various other political factors, including changes in governmental administrations and personnel that, among other things, could impact existing requests for proposals and other procurements, rebids, renewals, or extensions;
- challenges to contractual terms and conditions that are common in the private sector, including customary warranties, limitations on liability, and indemnification;
- government budget deficits and appropriation approval processes and periods, any of which could cause governments to curtail spending on services, including time- and materials-based fees for application development, fixed fees for portal management, and material reductions in tax revenue; and
- resource limitations caused by budgetary constraints or non-appropriation of funds that may result in a termination of, or reduction in revenue from, executed contracts due to a lack of future funding.

Each of these risks is outside our control. If we fail to adequately adapt to these risks and uncertainties, our financial performance could be adversely affected.

A prolonged economic slowdown could harm our operations.

A prolonged economic slowdown, recession, or inflation could reduce demand for our SaaS products and services. Local and state governments may face financial pressures caused by reduced tax revenue that could in turn affect our growth rate and profitability in the future, including as a result of the public health crises, epidemics, and pandemics such as the COVID-19 pandemic. Local and state spending levels may be affected by declining or stagnant general economic conditions, and if budget shortfalls occur, they may negatively impact local and state information technology spending and could adversely affect our business.

The open bidding process creates uncertainty in predicting future contract awards.

Many governmental agencies purchase products and services through an open bidding process. Generally, a governmental entity will publish an established list of requirements requesting potential vendors to propose solutions for the established requirements. To respond successfully to these requests for proposals, we must accurately estimate their cost structure for servicing a proposed contract, the time required to establish operations for the proposed customer, and the likely terms of any other third-party proposals submitted. We cannot guarantee that we will win any bids in the future through the request for proposal process, or that any winning bids will ultimately result in contracts on favorable terms. Our failure to secure contracts through the open bidding process, or to secure such contracts on favorable terms, may adversely affect our revenue and gross margins.

We face significant competition from other vendors and potential new entrants into our markets.

We face competition from a variety of software and SaaS vendors that offer products and services similar to those offered by us, as well as from companies offering to develop custom software and SaaS. We compete based on a number of factors, including the following:

- the breadth, depth, and quality of our product and service offerings;
- the ability to modify our offerings to accommodate particular customers' needs;
- technological innovation; and

- name recognition, reputation, and references.

We believe the market is highly fragmented with a large number of competitors that vary in size, product platform, and product scope. Our competitors include consulting firms, publicly held companies that focus on selected segments of the public sector market, and a significant number of smaller, privately held companies. Certain competitors have greater technical, marketing, and financial resources than we do. We cannot assure you that such competitors will not develop products or offer services that are superior to our products or services or that achieve greater market acceptance.

We also compete with internal, centralized information technology departments of governmental entities, which requires us to persuade the end users to stop internal services and outsource to us. In addition, our customers and prospective customers could elect to provide information management services internally through new or existing departments, which could reduce the market for our services.

We could face additional competition as other established and emerging companies enter the public sector SaaS application market and new products and technologies are introduced. Increased competition could result in pricing pressure, fewer customer orders, reduced gross margins, and loss of market share. Current and potential competitors may make strategic acquisitions or establish cooperative relationships or business combinations among themselves or with third parties, thereby increasing the ability of their products and services to address the needs of our prospective customers. It is possible that new competitors or alliances may emerge and rapidly gain significant market share. We cannot assure you that we will be able to compete successfully against current and future competitors, and the failure to do so would have a material adverse effect upon our business.

Our ability to grow revenues may be limited by the number of governments and government agencies that choose to provide digital government solutions such as those we offer.

Our revenues are generated principally from contracts with state and local governments and government agencies to provide digital government solutions on behalf of those government entities to complete transactions and distribute public information digitally. The growth in our revenues largely will depend on government entities adopting solutions such as those offered by us. We cannot ensure that government entities will choose to provide digital government services or continue to provide digital government services at current levels, or that they will provide such services with private assistance or by adopting solutions such as those we offer. The failure to secure contracts with certain government agencies could result in revenue levels insufficient to support our operations on a self-sustained, profitable basis.

We are subject to independent audits as requested by our government customers. Deficiencies in our performance under a government contract could result in contract termination, reputational damage, or financial penalties.

Each government entity with which we contract for outsourced portal services may have the authority to require an independent audit of our performance and financial management of contracted operations. The scope of audits could include inspections of income statements, balance sheets, fee structures, collections practices, service levels, security practices, and our compliance with contract provisions and applicable laws, regulations, and standards. The expansion of our operations into new markets and services may further expose us to requirements and potential liabilities under additional statutes and rules that have previously not been relevant to our business. We cannot ensure that a future audit will not find any material performance deficiencies that would result in an adjustment to our revenues or result in financial penalties. Moreover, any consequent negative publicity could harm our reputation among other governments with which we would like to contract. These factors could harm our business, results of operations, cash flows, and financial condition.

General Risk Factors

Legal proceedings and investigations could harm our business and result in substantial costs.

We may be involved in various claims, suits, investigations, and legal proceedings that arise from time to time in the ordinary course of business. Additional legal claims or regulatory matters affecting us and our subsidiaries may arise in the future and could involve stockholder, consumer, regulatory, compliance, intellectual property, antitrust, tax, and other issues. Litigation and investigations inherently are unpredictable. Regardless of the merits, litigation or investigations may be costly, time-consuming and disruptive to our business. We could incur costs for responding, judgments or settlements that could adversely affect our operating results or cash flows in a particular period. In addition, our business, operating results, and financial condition could be adversely affected if any infringement or other intellectual property claim made against us by any third party is successful, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions.

Fluctuations in quarterly revenue could adversely impact our operating results and stock price.

Our revenues and operating results are difficult to predict and may fluctuate substantially from quarter to quarter for a variety of reasons, including:

- Prospective customers' contracting decisions are often made in the last few weeks of a quarter;
- The size of SaaS transactions can vary significantly;
- Customers may unexpectedly postpone or cancel procurement processes due to changes in strategic priorities, project objectives, budget, or personnel;
- Customer purchasing processes vary significantly and a customer's internal approval, expenditure authorization, and bid protest and contract negotiation processes can be difficult and time consuming to complete, even after selection of a vendor;
- The number, timing, and significance of SaaS product enhancements and new SaaS product announcements by us and our competitors may affect purchase decisions;
- We may have to defer revenues under our revenue recognition policies; and
- Customers may elect subscription-based arrangements, which result in lower revenues in the initial year as compared to traditional, on-premise software license arrangements, but generate higher overall subscription-based revenues over the term of the contract.

In each fiscal quarter, our expense levels, operating costs, and hiring plans are based to some extent on projections of future revenues and are relatively fixed. If our actual revenues fall below expectations, we could experience a reduction in operating results. Also, if actual revenues or earnings for any given quarter fall below expectations, it may lead to a decline in our stock price.

Increases in service revenue as a percentage of total revenues could decrease overall margins.

We realize lower margins on service revenues than on revenue from SaaS subscription or software licenses. The majority of our contracts include both SaaS and professional services. Therefore, an increase in the percentage of professional service revenue compared to SaaS revenue could have a detrimental impact on our overall gross margins and could adversely affect operating results.

Our stock price may be volatile.

The market price of our common stock may be volatile. Examples of factors that may significantly impact our stock price include:

- actual or anticipated fluctuations in our operating results;
- announcements of technological innovations, new products, or new contracts by us or our competitors;
- developments with respect to patents, copyrights, or other proprietary rights;
- conditions and trends in the SaaS and other technology industries;
- adoption of new accounting standards, statements or interpretations affecting the SaaS industry, public companies and former special purpose acquisition companies;
- changes in financial estimates by securities analysts; and
- general market conditions and other factors.

In addition, the stock market historically has experienced significant price and volume fluctuations that have particularly affected the market prices of technology company stocks and may in the future adversely affect the market price of our stock.

Sometimes, securities class action litigation is filed following periods of volatility in the market price of a particular company's securities, and regulatory investigations impacting us may occur over which we have limited or no control. We cannot assure you that similar litigation or investigations will not occur in the future with respect to us. Such litigation or investigations could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on our financial performance.

Future sales of shares by existing or future stockholders could cause our stock price to decline.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of many shares of common stock intend to sell shares, could reduce the market price of our common stock. A significant number of our shares became free of resale restrictions on February 19, 2020, which was one year from the business combination. Additionally, a significant number of restricted stock units that may be settled in shares of common stock have been granted and will vest from time to time. The presence of additional unrestricted and vested shares of common stock may have an adverse effect on the market price of our securities.

Exercise of warrants for common stock would increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

As of December 31, 2021, we had warrants to purchase 27,093,334 shares of common stock outstanding. Each whole warrant is exercisable to purchase one share of common stock at $11.50 per share. While our stock price currently is substantially under the exercise price of the warrants – they are, in other words, underwater – to the extent such warrants are exercised, additional shares of common stock will be issued, which will result in dilution to the then-existing holders of common stock and increase the number of shares eligible for resale in the public market. Moreover, this warrant overhang may limit future increases in the price of our common stock if the trading price nears the exercise price of the warrants. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our common stock.

Our financial outlook may not be realized.

From time to time, in press releases and otherwise, we may publish forecasts or other forward-looking statements regarding our results, including estimated revenues or earnings. Any forecast of our future performance reflects various assumptions. These assumptions are subject to significant uncertainties, and as a matter of course, any number of them may prove to be incorrect. Further, the achievement of any forecast depends on numerous risks and other factors (including those described in this Risk Factors section), many of which are beyond our control. As a result, we cannot be certain that our performance will be consistent with any management forecasts or that the variation from such forecasts will not be material and adverse. Current and potential stockholders are cautioned not to base their entire analysis of our business and prospects upon isolated predictions but instead are encouraged to utilize our entire publicly available mix of historical and forward-looking information when evaluating our prospective results of operations.

Our quarterly results of operations may be volatile and difficult to predict. If our quarterly results of operations, future growth, profitability or dividends fail to meet the expectations of public market analysts or investors, the market price of our common stock may decline.

Our future revenues and results of operations may vary significantly from quarter to quarter due to a number of factors, many of which are outside of our control, and any of which may harm our business. These factors include:

- the commencement, completion, or termination of contracts during any quarter;
- the introduction of new services by us or our competitors;
- technical difficulties or system downtime affecting the operation of our services;
- the amount and timing of operating costs and capital expenditures relating to the expansion of our business operations and infrastructure;
- unexpected changes in federal, state and local legislation that increase our costs and/or result in a temporary or permanent decrease in our revenues;
- any federal government shutdown, such as the shutdown which commenced in December 2020, each of which impacts the ability of our customers to purchase our products and services;

- the seasonal use of some of our services, particularly the payment of real estate taxes;
- changes in economic conditions;
- the result of negative cash flows due to capital investments; and
- significant charges related to acquisitions.

Due to the factors noted above and the other factors described in this Risk Factors section, our financial performance in a quarter may be lower than we anticipate and if we are unable to reduce spending in that quarter, our results of operations for that quarter may be harmed. One should not rely on quarter-to-quarter comparisons of our results of operations as an indication of future performance. It is possible that in some future periods our results of operations may be below the expectations of public market analysts and investors. If this occurs, the price of our common stock may decline. In addition, if we fail to meet expectations related to future growth, profitability, dividends or other market expectations, the price of our common stock may decline.

Each operating subsidiary's management and our independent registered public accounting firm have previously identified internal control deficiencies, which such management and independent registered public accounting firm believed constituted material weaknesses. If we fail to establish and maintain effective internal control over financial reporting in the future, our ability to timely and accurately report our financial results could be adversely affected.

Each of our operating subsidiaries was previously a private company not subject to SEC rules implementing Section 404 of the Sarbanes-Oxley Act and, therefore, was not required to make a formal assessment of the effectiveness of its internal control over financial reporting. We are required to comply with the SEC's rules implementing parts of Sections 302 and 404 of the Sarbanes-Oxley Act (other than Section 302(c) and 404(b) until we cease to be an emerging growth company and a smaller reporting company), which require management to certify financial and other information in quarterly and annual reports and provide an annual management report on the effectiveness of internal control over financial reporting. We were an emerging growth company until December 31, 2021 and continue to be a smaller reporting company.

Although our operating subsidiaries had not made assessments of the effectiveness of their internal control over financial reporting and did not engage their independent registered public accounting firms to conduct audits of their internal control over financial reporting, in connection with the audits of the their financial statements included in this Annual Report on Form 10-K, each operating subsidiary's management and independent registered public accounting firm previously identified one or more material weaknesses relating to such subsidiary's internal control over financial reporting under standards established by the Public Company Accounting Oversight Board, or PCAOB. The PCAOB defines a material weakness as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a company's financial reporting.

The material weaknesses previously identified by the operating subsidiaries and their independent registered public accounting firm included: (i) deficiencies in Bonfire's period end financial statement close process, (ii) each of CityBase's, eCivis's, OpenCounter's and Sherpa's limited segregation of duties with regard to financial reporting activities such as payroll entry and processing due to the size of their respective accounting departments, (iii) deficiencies in Questica's period end financial statement close process, and (iv) deficiencies in the accounting treatment and classification of the Company's private warrants.

We believe that we have remediated these material weaknesses and improved the effectiveness of our internal control over financial reporting by implementing additional controls related thereto.

There is no assurance that any measures we may take in the future will be sufficient to remediate the material weaknesses described above or to avoid potential future material weaknesses. If management fails to establish and maintain effective internal control over financial reporting and disclosure controls and procedures, we may not be able to produce timely and accurate financial statements and meet our SEC reporting obligations, which could result in sanctions by Nasdaq or the SEC. This could result in a loss of investor confidence and could lead to a decline in our stock price.

The impact of a coronavirus outbreak, or similar global health concerns, could negatively impact our operations, supply chain, and customer base.

Our operations for certain of our products or services could be negatively impacted by the regional or global outbreak of illnesses, including the coronavirus disease known as COVID-19. Any quarantines, labor shortages or other disruptions to our operations, or those of our customers, may adversely impact our sales and operating results. The absence of funding for state and local governments, which constitute substantially all the Company's customers, also may result in a reduction in revenue from, or cancellation of, the Company's contracts. That, too, may adversely impact our sales and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of Canada, another country in which we operate, resulting in an economic downturn that could affect demand for our products and services. We are unable to accurately predict the possible future effect on the Company of the continuing COVID-19 pandemic or if another coronavirus or other disease expands domestically or globally.

The JOBS Act permits "emerging growth companies" like us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies.

We qualify as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, which we refer to as the "JOBS Act." As such, we take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements, and (iii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result, our stockholders may not have access to certain information they deem important. We had revenues during the fiscal year ended December 31, 2021 of approximately $60.5 million. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year (a) following November 1, 2021, the fifth anniversary of the GTY Cayman initial public offering, (b) in which we have total annual gross revenue of at least $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our prior second fiscal quarter, unless we continue to be a smaller reporting company, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result, there may be a less active trading market for securities and our stock price may be more volatile.

We are a smaller reporting company (and may remain a smaller reporting company even after losing emerging growth company status), and any decision on our part to comply only with certain reduced or scaled reporting and disclosure requirements applicable to smaller companies could make our common stock less attractive to investors.

We are a "smaller reporting company" (as defined in Rule 12b-2 promulgated under the Exchange Act), and, for as long as we continue to be a smaller reporting company (which may be longer than we remain an emerging growth company), we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to smaller reporting companies, including but not limited to:

- not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- providing only two years of audited financial statements or compensation-related disclosure in our periodic reports and proxy statements.

Item 2. Properties

The information regarding the Company's properties set forth in "Item 1. Business" above is incorporated by reference into this Item 2.

Item 3. Legal Proceedings

There is no material litigation, arbitration or governmental proceeding currently pending against us or any members of our management team in their capacity as such, and we and the members of our management team have not been subject to any such proceeding in the 12 months preceding the date of this Annual Report on Form 10-K. On March 19, 2021, the Company received a request (the "Request") from the Securities and Exchange Commission (the "SEC") for documents relating to the Company's business combination consummated on February 19, 2019 and related transactions, including those described in a Form 8-K filed by the Company on February 14, 2019. The Company cooperated in the SEC's investigation, delivered its last response to the Request on August 6, 2021, and intends to cooperate with any additional requests it receives from the SEC.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock trades on Nasdaq under the symbol "GTYH."

Holders of Record

At February 18, 2022, there were 95 holders of record of our common stock and 3 holders of record of our warrants. The number of record holders does not include beneficial holders who hold their shares in "street name," meaning that the shares are held for their accounts by a broker or other nominee. Accordingly, we believe the total number of beneficial holders is higher than the number of our shareholders of record.

Dividends

We have not paid any cash dividends on our common stock to date and GTY did not pay cash dividends prior to the consummation of the business combination. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition. The payment of any cash dividends will be within the discretion of our board of directors. In addition, our board of directors is not currently contemplating and does not anticipate declaring stock dividends in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

As of December 31, 2021, there were (i) 1,484,716 shares of common stock available for issuance pursuant to future awards under the GTY Technology Holdings Inc. Amended and Restated 2019 Omnibus Incentive Plan (the "Incentive Plan"), (ii) 240,421 shares of common stock issuable upon exercise of outstanding stock options outstanding pursuant to the Incentive Plan at a weighted average exercise price of $2.28 per share and (iii) 3,751,306 unvested restricted stock units outstanding pursuant to the Incentive Plan with a weighted average grant price of $5.73.

Securities Authorized for Issuance as a Result of Exchanges

As of December 31, 2021, there were (i) 1,743,299 of shares of common stock available for issuance in exchange for shares of 1176363 B.C. Ltd. ("Bonfire ExchangeCo") and (ii) 3,842,952 of shares of common stock available for issuance in exchange for shares of 1176368 B.C. Ltd. ("Questica ExchangeCo"), as further described in Note 10 of our Financial Statements.

Recent Sales of Unregistered Securities

Except as previously disclosed in our Quarterly Reports on Form 10-Q or Current Reports on Form 8-K during 2021, we did not sell any securities that were not registered under the Securities Act during the period covered by this Annual Report on Form 10-K.

Item 6. [Reserved].

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

References to the "Company," "GTY", "our," "us" or "we" refer to GTY Technology Holdings Inc. The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting our current expectations, estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the sections entitled "Risk Factors" and "Forward-Looking Statements" appearing elsewhere in this Annual Report on Form 10-K.

Overview

We are a public-sector company that offers a cloud-based suite of solutions primarily for North American state and local governments. Our six wholly owned subsidiaries are Bonfire, CityBase, eCivis, OpenCounter, Questica and Sherpa. Through our operating subsidiaries, we serve segments in the government technology sector, specifically procurement, payments, grants management, permitting, and budgeting.

We were formed on August 11, 2016, for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses (the "business combination"). Until the business combination, we did not engage in any operations nor generate any revenues. We recognized an opportunity to replace costly legacy on-premises software systems with scalable and efficient SaaS products. Our search led to the acquisition (the "Acquisition") of Bonfire, CityBase, eCivis, OpenCounter, Questica, and Sherpa on February 19, 2019 (the "Closing Date").

Our customers are primarily located in the United States and Canada, including counties, municipalities, special districts, law enforcement agencies, public-school districts and tribal governments. We plan to further increase our customer base by leveraging our comprehensive product portfolio with our existing customer base, investing in direct sales to new customers, and using relationships with complementary products and services.

***Expansion and Further Penetration of Our Customer Base*.**

We employ a strategy that focuses on acquiring new customers and growing our relationships with existing customers over time. We believe significant opportunity exists for us to acquire new customers as well as expand the use of our platforms by selling additional products and increasing the number of users within our current customers' organizations.

***Investment in Growth*.**

We plan to continue to invest in our business so that we can capitalize on our market opportunity. We intend to continue to grow our sales and marketing team to acquire new customers and to increase sales to existing customers. We intend to continue to grow our research and development team to extend the functionality and range of our applications. We also intend to invest in new and improved information technology solutions to support our business. However, we expect our sales and marketing expenses and research and development expenses as a percentage of revenues to decrease over time as we grow our revenues and gain economies of scale by increasing our customer base and increase sales to our existing customer base. We believe that these investments will contribute to our long-term growth, although they may adversely affect our profitability in the near term.

***Leveraging Relationships*.**

We plan to continue to strengthen and expand our relationships with technology vendors, professional services firms, and resellers. These relationships enable us to increase the speed of deployment and offer a wider range of integrated services to our customers. We intend to support these existing relationships, seek additional relationships and further expand our channel of resellers to help us increase our presence in existing markets and to expand into new markets. Our business and results of operations will continue to be significantly affected by whether we succeed in leveraging and expanding these relationships.

***Market Adoption of Our Platforms*.**

A key focus of our sales and marketing efforts is creating market awareness about the benefits of our cloud-based SaaS platforms. The market for SaaS solutions remains less mature than the market for on-premises software applications, and potential customers may be slow or unwilling to migrate from their legacy solutions. Our business and operating results will be significantly affected by the degree to and speed with which organizations adopt our solutions.

Key Components of our Results of Operations

Revenues

Subscription, support and maintenance

We deliver SaaS that provides customers with access to SaaS-related support and updates during the term of the arrangement. Revenues are recognized ratably over the contract term as the customer simultaneously receives and consumes the benefits of the subscription service. Subscription fees for the first year are typically payable within 30 days after the execution of a contract, and thereafter upon renewal. We initially record subscription fees as contract liabilities and recognize revenues on a straight-line basis over the term of the agreement.

Our contracts may include variable consideration in the form of usage fees, which are included in the transaction price in the period in which the usage occurs and the fee is known.

Subscription, support and maintenance revenues also includes kiosk rentals and on-premises support or maintenance pertaining to license sales. Revenues from kiosk rentals and on-premises support are recognized on a straight-line basis over the support period.

Revenues from subscription, support and maintenance comprised approximately 76% and 74% of total revenues for the years ended December 31, 2021 and 2020, respectively.

Professional services

Our professional services contracts generate revenues on a time-and-materials, fixed fee or subscription basis. Revenues are recognized as the services are rendered for time-and-materials contracts. Revenues are recognized when the milestones are achieved and accepted by the customer or on a proportional performance basis for fixed-fee contracts. Revenues are recognized ratably over the contract term for subscription contracts. The milestone method for revenue recognition is used when there is substantive uncertainty at the date the contract is entered into regarding whether the milestone will be achieved. Training revenues are recognized as the services are performed. Revenues from professional services comprised approximately 20% and 23% of total revenues for the years ended December 31, 2021 and 2020, respectively.

License

Revenues from distinct licensed software are recognized upfront when that software is made available to the customer, which normally coincides with contract execution, as this is when the customer has the risks and rewards of the right to use the software. Revenues from licensed software comprised approximately 1% and 3% of total revenues for the years ended December 31, 2021 and 2020, respectively.

Asset sales

Revenues from asset sales are recognized when the asset, typically a kiosk, has been received by the customer and is fully operational and ready to accept transactions, which is when the customer obtains control and has the risks and rewards of the asset. Revenues from asset sales comprised approximately 2% and less than 1% of total revenues for the years ended December 31, 2021 and 2020, respectively.

Cost of Revenues

Cost of revenues primarily consists of salaries and benefits of personnel relating to our hosting operations and support, implementation, and grants research. Cost of revenues includes data center costs such as depreciation of the Company's data center assets, third-party licensing costs, and consulting fees.

Operating Expenses

Sales and marketing

Sales and marketing expenses consist primarily of personnel costs of our sales and marketing employees, including salaries, sales commissions and incentives and benefits, travel and related costs, outside consulting fees, marketing programs, including lead generation, and costs of advertising and trade shows. We defer sales commissions and amortize them ratably over the expected customer life. We expect sales and marketing expenses will further increase as we continue to expand our direct sales teams and increase sales through our strategic relationships and resellers.

Research and development

Research and development expenses consist primarily of salaries and benefits associated with our engineering, product and quality assurance personnel. Research and development expenses also include the cost of third-party contractors. Other than internal-use software development costs that qualify for capitalization, research and development costs are expensed as incurred. We expect research and development costs to increase as we develop new solutions and make improvements to our existing platforms.

General and administrative

General and administrative expenses consist primarily of salaries and benefits with our executive, finance, legal, human resources, compliance and other administrative personnel, accounting, auditing and legal professional services fees, recruitment costs, and other corporate-related expenses. We expect that general and administrative expenses will increase as we scale our business, but at a lower rate over time.

Results of Operations

Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

Total revenues

Our total revenues for the year ended December 31, 2021 increased on a year-over-year basis. This increase was driven by an increase in the number of customers, an increase in the number of users added by existing customers and an increase in the number of products purchased by existing customers. Our revenues for the year ended December 31, 2021 were $60.5 million. Excluding the $0.4 million impact of purchase accounting, our total non-GAAP adjusted revenues for the year ended December 31, 2021 would have been $60.9 million compared to $48.8 million for the year ended December 31, 2020, representing a 25% increase. Revenues for each operating segment is comprised of the following (in thousands, except percentages):

	Generally Accepted Accounting Principles ("GAAP")				Non-GAAP			
	Total Revenues 2021	Total Revenues 2020	Increase / (Decrease) in Dollars	Increase / (Decrease) in %	Total Revenues 2021	Total Revenues 2020	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Procurement	$ 10,559	$ 7,806	$ 2,753	35 %	$ 10,559	$ 7,829	$ 2,730	35 %
Payments	12,848	8,863	3,985	45 %	13,283	9,384	3,899	42 %
Grants Management	7,663	6,693	970	14 %	7,663	6,713	950	14 %
Permitting	2,778	2,645	133	5 %	2,778	2,645	133	5 %
Budget	26,605	22,121	4,484	20 %	26,605	22,272	4,333	19 %
Total	$ 60,453	$ 48,128	$ 12,325	26 %	$ 60,888	$ 48,843	$ 12,045	25 %

Procurement's, Grants Management's, and Permitting's revenues (GAAP and non-GAAP) increased primarily due to an increase in subscription, support and maintenance revenues resulting from an increase in customers from the prior year. Payment's revenues increased primarily due to an increase in transaction volume and asset sales. Budgeting's revenues increased due primarily due to an increase in subscription, support and maintenance revenues as well as an increase in professional services.

Total cost of revenues

Our total cost of revenues for the year ended December 31, 2021 has increased on a year-over-year basis. The increase was driven primarily by share-based compensation expense due to the issuance of restricted stock units. Cost of revenues also increased due to increases in headcount, hosting operations and professional services to support our revenue growth. Cost of revenues for each operating segment is comprised of the following (in thousands, except percentages):

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	Total Cost of Revenues 2021	Total Cost of Revenues 2020	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Procurement	$ 2,047	$ 1,520	$ 527	35 %
Payments	8,258	6,682	1,576	24 %
Grants Management	3,157	3,030	127	4 %
Permitting	700	563	137	24 %
Budget	8,210	6,673	1,537	23 %
Total	$ 22,372	$ 18,468	$ 3,904	21 %

Procurement

Procurement's total cost of revenues increased by $0.5 million or 35% primarily due to a $0.3 million or 23% increase in salaries and benefits driven by a 20% increase in average headcount from December 31, 2020 to December 31, 2021, a $0.1 million increase in bonuses, and a $0.1 million increase in the amortization of internal-use software.

Payments

Payments' total cost of revenues increased by $1.6 million or 24% primarily due to a $0.7 million increase in costs associated with kiosk sales, a $0.7 million or 23% increase in bank fees and a $0.2 million or 61% increase in kiosk operations.

Grants Management

Grants Management's total cost of revenues increased by $0.1 million or 4% primarily due to a $0.5 million or 288% increase in the cost of third-party contractors and partially offset by a $0.2 million or 50% decrease in royalty costs, and a $0.2 million or 9% decrease in salaries and wages due to an 8% decrease in average headcount from December 31, 2020 to December 31, 2021.

Permitting

Permitting's total cost of revenues increased by $0.1 million or 24% primarily due to a $0.1 million or 29% increase in salaries and wages driven by a 28% increase in average headcount from December 31, 2020 to December 31, 2021.

Budget

Budget's total cost of revenues increased by $1.5 million or 23% primarily due to a $1.1 million or 31% increase in salaries and bonuses mainly driven by a 25% increase in average headcount from December 31, 2020 to December 31, 2021, a $0.5 million increase in share-based compensation related to the issuance of restricted stock units, and partially offset by a $0.1 million decrease in royalty and other third-party costs.

Operating expenses

Our total selling and marketing, general and administrative and research and development components of operating expenses for the year ended December 31, 2021 have increased due primarily to an increase in share-based compensation expense resulting from the issuance of restricted stock units, salaries and wages from an increase in headcount, reestablishment of business travel, and expansion of third-party costs to support operations. Operating expenses excluding amortization of intangible assets, acquisition costs, goodwill impairment, restructuring charges, and change in fair value of contingent consideration for each operating segment is comprised of the following (in thousands, except percentages):

	Operating Expenses 2021	Operating Expenses 2020	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Procurement	$ 8,824	$ 8,218	$ 606	7 %
Payments	13,150	14,387	(1,237)	(9)%
Grants Management	7,647	6,344	1,303	21 %
Permitting	2,621	2,972	(351)	(12)%
Budget	12,476	10,515	1,961	19 %
Corporate	7,862	7,615	247	3 %
Total	$ 52,580	$ 50,051	$ 2,529	5 %

Procurement

Procurement's total operating expense increased by $0.6 million or 7% due to a $0.6 million or 35% increase in research and development expenses, a $0.2 million or 11% increase in general and administration expenses, offset by a $0.2 million or 6% decrease in sales and marketing expenses. The increase in research and development expenses was due to a $0.3 million reduction of capitalization of internal-use software, a $0.2 million or 10% increase in salaries and wages and a $0.1 million increase in share-based compensation expense resulting from the issuance of restricted stock units. The increase in general and administration expenses was primarily due to a $0.1 million or 13% increase in salaries and wages driven by a 9% increase in average headcount from December 31, 2020 to December 31, 2021, and a $0.1 million increase in share-based compensation expense resulting from the issuance of restricted stock units. The decrease in sales and marketing costs was primarily due to a $0.2 million decrease in share-based compensation expense resulting from the issuance of restricted stock units.

Payments

Payments' total operating expense decreased by $1.2 million or 9% primarily due to a $0.7 million or 13% decrease in research and development expenses, a $0.5 million or 14% decrease in sales and marketing costs, and less than $0.1 million or 1% decrease general and administrative expenses. The decrease in research and development is primarily driven by a $0.5 million or 11% decrease in salaries and wages due to a 9% decrease in average headcount from December 31, 2020 to December 31, 2021 and a $0.1 million decrease in share-based compensation expense resulting from the issuance of restricted stock units. The decrease in sales and marketing costs is primarily due to a $0.9 million decrease in share-based compensation expense resulting from the issuance of restricted stock units and partially offset by a $0.4 million increase in commissions and bonuses. The decrease in general and administrative expenses is primarily driven by a $0.4 million decrease in share based compensation resulting from the issuance of restricted stock units and partially offset by a $0.2 million increase in bonuses and a $0.1 million increase in third-party operating expenses.

Grants Management

Grants Management's total operating expense increased by $1.3 million or 21% primarily due to a $1.0 million or 45% increase in sales and marketing costs, a $0.4 million or 21% increase in research and development costs, and partially offset by a $0.1 million or 3% decrease in general and administrative expenses. The increase in sales and marketing costs was primarily due to a $0.4 million or 30% increase in salaries and benefits driven by a 23% increase in average headcount from December 31, 2020 to December 31, 2021, a $0.4 million increase in third-party commissions expense, and a $0.2 million increase in commissions and bonuses. The increase in research and development is primarily driven by a $0.2 million increase in consulting and professional services and a $0.1 million or 6% increase in salaries and wages due to a 4% increase in average headcount from December 31, 2020 to December 31, 2021. The decrease in general and administration expenses is primarily due to a $0.2 million decrease in rent expense, a $0.2 million decrease in recruiting expenses and other third-party costs, and partially offset by a $0.3 million increase in share-based compensation expense resulting from the issuance of restricted stock units.

Permitting

Permitting's total operating expense decreased by $0.4 million or 12% primarily due to a $0.2 million or 20% decrease in sales and marketing costs and a $0.2 million or 22% decrease in general and administrative costs. The decrease in sales and marketing costs is primarily due to a $0.3 million or 30% decrease in salaries and wages due to a 25% decrease in average headcount from December 31, 2020 to December 31, 2021 and partially offset by a $0.1 million increase in share-based compensation expense. The decrease in general and administrative costs is primarily due to a $0.1 million decrease in travel and a $0.1 million or 19% decrease in salaries and benefits.

Budget

Budget's total operating expenses increased by $2.0 million or 19% primarily due to a $1.3 million or 35% increase in general and administrative expenses, a $0.5 million or 23% increase in research and development expenses, and a $0.2 million or 3% increase in sales and marketing costs. The increase in general and administrative expenses was due to a $1.4 million increase in share-based compensation expense and partially offset by a $0.1 million decrease in salaries and benefits. The increase in research and development expenses was due to a $0.3 million or 19% increase in salaries and wages and a $0.3 million or 162% increase in share-based compensation expense resulting from the issuance of restricted stock units and partially offset by a $0.1 million decrease in consulting and professional services. The increase in sales and marketing costs was primarily due to a $0.2 million increase in share-based compensation expense.

Corporate

Corporate expenses are primarily comprised of outside services including legal, accounting and consulting fees, payroll and related expenses, corporate insurance, and share-based compensation. Corporate expenses increased by $0.2 million or 3% due primarily to a $0.6 million or 43% increase in salaries and benefits and partially offset by a $0.4 million decrease in legal fees.

Other operating expenses

Amortization of intangible assets consists of the amortization of finite lived intangibles resulting from the Acquisition as described in Note 4 of the notes to our consolidated financial statements included in this Annual Report on Form 10-K. Goodwill impairment expense includes any reduction in the fair value of Goodwill relative to its carrying value. The restructuring charges resulted from the Company's March 2020 restructuring. The change in fair value of contingent consideration consists of any adjustments to the contingent consideration liability since the Acquisition.

Other income (expense)

Other income (expense) consists primarily of interest expense associated with the Company's February 2020 and November 2020 credit facilities, gains (losses) from the issuance of shares, change in fair value of warrant liability, gains (losses) on extinguishment of debt, and gains (losses) resulting from transactions denominated in foreign currencies.

Reconciliation of Non-GAAP Revenues

To supplement our consolidated financial statements, which are prepared in accordance with U.S. generally accepted accounting principles, or GAAP, we have provided certain financial measures that have not been prepared in accordance with GAAP defined as "non-GAAP financial measures," which include (i) non-GAAP revenues, (ii) non-GAAP gross profit and non-GAAP gross margin, (iii) and non-GAAP loss from operations.

We use these non-GAAP financial measures internally in analyzing our financial results and believe these metrics are useful to investors, as a supplement to the corresponding GAAP measure, in evaluating our ongoing operational performance and trends. However, it is important to note that particular items we exclude from, or include in, our non-GAAP financial measures may differ from the items excluded from, or included in, similar non-GAAP financial measures used by other companies in the same industry. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

Non-GAAP Revenues

Non-GAAP revenues are defined as GAAP revenues adjusted for the impact of purchase accounting resulting from our business combination which reduced our acquired contract liabilities to fair value. We believe that presenting non-GAAP revenues is useful to investors as it eliminates the impact of the purchase accounting adjustments to revenues to allow for a direct comparison between current and future periods.

Non-GAAP Gross Profit and Non-GAAP Gross Margin

Non-GAAP gross profit is defined as GAAP gross profit adjusted for the impact of purchase accounting resulting from the business combination. Non-GAAP gross margin is defined as non-GAAP gross profit divided by non-GAAP revenues. We believe that presenting non-GAAP gross profit and margin is useful to investors as it eliminates the impact of the purchase accounting adjustments to allow for a direct comparison between periods.

Non-GAAP Loss from Operations

Non-GAAP loss from operations is defined as GAAP loss from operations adjusted for the impact of purchase accounting to revenues resulting from our business combination, the amortization of acquired intangible assets, share-based compensation, acquisition related costs, goodwill impairment expense, and the change in fair value of contingent consideration. We believe that presenting non-GAAP loss from operations is useful to investors as it eliminates the impact of certain non-cash and acquisition related expenses to allow a direct comparison of loss from operations between all periods presented.

Below is a reconciliation of non-GAAP revenues, Non-GAAP gross profit and Non-GAAP gross margin and Non-GAAP loss from operations to their most directly comparable GAAP financial measures (in thousands, except percentages):

	Year Ended December 31,	
	2021	**2020**
Revenues	60,453	48,128
Purchase accounting adjustment to revenue	435	715
Non-GAAP Revenues	**$ 60,888**	**$ 48,843**
Gross Profit	38,081	29,660
Purchase accounting adjustment to revenue	435	715
Share-based compensation	1,459	811
Non-GAAP Gross Profit	**$ 39,975**	**$ 31,186**
Gross Margin	63 %	62 %
Non-GAAP Gross Margin	**66 %**	**64 %**
Loss from operations	$ (45,502)	$ (42,718)
Purchase accounting adjustment to revenue	435	715
Amortization of intangibles	14,579	14,681
Share-based compensation	9,969	8,621
Goodwill impairment expense	15,827	2,000
Restructuring charges	—	3,666
Change in fair value of contingent consideration	597	1,980
Non-GAAP Loss from Operations	**$ (4,095)**	**$ (11,055)**

Below is a reconciliation of non-GAAP revenues to revenues by operating segment (in thousands, except percentages):

	Year Ended December 31,					
	Procurement	**Payments**	**Grants Management**	**Permitting**	**Budget**	**Total Revenues**
Revenues 2021	$ 10,559	$ 12,848	$ 7,663	$ 2,778	$ 26,605	$ 60,453
Purchase accounting adjustment to revenues	—	435	—	—	—	435
Non-GAAP Revenues 2021	$ 10,559	$ 13,283	$ 7,663	$ 2,778	$ 26,605	$ 60,888
Revenues 2020	$ 7,806	$ 8,863	$ 6,693	$ 2,645	$ 22,121	$ 48,128
Purchase accounting adjustment to revenues	23	521	20	—	151	715
Non-GAAP Revenues 2020	$ 7,829	$ 9,384	$ 6,713	$ 2,645	$ 22,272	$ 48,843
% change	*35 %*	*42 %*	*14 %*	*5 %*	*19 %*	*25 %*

Liquidity and Capital Resources

As of December 31, 2021, we had a cash balance of approximately $13.3 million. From the date of the Acquisition through December 31, 2021, our liquidity needs have been satisfied through proceeds from the January–February 2020 private investment in public equity, or PIPE, transactions, proceeds from our initial public offering that were released in February 2019 from the trust account established in connection with such offering for the benefit of our shareholders, proceeds from our June 2019 registered direct offering, proceeds from our February 2020 and November 2020 credit facilities, proceeds from issuances of stock under our at-the-market offering program, and loan proceeds in April–May 2020 from the Paycheck Protection Program.

On November 13, 2020, we entered into a loan and security agreement that provides for term loans in an aggregate principal amount of $25.0 million. The loan and security agreement are supported by a security interest in our assets and related guaranty agreements. On the closing date, we fully drew on the credit facility and the current outstanding balance is $25.0 million. As such, no additional amounts are available from it. The credit facility replaced our prior $12.0 million unsecured credit facility.

On November 17, 2020, we filed a Form S-3 Registration Statement under which the Company may sell a combination of securities up to a total dollar amount of $40.0 million. On November 25, 2020, the Company entered into an At Market Issuance Sales Agreement with B. Riley Securities, Inc. (“B. Riley”) and Needham & Company (“Needham”) with respect to an at-the-market offering program under which the Company may offer and sell shares of its common stock, par value $0.0001 per share having an aggregate offering price of up to $10.0 million through B. Riley and Needham as its sales agents. During the year ended December 31, 2021, the Company sold 935,633 shares of common stock for $6.8 million in proceeds.

Our consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

Our future capital requirements will depend on many factors, including our growth rate, the expansion of our direct sales force, strategic relationships and international operations, the timing and extent of spending to support research and development efforts and the continuing market acceptance of our solutions. We currently anticipate that our cash on hand, together with revenue from operations, will be sufficient to satisfy our anticipated capital requirements during 2021. However, if our projections of revenue or expenditures are inaccurate, we may require additional equity or debt financing during 2021. Sales of additional equity, including under the At Market Sales Agreement, could result in dilution to our stockholders. If we borrow additional funds, the terms of those financing arrangements, if available, may include negative covenants or other restrictions on our business that could impair our operating flexibility. We can provide no assurance that financing will be available at all or, if available, that we would be able to obtain financing on terms favorable to us. If we are unable to raise additional capital when needed, we would be required to curtail our operating activities and capital expenditures, and our business operating results and financial condition would be adversely affected.

PIPE Transaction

Immediately prior to the closing of the business combination (the “Closing”), pursuant to subscription agreements (the “Subscription Agreements”), dated as of various dates from January 9, 2019 through February 12, 2019, by and among GTY Cayman and certain institutional and accredited investors party thereto (the “Subscribed Investors”), GTY Cayman issued to the Subscribed Investors an aggregate of 12,853,098 Class A ordinary shares of GTY for $10.00 per share, for an aggregate cash purchase price of approximately $126.3 million, including three such Subscription Agreements with certain CityBase holders (including Michael Duffy, the chief executive officer of CityBase) for an aggregate of 380,937 Class A ordinary shares of GTY Cayman at a price of $10.00 per share, for an aggregate cash purchase price of approximately $3.8 million (the “PIPE Transaction”). The Class A ordinary shares of GTY Cayman issued to the Subscribed Investors were cancelled and exchanged on a one-for-one basis for shares of Company common stock at the Closing.

Historical Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated (amounts in thousands):

	Year Ended December 31, 2021	Year Ended December 31, 2020
Net cash used in operating activities	$ (6,382)	$ (12,974)
Net cash used in investing activities	$ (346)	$ (2,993)
Net cash (used in) provided by financing activities	$ (2,715)	$ 30,480

Net Cash Used in Operating Activities

Our net loss and cash flows from operating activities are significantly influenced by the Acquisition and our investments in headcount and infrastructure to support anticipated growth.

For the year ended December 31, 2021, net cash used in operations was $6.4 million resulting from our net loss of $53.8 million and changes in operating assets and liabilities of $1.6 million and offset by net non-cash expenses of $49.1 million. The $49.1 million of non-cash expenses was primarily comprised of $15.8 million of goodwill impairment expense, $14.6 million of amortization of intangible assets acquired as a result of the Acquisition, $10.0 million from share-based compensation expense associated with the issuance of restricted stock units, a $5.3 million loss on issuance of shares, a $1.8 million change in fair value of warrant liability, $1.6 million amortization of right of use assets, $1.0 million of depreciation expense, and $0.7 million of deferred debt issuance costs. These non-cash expenses were partially offset by a $3.2 million gain on extinguishment of debt. The $1.6 million of net cash used as a result of changes in our operating assets and liabilities was due to a $2.7 million increase in accounts receivable, a $1.8 million increase in prepaid expenses, a $1.1 million decrease in operating lease liabilities, a $0.9 million decrease in accounts payable and accrued liabilities and partially offset by a $4.9 million increase in deferred revenue.

For the year ended December 31, 2020, net cash used in operations was $13.0 million resulting from our net loss of $41.9 million and offset by net non-cash expenses of $28.2 million and changes in operating assets and liabilities of $0.7 million. The $28.2 million of non-cash expenses was primarily comprised of $14.7 million of amortization of intangible assets acquired as a result of the Acquisition, $8.6 million from share-based compensation expense associated with the issuance of restricted stock units, a $2.1 million loss on issuance of shares, $2.0 million of amortization of right of use assets associated with our operating and finance leases, $2.0 million of goodwill impairment expense, a $2.0 change in fair value of contingent consideration, and $0.9 million of depreciation expense. These non-cash expenses were partially offset by $2.8 million of deferred tax benefits related to the tax and book basis difference on the amortization of intangible assets and a $2.1 million change in fair value of warrant liability. The $0.7 million of net cash flows provided as a result of changes in our operating assets and liabilities was due to a $6.3 million increase in deferred revenue and partially offset by a $2.0 million decrease in accounts payable and accrued liabilities, a $2.1 million decrease in operating lease liabilities, a $0.8 million increase in accounts receivable, and a $0.7 million increase in prepaid expenses.

Net Cash Used in Investing Activities

Our primary investing activities have consisted of capital expenditures.

For the year ended December 31, 2021, cash used in investing activities was $0.3 million due to $0.3 million of capital expenditures resulting largely from the purchases of computer hardware to support our growth in headcount.

For the year ended December 31, 2020, cash used in investing activities was $3.0 million due primarily to $2.7 million of capital expenditures resulting largely from the lease improvements and furniture purchases at Questica's new facility.

Net Cash Provided By (Used in) Financing Activities

For the year ended December 31, 2021, cash used in financing activities was $2.7 million due primarily to $8.0 million of stock repurchases associated with the redemption of shares held by former eCivis shareholders, $0.8 million of contingent consideration payments, and $0.6 million of repayments of finance lease liabilities and partially offset by $6.8 million of proceeds from the issuance of common stock.

For the year ended December 31, 2020, cash provided by financing activities was $30.5 million due primarily to $37.8 million of proceeds from borrowings, net of issuance costs resulting from our February 2020 and November 2020 Credit Facilities and loans provided under the Paycheck Protection Program and $7.0 million in proceeds received from the issuance of common stock. These proceeds were partially offset by $12.0 million of repayment of borrowings and $1.3 million of contingent consideration payments.

Critical Accounting Policies and Use of Estimates

See Note 3 of the notes to our consolidated financial statements.

Recent Accounting Pronouncements

The impact of recently issued accounting standards is set forth in Note 3, Summary of Significant Accounting Policies, of the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet transactions. Other than the guarantees described in Note 9, we have no guarantees or obligations other than those which arise out of normal business operations.

Contractual Obligations

Our principal commitments consist primarily of obligations under operating and financing leases, which include among others, our offices and leased kiosks and term loans. The following table summarizes our commitments to settle contractual obligations in cash as of December 31, 2021:

		Payment Due by Period					
	Total	**2022**	**2023**	**2024**	**2025**	**2026**	**Thereafter**
Operating lease obligations	$ 4,077	$ 800	$ 392	$ 367	$ 416	$ 416	$ 1,686
Finance lease obligations	156	156	—	—	—	—	—
Term loans	25,000	—	25,000	—	—	—	—

As of December 31, 2021, we also had contingent obligations in the form of potential earnout payments to individuals associated with each of CityBase and eCivis. See Note 3 of the Financial Statements for additional information regarding the accounting treatment of such contingent obligations.

Individuals associated with CityBase may receive, upon CityBase's trailing twelve-month net revenue exceeding $37.0 million, or the CityBase threshold, on or prior to December 31, 2048, an earnout payment equal to a number of shares (or, in the case of certain individuals associated with CityBase who are not accredited investors, the cash value thereof) of our common stock calculated by dividing $54.5 million by the greater of (x) $10.00 or (y) the volume-weighted average closing price for the shares of our common stock for the 30 trading days immediately preceding the payment date.

Pursuant to the terms of a 2018 asset purchase agreement by eCivis, shareholders associated with the purchase may receive cash consideration equal to 7.5% of new revenue between $500,000 and 999,999.99, 10% of new revenue above $1,000,000, 2% of renewal revenue up to 249,999.99 3% of renewal revenue between $250,000.00 to $749,999.99 and 5% above $750,000.00 in each earn-out year beginning in 2018 and ending in 2022. Only revenue derived from the acquired assets is eligible. The potential undiscounted amount of all future payments that the Company could be required to make is unlimited.

Off-Balance Sheet Arrangements

As of December 31, 2021 and 2020, the Company did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K and did not have any commitments or contractual obligations

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") was signed into law. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for qualifying public companies. We qualify as an "emerging growth company" and under the JOBS Act are allowed to comply with new or revised accounting pronouncements based on the effective date for private (not publicly traded) companies. We are electing to delay the adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As such, GTY's consolidated financial statements may not be comparable to companies that comply with public company effective dates. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year (a) following November 1, 2021, the fifth anniversary of the GTY Cayman IPO, (b) in which we have total annual gross revenue of at least $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our prior second fiscal quarter, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company qualifies as a smaller reporting company and is not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders,
GTY Technology Holdings, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of GTY Technology Holdings, Inc. (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2021, and the related notes to consolidated financial statements (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its consolidated operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill – Refer to Notes 3 and 4 to the consolidated financial statements

Critical Audit Matter Description

Goodwill is tested for impairment at least annually by comparing the estimated fair values of the reporting units to their relative carrying values. The Company uses the income and market methods to estimate the fair value of the asset, which is based on forecasts of the expected future cash flows of the respective reporting unit. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants, and include the amount and timing of future cash flows (including expected growth rates and probability). Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

The Company determined that the fair value of the Payments and Permitting reporting units (the "reporting units") were less than their carrying value, mainly due to material differences between the Company's forecasts and actual results. As a result, the Company recorded a $10.7 million goodwill impairment charge for Payments and a $5.1 million impairment charge for Permitting, for the year ended December 31, 2021.

We identified the Company's impairment evaluations of goodwill for the reporting units as a critical audit matter because of the significant judgments made by management to estimate the fair values of the reporting units for purposes of measuring the impairment of goodwill. A high degree of auditor judgment and an increased extent of effort was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the forecasts of future revenues and earnings before interest and taxes, including the need to involve our fair value specialists.

How the Critical Matter Was Addressed in the Audit

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing management's process for developing the fair value estimate. This included testing the completeness, accuracy, and relevance of underlying data used, and evaluating management's assumption related to projected future revenues and earnings before interest and taxes. Evaluating management's assumption related to projected future revenues and earnings before interest and taxes involved evaluating whether the assumption used by management was reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, and (iii) whether the assumption was consistent with evidence obtained in other areas of the audit.

With the assistance of our fair value specialists, we evaluated the reasonableness of the valuation methodology, future revenues and earnings before interest and taxes by (i) testing the source information underlying the determination of future revenues and earnings before interest and taxes and the mathematical accuracy of the calculations and (ii) developing a range of independent estimates for the discount rates and comparing those to the discount rates selected by management.

/s/ WithumSmith+Brown, PC

We have served as the Company's auditor since 2016.

Whippany, New Jersey
February 18, 2022

PCAOB ID Number 100

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 13,329	$ 22,800
Accounts receivable, net	12,604	9,994
Prepaid expenses and other current assets	4,191	2,583
Total current assets	30,124	35,377
Property and equipment, net	3,208	3,891
Finance lease right of use assets	722	1,355
Operating lease right of use assets	1,876	2,610
Intangible assets, net	86,528	101,107
Goodwill	268,808	284,635
Other assets	3,678	3,472
Total assets	$ 394,944	$ 432,447
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 5,483	$ 6,366
Deferred revenue - current portion	26,816	22,304
Finance lease liability - current portion	140	581
Operating lease liability - current portion	581	1,316
Contingent consideration - current portion	13	743
Total current liabilities	33,033	31,310
Deferred revenue - less current portion	1,979	1,602
Warrant liability	4,868	3,040
Deferred tax liability	17,738	17,494
Contingent consideration - less current portion	43,032	42,530
Term loans, net	24,641	26,632
Finance lease liability - less current portion	—	147
Operating lease liability - less current portion	2,716	2,927
Total liabilities	128,007	125,682
Commitments and contingencies		
Shareholders' equity:		
Common stock, par value $0.0001; 400,000,000 authorized; 59,226,267 shares issued and 57,604,854 shares outstanding as of December 31, 2021 and 56,667,035 shares issued and 55,570,282 shares outstanding as of December 31, 2020, net of treasury stock	6	6
Exchangeable shares, no par value, 5,586,251 shares issued and outstanding as of December 31, 2021 and 5,972,779 shares issued and outstanding as of December 31, 2020	50,358	54,224
Additional paid in capital	401,507	380,881
Accumulated other comprehensive income (loss)	(44)	6
Treasury stock, at cost, 1,621,413 shares as of December 31, 2021 and 1,096,753 shares as of December 31, 2020	(8,343)	(5,633)
Accumulated deficit	(176,547)	(122,719)
Total shareholders' equity	266,937	306,765
Total liabilities and shareholders' equity	$ 394,944	$ 432,447

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share amounts)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenues	$ 60,453	$ 48,128
Cost of revenues	22,372	18,468
Gross Profit	38,081	29,660
Operating expenses		
Sales and marketing	16,264	16,150
General and administrative	23,244	21,743
Research and development	13,072	12,158
Amortization of intangible assets	14,579	14,681
Goodwill impairment	15,827	2,000
Restructuring charges	—	3,666
Change in fair value of contingent consideration	597	1,980
Total operating expenses	83,583	72,378
Loss from operations	(45,502)	(42,718)
Other income (expense)		
Interest expense, net	(3,364)	(1,758)
Loss from repurchase/issuance of shares	(5,333)	(2,056)
Change in fair value of warrant liability	(1,828)	2,131
Gain on extinguishment of debt	3,210	—
Other income (loss), net	(162)	78
Total other income (expense), net	(7,477)	(1,605)
Loss before income taxes	(52,979)	(44,323)
Benefit from (Provision for) income taxes	(849)	2,439
Net loss	(53,828)	(41,884)
Net loss per share, basic and diluted	$ (0.94)	$ (0.78)
Weighted average common shares outstanding, basic and diluted	57,115	53,450
Net loss	$ (53,828)	$ (41,884)
Other comprehensive gain (loss):		
Foreign currency translation gain (loss)	(50)	(364)
Total other comprehensive gain (loss)	(50)	(364)
Comprehensive loss	$ (53,878)	$ (42,248)

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands, except share and per share amounts)

Year Ended December 31, 2021

	Common Stock		Exchangeable Shares		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
Balance - December 31, 2020	**55,570,282**	**$ 6**	**5,972,779**	**$ 54,224**	**$ 390,232**	**$ (5,633)**	**$ (129,030)**	**$ 6**	**$ 309,805**
Adjustment for correction of an error - warrant liability	—	—	—	—	(9,351)	—	6,311	—	**(3,040)**
Balance - December 31, 2020, as adjusted	**55,570,282**	**$ 6**	**5,972,779**	**$ 54,224**	**$ 380,881**	**$ (5,633)**	**$ (122,719)**	**$ 6**	**$ 306,765**
Net loss	—	—	—	—	—	—	(53,828)	—	**(53,828)**
Foreign currency translation loss	—	—	—	—	—	—	—	(50)	**(50)**
Share-based compensation	—	—	—	—	9,969	—	—	—	**9,969**
Issuance of common stock	935,633	—	—	—	6,790	—	—	—	**6,790**
Common stock repurchases	(525,060)	—	—	—	—	(2,710)	—	—	**(2,710)**
Share cancellations	(48,820)	—	—	—	—	—	—	—	**—**
Vested and issued restricted stock units	1,281,158	—	—	—	—	—	—	—	**—**
Stock option exercises	5,133	—	—	—	1	—	—	—	**1**
Common stock issued for exchangeable shares	386,528	—	(386,528)	(3,866)	3,866	—	—	—	**—**
Balance - December 31, 2021	**57,604,854**	**$ 6**	**5,586,251**	**$ 50,358**	**$ 401,507**	**$ (8,343)**	**$ (176,547)**	**$ (44)**	**$ 266,937**

Year Ended December 31, 2020

	Common Stock		Exchangeable Shares		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
Balance - December 31, 2019	**52,303,862**	**$ 5**	**5,568,096**	**$ 45,681**	**$ 369,756**	**$ (5,174)**	**(85,015)**	**$ 370**	**$ 325,623**
Adjustment for correction of an error - warrant liability	—	—	—	—	(9,351)	—	4,180	—	**(5,171)**
Balance - December 31, 2019, as adjusted	**52,303,862**	**5**	**5,568,096**	**45,681**	**360,405**	**(5,174)**	**(80,835)**	**370**	**320,452**
Net loss	—	—	—	—	—	—	(41,884)	—	**(41,884)**
Foreign currency translation loss	—	—	—	—	—	—	—	(364)	**(364)**
Share-based compensation	—	—	—	—	8,621	—	—	—	**8,621**
Issuance of common stock	2,000,000	1	—	—	6,999	—	—	—	**7,000**
Share repurchases under equity program	(127,712)	—	—	—	—	(459)	—	—	**(459)**
Share redemption (incremental shares issued)	334,254	—	—	—	2,056	—	—	—	**2,056**
Shares issued for contingent consideration	336,965	—	550,388	10,000	1,334	—	—	—	**11,334**
Vested and issued restricted stock units	569,128	—	—	—	—	—	—	—	**—**
Stock option exercises	8,080	—	—	—	9	—	—	—	**9**
Exchangeable shares converted to common stock	145,705	—	(145,705)	(1,457)	1,457	—	—	—	**—**
Balance - December 31, 2020	**55,570,282**	**$ 6**	**5,972,779**	**$ 54,224**	**$ 380,881**	**$ (5,633)**	**$ (122,719)**	**$ 6**	**$ 306,765**

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Cash flows from operating activities:		
Net loss	$ (53,828)	$ (41,884)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	1,020	863
Amortization of intangible assets	14,579	14,681
Amortization of right of use assets	1,600	2,034
Share-based compensation	9,969	8,621
Deferred income tax benefit	244	(2,781)
Loss on issuance/repurchase of shares	5,333	2,056
Change in fair value of warrant liability	1,828	(2,131)
Amortization of deferred debt issuance costs	697	759
Accrual of paid in kind interest	523	69
Gain on extinguishment of debt	(3,210)	—
Bad debt expense	67	90
Loss on disposal of fixed assets	12	6
Goodwill impairment	15,827	2,000
Change in fair value of contingent consideration	597	1,980
Changes in operating assets and liabilities:		
Accounts receivable	(2,685)	(818)
Prepaid expenses and other assets	(1,816)	(725)
Accounts payable and accrued liabilities	(897)	(2,030)
Deferred revenue and other liabilities	4,887	6,335
Operating lease liabilities	(1,129)	(2,099)
Net cash used in operating activities	(6,382)	(12,974)
Cash flows from investing activities:		
Capital expenditures	(352)	(3,023)
Proceeds from disposal of fixed assets	6	30
Net cash used in investing activities	(346)	(2,993)
Cash flows from financing activities:		
Proceeds from borrowings, net of issuance costs	—	37,803
Repayments of borrowings	—	(12,000)
Contingent consideration payments	(825)	(1,286)
Stock options exercises	1	9
Common stock repurchases	(8,043)	(459)
Proceeds received from private placement of common stock, net of costs	—	7,000
Proceeds from issuance of common stock, net of costs	6,790	—
Repayments of finance lease liabilities	(638)	(587)
Net cash provided by (used in) financing activities	(2,715)	30,480
Effect of foreign currency on cash	(28)	(87)
Net change in cash and cash equivalents	(9,471)	14,426
Cash and cash equivalents, beginning of period	22,800	8,374
Cash and cash equivalents, end of period	**$ 13,329**	**$ 22,800**

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Amounts in thousands)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,076	$ 883
Cash paid for income taxes	$ 387	$ 42
Noncash Investing and Financing Activities:		
Common shares issued for contingent consideration	$ —	$ 1,334
Exchangeable shares issued for contingent consideration	$ —	$ 10,000
Share redemption (incremental shares issued)	$ —	$ 2,056
Purchases of property and equipment included in accounts payable	$ —	$ 3
Exchangeable shares converted to common stock	$ 3,866	$ 1,457

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except share and per share amounts)

Note 1. Organization and Business Operations

GTY Technology Holdings Inc., formerly known as GTY Govtech, Inc.), a Massachusetts corporation ("GTY" or the "Company"), is headquartered in Boston, Massachusetts.

On February 19, 2019 (the "Closing Date"), the Company consummated several acquisitions (collectively, the "Acquisition"), pursuant to which it (i) acquired each of Bonfire Interactive Ltd., a Canadian company ("Bonfire" or "Procurement"), Bonfire Interactive US Ltd., its U.S. subsidiary, which subsequently was dissolved, CityBase, Inc. ("CityBase" or "Payments"), eCivis Inc. ("eCivis" or "Grants"), Open Counter Enterprises Inc. ("OpenCounter" or "Permits"), Questica Software Inc. and Questica USCDN Inc., Canadian companies, and Questica Ltd., a U.S. subsidiary (collectively, "Questica") and Sherpa Government Solutions LLC ("Sherpa" and together with Questica, "Budget", and together with Bonfire, CityBase, eCivis, OpenCounter and Questica, the "Acquired Companies") and (ii) became the parent company of its predecessor entity, GTY Technology Holdings Inc., a blank check company incorporated in the Cayman Islands ("GTY Cayman"). Until the Acquisition, GTY Cayman did not engage in any operations nor generate any revenues. GTY Cayman was dissolved during the year ended December 31, 2021.

In connection with the closing of the Acquisition, the Company changed its name from GTY Govtech, Inc. to GTY Technology Holdings Inc. and became a successor issuer to GTY Cayman and continued the listing of its common stock and warrants on the Nasdaq Capital Market ("NASDAQ") under the symbols "GTYH" and "GTYHW," respectively. As of June 2019, the Company's warrants are no longer listed on any exchange.

GTY is a public sector software-as-a-service ("SaaS") company that offers a cloud-based suite of solutions primarily for North American state and local governments. GTY's cloud-based suite of solutions for state and local governments addresses functions in procurement, payments, grant management, budgeting and permitting. The following is a brief description of each of the Acquired Companies.

Bonfire, a Procurement Business

Bonfire originally was incorporated on March 5, 2012 under the laws of the Province of Ontario, and now is a British Columbia corporation. Bonfire is a provider of strategic sourcing and procurement SaaS, serving customers in government, the broader public sector, and various highly-regulated commercial vertical markets.

Bonfire offers customers and their sourcing professionals a modern SaaS application that helps find, engage, evaluate, negotiate and award vendor and supplier contracts. Bonfire delivers workflow automation, data collection and analysis, and collaboration to drive cost savings, compliance, and strategic outcomes. All of Bonfire's applications are delivered as a SaaS solution, and Bonfire offers implementation and premium support services.

CityBase, a Payments Business

CityBase, a Delaware corporation headquartered in Chicago, provides dynamic content, digital services, and integrated payments via a SaaS platform that includes technological functionality accessible via web and mobile, kiosk, point-of-sale, and other channels. CityBase SaaS integrates its platform to underlying systems of record, billing, and other source systems, and configures payments and digital services to meet the requirements of its customers, which include government agencies and utility companies.

eCivis, a Grants Management Business

eCivis, a Delaware corporation headquartered in the Los Angeles, California area, is a leading SaaS provider of grants management and indirect cost reimbursement solutions that enable its customers to standardize and streamline complex grant processes in a fully integrated platform. The eCivis platform consists of three core cloud-based products including a full lifecycle grants management solution consisting of grants acquisition, grantee management, and grantor management; a cost allocation solution; and a full-service solution designed to maximize federal and non-federal funds. To assist its customers in the implementation of its products, eCivis offers implementation services, including data integration, grants migration and change management. Additionally, eCivis provides ongoing grants management training, cost allocation plan consulting and cost recovery services.

OpenCounter, a Permitting Business

Open Counter Enterprises Inc. ("OpenCounter" or "Permitting"), a Delaware corporation headquartered in Boston, Massachusetts, is a developer and provider of SaaS tools for cities to streamline permitting and licensing services for municipal governments. OpenCounter provides customers with SaaS through a hosted platform and also provides professional services related to SaaS implementation.

Questica, a Budget Business

Questica designs and develops budgeting SaaS that supports the unique requirements of the public sector. The Questica suite of products are part of a comprehensive web-based budgeting preparation, performance, management and data visualization solution that enables public sector and non-profit organizations to improve and shorten their budgeting cycles.

Questica Software Inc., originally organized in 1998 as an Ontario corporation and now a British Columbia corporation, maintains two offices located in Burlington, Ontario, Canada and serves the healthcare, K-12, higher education and local government verticals primarily in North America. Questica USCDN was organized in 2017 as an Ontario corporation and now is a British Columbia corporation. Questica Ltd. was incorporated in 2017 in the United States as a Delaware corporation. Questica Ltd. is located in Huntington Beach, California and primarily serves the non-profit market and services a limited number of customers in the public and private sector. The majority of Questica Ltd.'s customers are located in the United States and Canada. Some are international customers, primarily located in the United Kingdom and Africa.

Sherpa, a Budget Business

Sherpa is a Colorado limited liability company headquartered in Denver, Colorado, established in 2004. Sherpa is a leading provider of public sector budgeting SaaS, perpetual license software and consulting services that help state and local governments create and manage budgets and performance. Customers purchase the right to use Sherpa's SaaS or perpetual license software and then engage its consulting services to configure the SaaS or software and receive training on how to manage the SaaS or software going forward. Following implementation, customers continue to use the SaaS or software in exchange for maintenance or subscription fees.

Note 2. Restatement of Previously Issued Financial Statements

On April 12, 2021, the Acting Director of the Division of Corporation Finance and Acting Chief Accountant of the Securities and Exchange Commission together issued a "Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies ("SPACs")" (the "SEC Statement"), concluding that SPAC warrants may require classification as a liability rather than equity. The SEC Statement discussed "certain features of warrants issued in SPAC transactions" that "may be common across all entities". It focused in part on provisions in warrant agreements for potential changes to the settlement amounts dependent upon the characteristics of the warrant holder, and specifically whether the warrant holder is an input into the pricing of a fixed-for-fixed option on equity shares. According to the SEC Staff Statement, if the warrant holder is not an input into such pricing, these provisions would preclude the warrant from being classified in equity and thus require classification as a liability. As a result of the SEC Statement, the Company reevaluated the accounting treatment of the public warrants and private warrants issued in connection with its initial public offering and previously recorded as equity on the Company's consolidated balance sheet. The Company's public warrants were correctly classified as equity. Because the Company's private warrants do not contain a provision whereby the Company can call the warrants, however, the private warrants should have been recorded at fair value as a liability in the Company's consolidated balance sheet. The Company assessed this error and determined it was not material to previously issued financial statements. Accordingly, the Company has revised, rather than restated, its previously issued 2020 quarterly and annual financial statements in the Company's filings for 2021 on Forms 10-Q and in this Form 10-K. Historical quarterly and annual financial statements prior to the business combination were not restated due to the change in accounting as we believe the information is no longer relevant to investors.

(Amounts in tables in thousands, except share and per share amounts)

The following tables present the effect of the revision for the financial statement line items adjusted in the affected periods:

Condensed Consolidated Statements of Operations and Comprehensive Loss

	Year Ended December 31, 2020		
	As Previously Reported	Adjustments	As Revised
Change in fair value of warrant liability	$ —	$ (2,131)	$ (2,131)
Net loss	$ 44,015	$ (2,131)	$ 41,884
Comprehensive loss	$ 44,379	$ (2,131)	$ 42,248
Net loss per share, basic and diluted	$ (0.82)	$ 0.04	$ (0.78)

Condensed Consolidated Statements of Cash Flows

	Year Ended December 31, 2020		
	As Previously Reported	Adjustments	As Revised
Net loss	$ 44,015	$ (2,131)	$ 41,884
Change in fair value of warrant liability	$ —	$ (2,131)	$ (2,131)

Condensed Consolidated Balance Sheet

	As of December 31, 2020		
	As Previously Reported	Adjustments	As Revised
Warrant liability	$ —	$ 3,040	$ 3,040
Additional paid in capital	$ 390,232	$ (9,351)	$ 380,881
Accumulated deficit	$ (129,030)	$ 6,311	$ (122,719)

Note 3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the SEC.

The Acquisition was accounted for as a business combination using the acquisition method of accounting. Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions.

GTY TECHNOLOGY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except share and per share amounts)

Principles of Consolidation

The consolidated financial statements include all accounts of the Acquired Companies and the Acquired Companies' subsidiaries and do not represent a single legal entity. All material intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

Reclassification

Certain prior period statement of cash flow amounts have been reclassified to conform to the current presentation. These reclassifications did not have an impact on net cash flows.

Liquidity

As reflected in the accompanying consolidated financial statements, the Company reported a net loss of $53.8 million and $41.9 million for the years ended December 31, 2021 and 2020, respectively, and had an accumulated deficit of $176.5 million as of December 31, 2021. The Company's net cash used in operations was $6.4 million for the year ended December 31, 2021.

In April and May 2020, the Company received $3.2 million in proceeds from loans under the Paycheck Protection Program. In November 2020, the Company entered into a senior secured term loan facility that provides for borrowing of term loans in an aggregate principal amount of $25.0 million. In December 2020, the Company issued 2.0 million shares of common stock in a registered direct offering for $7.0 million at a price of $3.50 per share. During the year ended December 31, 2021, the Company sold 935,633 shares of common stock for $6.8 million in proceeds.

As of December 31, 2021, the Company had $13.3 million in cash and cash equivalents, largely from the above financing sources. Based on the Company's current expectations of revenues and expenses, the Company expects that its current cash and cash equivalents is sufficient to meet its liquidity needs for twelve months after the issuance of these financial statements. If the Company's revenues do not grow as expected and if the Company is unable to manage expenses sufficiently, the Company may be required to obtain additional equity or debt financing. Although the Company has been previously able to attract financing as needed, such financing may not continue to be available at all, or if available, on reasonable terms as required. Further, the terms of such financing may be dilutive to existing shareholders or otherwise on terms not favorable to the Company or existing shareholders. If the Company is unable to secure additional financing, as circumstances require, or does not succeed in meeting its sales objectives, it may not be able to continue its operations.

Segments

The Company has five operating segments. The Company's Chief Executive Officer and Chief Financial Officer, who jointly are the Company's chief operating decision maker, review financial information for each of the Acquired Companies, together with certain consolidated operating metrics, to make decisions about how to allocate resources and to measure the Company's performance. See Note 11.

Emerging Growth Company

The Company was an "emerging growth company" until December 31, 2021 as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart our Business Startups Act of 2012 (the "JOBS Act"), which allowed it to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

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Further, section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable.

The Company had elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's consolidated financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accountant standards used.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash includes cash held in checking and savings accounts. Cash equivalents are comprised of investments in money market mutual funds. Cash and cash equivalents are recorded at cost, which approximates fair value.

Accounts Receivable

Accounts receivable consists of amounts due from our customers, which are primarily located throughout the United States and Canada. Accounts receivable are recorded at the invoiced amount, do not require collateral, and do not bear interest.

The Company estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the Company's customers may have an inability to meet financial obligations, such as bankruptcy and significantly aged receivables outstanding. Uncollectible receivables are written-off in the period management believes it has exhausted every opportunity to collect payment from the customer. Bad debt expense is recorded when events or circumstances indicate an additional allowance is required based on the Company's specific identification approach.

The allowance for doubtful accounts as of December 31, 2021 and 2020 was immaterial. Bad debt expense for all periods presented was immaterial.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents, and accounts receivable. Cash accounts in financial institutions held in the United States and Canada at times may exceed the depository insurance coverage of $250,000 and CDN 100,000, respectively. As of December 31, 2021 and 2020, the Company had not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

Use of Estimates

The preparation of the consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheets and the reported amounts of revenue and expenses during the reporting periods.

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Making estimates requires management to exercise significant judgment. Significant estimates, assumptions and judgments made by management include, among others, the determination of the fair value of common stock, impairment risks associated with goodwill and intangible assets, share-based awards, warrants, and contingent consideration. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the consolidated financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause further customer slowdowns or shutdowns, depress demand, and adversely impact results of operations. During the year ended December 31, 2021, the Company faced significant uncertainties and continues to expect uncertainties around its key accounting estimates to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. Estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in the consolidated financial statements.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred, and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of operations in the period realized. Property, plant and equipment is depreciated using the straight-line method over five (5) to fifteen (15) years. Internal-use software is amortized on a straight-line basis over its estimated useful life of three (3) to five (5) years.

Leasehold improvements are amortized over the shorter of the useful lives or the term of the respective leases.

Intangible Assets

Intangible assets consist of acquired customer relationships, acquired developed technology, trade names and non-compete agreements which were acquired as part of the Acquisition. The Company determines the appropriate useful life of its intangible assets by performing an analysis of expected cash flows of the acquired assets. Intangible assets are amortized over their estimated useful lives using the straight-line method, which approximates the pattern in which the economic benefits are consumed.

Goodwill

Goodwill represents the excess of the purchase price of an entity over the estimated fair value of the assets acquired and liabilities assumed. Under ASC 350, *Intangibles – Goodwill and Other* (“ASC 350”), goodwill is not amortized but is subject to periodic impairment testing. ASC 350 requires that an entity assign its goodwill to reporting units and test each reporting unit’s goodwill for impairment at least on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. In the Company’s evaluation of goodwill for impairment, which is performed annually during the fourth quarter, the Company first assesses qualitative factors to determine whether the existence of events or circumstances led to a determination that it was more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company is required to perform the quantitative goodwill impairment test. As a result of the Acquisition, the Company acquired goodwill. There was minimal goodwill prior to the Acquisition. The Company recorded a goodwill impairment expense of $15.8 million and $2.0 million for the years ended December 31, 2021 and 2020, respectively.

Business Combinations

The Company accounts for business acquisitions using the acquisition method of accounting based on Accounting Standards Codification ("ASC") 805 — Business Combinations, which requires recognition and measurement of all identifiable assets acquired and liabilities assumed at their fair value as of the date control is obtained. The Company determines the fair value of assets acquired and liabilities assumed based upon its best estimates of the acquisition-date fair value of assets acquired and liabilities assumed in the acquisition. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. Subsequent adjustments to the fair value of any contingent consideration are recorded in the Company's consolidated statements of operations.

Based on the acquisition date and the complexity of the underlying valuation work, certain amounts included in the Company's consolidated financial statements may be provisional and thus subject to further adjustments within the permitted measurement period (a year from the date of acquisition), as defined in ASC 805.

Impairment of long-lived assets

The Company reviews long-lived assets, including property and equipment and intangible assets and goodwill for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss is recognized when the asset's carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Public and Private Warrants

On November 1, 2016, the Company consummated its initial public offering of 55,200,000 units, consisting of one share of Class A common stock and one-third of one warrant exercisable for Class A Common Stock, at a price of $10.00 per unit. Each whole warrant entitled the holder to purchase one share of Class A common stock at an exercise price of $11.50 per share (the "Public Warrants"). Simultaneously with the closing of the IPO, the Company completed the private sale of 8,693,334 warrants to the Company's sponsor at a price of $1.50 per warrant (the "Private Warrants"). Each Private Warrant allowed the sponsor to purchase one share of Class A common stock at $11.50 per share. The warrants will expire on February 19, 2024, which is five years after the acquisition date.

The Private Warrants are identical to the Public Warrants except that holders of the Private Warrants may elect to exercise them on a cashless basis by surrendering their warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value'' (defined below) by (y) the fair market value. The "fair market value" means the average reported last sale price of the common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of warrant exercise is sent to the warrant agent.

The Company evaluated the Public and Private Warrants under ASC 815-40, *Derivatives and Hedging-Contracts in Entity's Own Equity*, and concluded that the Private Warrants do not meet the criteria to be classified in shareholders' equity. Specifically, the exercise and settlement features for the Private Warrants precluded them from being considered indexed to the Company's own stock, given that a change in the holder of the Private Warrants may alter the settlement of the Private Warrants. Since the holder of the instrument is not an input to a standard option pricing model (a consideration with respect to the indexation guidance), the fact that a change in the holder could impact the value of the Private Warrants means the Private Warrants were not indexed to the Company's own stock. Since the Private Warrants meet the definition of a derivative under ASC 815, the Company recorded these warrants as liabilities on the balance sheet at fair value with subsequent changes in their respective fair values recognized in the consolidated statement of operations at each reporting period. The Company concluded that the Public Warrants, which do not have the same exercise and settlement features as the Private Warrants, meet the criteria to be classified in shareholders' equity.

Leases

Effective January 1, 2019, the Company accounts for its leases under ASC 842, Leases. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases, and are recorded on the consolidated balance sheet as both a right of use asset and a lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right of use asset results in straight-line rent expense over the lease term. Variable lease expenses are recorded when incurred.

In calculating the right of use asset and lease liability, the Company elects to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election, and recognizes rent expense on a straight-line basis over the lease term.

Fair Value

The fair value of an asset or liability is the price that would be received to sell an asset or transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value and defines three levels of inputs that may be used to measure fair value.

- Level 1 — uses quoted prices in active markets for identical assets or liabilities.
- Level 2 — uses observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — uses one or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment.

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The Company's only material financial instruments carried at fair value as of December 31, 2021 and 2020, with changes in fair value flowing through current earnings, consist of contingent consideration liabilities recorded in conjunction with business combinations and warrant liabilities and are as follows:

		Fair Value Measurement at Reporting Date Using		
	Balance as of December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contingent consideration – current	$ 13	$ —	$ —	$ 13
Contingent consideration – long term	43,032	—	—	43,032
Warrant liability	4,868	—	—	4,868
Total liabilities measured at fair value	$ 47,913	$ —	$ —	$ 47,913

		Fair Value Measurement at Reporting Date Using		
	Balance as of December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contingent consideration – current	$ 743	$ —	$ —	$ 743
Contingent consideration – long term	42,530	—	—	42,530
Warrant liability	3,040	—	—	3,040
Total liabilities measured at fair value	$ 46,313	$ —	$ —	$ 46,313

There were no transfers made among the three levels in the fair value hierarchy for the years ended December 31, 2021 and 2020.

The following tables present additional information about Level 3 liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealized gains and losses for liabilities within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

Changes in contingent consideration liabilities measured at fair value from December 31, 2020 to December 31, 2021 were as follows:

Contingent consideration – December 31, 2020	$ 43,273
Change in fair value of contingent consideration	597
Payments of contingent consideration	(825)
Contingent consideration – December 31, 2021	$ 43,045

The fair value of the Company's contingent consideration liabilities recorded as part of the Acquisition has been classified within Level 3 in the fair value hierarchy. The contingent consideration represents the estimated fair value of future payments due to the sellers based on each company's achievement of annual earnings targets in certain years and other events considered in certain transaction documents. The fair values of the contingent consideration are calculated through the use of Monte Carlo simulations based on earnings projections for the respective earn-out periods, corresponding earnings thresholds, and approximate timing of payments as outlined in the purchase agreements for each of the Acquired Companies. The analyses utilized the following assumptions: (i) expected term; (ii) risk-adjusted net sales or earnings; (iii) risk-free interest rate; and (iv) expected volatility of earnings. Estimated payments, as determined through the respective models, were further discounted by a credit spread assumption to account for credit risk. The contingent consideration is revalued to fair value each period, and any increase or decrease is recorded in operating income (loss). The fair value of the contingent consideration may be impacted by certain unobservable inputs, most significantly with regard to discount rates, expected volatility and historical and projected performance. Significant changes to these inputs in isolation could result in a significantly different fair value measurement.

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As of December 31, 2021, the contingent consideration liability consists of consideration due to former shareholders of CityBase and shareholders associated with an asset purchase by eCivis prior to the Acquisition.

Shareholders associated with CityBase may receive, upon CityBase's trailing twelve-month net revenue exceeding $37.0 million, or the CityBase threshold, on or prior to December 31, 2048, an earnout payment equal to a number of shares (or, in the case of certain individuals associated with CityBase who are not accredited investors, the cash value thereof) of our common stock calculated by dividing $54.5 million by the greater of (x) $10.00 or (y) the volume-weighted average closing price for the shares of our common stock for the 30 trading days immediately preceding the payment date. The fair value of contingent consideration as of December 31, 2021 is $42.4 million. The valuation of contingent consideration as of December 31, 2021 was derived from a Monte Carlo simulation of payout patterns from revenue estimates provided by the Company.

Pursuant to the terms of a 2018 asset purchase agreement by eCivis, shareholders associated with the purchase may receive cash consideration equal to 7.5% of new revenue between $500,000 and 999,999.99, 10% of new revenue above $1,000,000, 2% of renewal revenue up to 249,999.99 3% of renewal revenue between $250,000.00 to $749,999.99 and 5% above $750,000.00 in each earn-out year beginning in 2018 and ending in 2022. Only revenue derived from the acquired assets is eligible. The potential undiscounted amount of all future payments that the Company could be required to make is unlimited. The total fair value of the associated contingent liability as of December 31, 2021 is approximately $0.6 million. The valuation of contingent consideration as of December 31, 2021 was derived from a discounted cash flow model based on expected payment amounts estimated by the Company.

Changes in the warrant liability measured at fair value from December 31, 2020 to December 31, 2021 were as follows:

Warrant liability – December 31, 2020	$ 3,040
Change in fair value of warrant liability	1,828
Warrant liability – December 31, 2021	$ 4,868

The warrant liability was estimated using a Black-Scholes model derived from a Monte Carlo simulation of the Company's outstanding public warrants. These inputs were primarily derived from the implied volatility of the traded public warrant price or 41.8% as of December 31, 2021.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates fair value because of the short-term nature of these instruments.

The Company measures certain assets at fair value on a non-recurring basis, generally annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include goodwill and other intangible assets.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Foreign Currency Translation and Transactions

The assets, liabilities and results of operations of certain consolidated entities are measured using their functional currency, which is the currency of the primary foreign economic environment in which they operate. Upon consolidating these entities with the Company, their assets and liabilities are translated to U.S. dollars at currency exchange rates as of the consolidated balance sheet date and their revenues and expenses are translated at the weighted average currency exchange rates during the applicable reporting periods. Translation adjustments resulting from the process of translating these entities' consolidated financial statements are reported in accumulated other comprehensive income (loss) in the consolidated balance sheets and total other comprehensive loss on the consolidated statements of operations.

Revenue Recognition

The Company adopted the Financial Accounting Standards Board ("FASB") revenue recognition framework, ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), on January 1, 2017 using the full retrospective approach. The adoption of this standard did not have a material impact on prior revenue recognition or on opening equity, as the timing and measurement of revenue recognition for the Company is materially the same under ASC 606 as it was under the prior relevant guidance.

With the adoption of Topic 606, revenues are recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. If the consideration promised in a contract includes a variable amount, the Company includes an estimate of the amount it expects to receive for the total transaction price if it is probable that a significant reversal of cumulative revenues recognized will not occur.

The Company determines the amount of revenues to be recognized through application of the following steps:

- Identification of the contract, or contracts with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenues when or as the Company satisfies the performance obligations.

For contracts where the period between when the Company transfers a promised service to the customer and when the customer pays is one year or less, the Company has elected the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component.

The Company has made a policy election to exclude from the measurement of the transaction price all taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue producing transaction and collected by the Company from a customer. Such taxes may include but are not limited to sales, use, value added and certain excise taxes.

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Disaggregation of Revenues

	Year Ended December 31, 2021	Year Ended December 31, 2020
Subscriptions, support and maintenance	$ 46,058	$ 35,477
Professional services	12,255	11,109
License	749	1,315
Asset sales	1,391	227
Total revenues	$ 60,453	$ 48,128

Revenues

Subscription, support and maintenance. The Company delivers SaaS that provide customers with access to SaaS related support and updates during the term of the arrangement. Revenues are recognized ratably over the contract term as the customer simultaneously receives and consumes the benefits of the subscription service, as the service is made available by the Company. Subscription fees for the first year are typically payable within 30 days after the execution of a contract, and thereafter upon renewal. The Company initially records subscription fees as contract liabilities and recognizes revenues on a straight-line basis over the term of the agreement.

Our contracts may include variable consideration in the form of usage fees, which are constrained and recognized once the uncertainties associated with the constraint are resolved, which is when usage occurs and the fee is known.

Subscription, support and maintenance revenues also includes kiosk rentals and support or maintenance for on-premises software pertaining to license sales. Revenues from kiosk rentals and that support are recognized on a straight-line basis over the support period.

Revenues from subscription, support and maintenance comprised approximately 76% and 74% of total revenues for the years ended December 31, 2021 and 2020, respectively.

Professional services. The Company's professional services contracts generate revenues on a time and materials, fixed fee or subscription basis. Revenues are recognized as the services are rendered for time and materials contracts. Revenues are recognized when the milestones are achieved and accepted by the customer or on a proportional performance basis for fixed fee contracts. Revenues are recognized ratably over the contract term for subscription contracts. Training revenues are recognized as the services are performed. Revenues from professional services comprised approximately 20% and 23% of total revenues for the years ended December 31, 2021 and 2020, respectively.

License. Revenues from distinct licenses are recognized upfront when the software is made available to the customer, which normally coincides with contract execution, as this is when the customer has the risks and rewards of the right to use the software. Revenues from licenses comprised approximately 1% and 3% of total revenues for the years ended December 31, 2021 and 2020, respectively.

Asset sales. Revenues from asset sales are recognized when the asset, typically a kiosk, has been received by the customer and is fully operational and ready to accept transactions, which is when the customer obtains control and has the risks and rewards of the asset. Asset sales were approximately 2% and less than 1% of total revenues for the years ended December 31, 2021 and 2020, respectively.

Significant judgments

The Company enters into contracts with its customers that may include access to SaaS, professional services, software licenses, and sales of hardware. A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment.

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Deferred revenue

Deferred revenue primarily consists of amounts that have been billed to or received from customers in advance of revenue recognition and prepayments received from customers in advance for subscription services to the Company's SaaS offerings and related implementation and training. The Company recognizes deferred revenue as revenues when the services are performed, and the corresponding revenue recognition criteria are met. The Company receives payments both upfront and over time as services are performed. Customer prepayments are generally applied against invoices issued to customers when services are performed and billed. Deferred revenue is reduced as services are provided and the revenue recognition criteria are met. Deferred revenue that is expected to be recognized as revenues during the succeeding twelve-month period are recorded in current liabilities as deferred revenue – current portion, and the remaining portion is recorded in long-term liabilities as deferred revenue – less current portion. Revenues of approximately $22.3 and $17.3 million were recognized for the years ended December 31, 2021 and 2020, respectively, that were included in deferred revenue at the beginning of the respective periods. The change in deferred revenue was as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Deferred revenue, beginning	$ 23,906	$ 18,610
Billings, net	65,342	53,424
Revenue recognized ratably over time	(39,766)	(29,829)
Revenue recognized over time as delivered	(12,255)	(11,109)
Revenue recognized at a point in time	(8,432)	(7,190)
Deferred revenue, ending	$ 28,795	$ 23,906

Cost of revenues

Cost of revenues primarily consists of salaries and benefits of personnel relating to our hosting operations and support, implementation, and grants research. Cost of revenues includes data center costs including depreciation of the Company's data center assets, third-party licensing costs, consulting fees, and the amortization of acquired technology from recent acquisitions.

Share-based Compensation

The Company expenses share-based compensation over the requisite service period based on the estimated grant-date fair value of the awards. Share-based awards with graded-vesting schedules are recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award.

The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model. The assumptions used in calculating the fair value of share-based awards represent management's best estimates, involve inherent uncertainties and the application of management's judgment.

Expected Term — The expected term of options represents the period that the Company's share-based awards are expected to be outstanding based on the simplified method, which is the half-life from vesting to the end of its contractual term.

Expected Volatility — The Company computes share price volatility over expected terms based on comparable companies' historical common stock trading prices.

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Risk-Free Interest Rate — The Company bases the risk-free interest rate on the U.S. Treasuries implied yield with an equivalent remaining term.

Expected Dividend — The Company has never declared or paid any cash dividends on common shares and does not plan to pay cash dividends in the foreseeable future, and, therefore, uses an expected dividend yield of zero in valuation models.

In accordance with Accounting Standards Update ("ASU") No. 2016-09, *Compensation-Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting,* the Company records forfeitures as they occur. No stock options were granted for the years ended December 31, 2021 and 2020.

Net Loss per Share

Net loss per common share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per common share is computed similar to basic net income per common share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. Due to the net loss in each of the years ended December 31, 2021 and 2020, diluted and basic loss per share are the same.

Securities that could potentially dilute loss per share in the future that were not included in the computation of diluted loss per share at December 31, 2021 and 2020 are as follows:

	2021	2020
Warrants to purchase common stock	27,093,334	27,093,334
Unvested restricted stock units	3,751,306	3,280,290
Options to purchase common stock	240,421	245,904
Total	31,085,061	30,619,528

Income Taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns using the asset and liability method. In estimating future tax consequences, all expected future events other than changes in the tax laws or rates are considered. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years and for tax carryforwards if, in the opinion of management, it is more likely than not that the deferred tax assets will be realized.

The Company has recorded a valuation allowance to reduce their deferred tax assets to the net amount that they believe is more likely than not to be realized. The Company considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing tax planning strategies in assessing the need for a valuation allowance.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company recognizes interest and penalties related to income tax matters in income tax expense.

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Recently Adopted Accounting Pronouncements

On January 1, 2021, the Company adopted ASU 2019-12, Income Taxes (Topic 740), *Simplifying the Accounting for Income Taxes*. ASU 2019-12 simplifies various aspects related to accounting for income taxes, removes certain exceptions to the general principles in Topic 740 and clarifies and amends existing guidance to improve consistent application. The adoption of this new standard did not have a material impact on the Company's condensed consolidated financial statements.

On January 1, 2020, we adopted ASU 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements (Topic 820),* which improved the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements. The adoption of this new standard did not have a material impact on our consolidated financial statements.

On January 1, 2020, we adopted ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40) – Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 aligns the accounting for implementation costs incurred in a hosting arrangement that is a service contract with the accounting for implementation costs incurred to develop or obtain internal-use software under Accounting Standards Codification ("ASC") 350-40 – Internal Use Software, in order to determine which costs to capitalize and recognize as an asset and which costs to expense. The adoption of this new standard did not have a material impact on our consolidated financial statements.

In February 2017, the FASB issued guidance which simplifies the subsequent measurement of goodwill by no longer requiring an entity to determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Under this new guidance, an entity would perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity would consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. Under the new guidance, an entity continues to have the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. This guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those years. The Company adopted this standard effective January 1, 2020, and the adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Note 4. Goodwill and Intangible Assets

In connection with the business combinations on February 19, 2019, the Company recognized goodwill and certain identifiable intangible assets.

Goodwill

Goodwill is tested for impairment at least annually by comparing the estimated fair values of the reporting units to their relative carrying values. The Company uses the income and market methods to estimate the fair value of the asset, which is based on forecasts of the expected future cash flows of the respective reporting unit. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants, and include the amount and timing of future cash flows (including expected growth rates and probability). Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

The Company believes its estimates and assumptions utilized in its impairment testing are reasonable and are comparable to those that would be used by other marketplace participants. However, actual events and results could differ substantially from those used in the valuations. To the extent such factors result in a failure to achieve the level of projected cash flows initially used to estimate fair value for purposes of establishing or subsequently impairing the carrying mount of goodwill, the Company may need to record additional non-cash impairment charges in the future.

For the year ended December 31, 2021, the Company recorded goodwill impairment of $15.8 million. The Company determined that the fair value of the Payments and Permitting reporting units were less than their carrying value. As a result, the Company recorded a $10.7 million impairment charge for Payments and a $5.1 million impairment charge for Permitting. These reductions were largely due to material differences between our forecasts and actual results. The COVID-19 pandemic has had a negative impact on the growth plans of these reporting units. Significant judgment was required to estimate the fair value of the reporting unit including long-term cash flow forecasts, and the Company obtained the assistance of a third-party valuation specialist.

For the year ended December 31, 2020, the Company recorded goodwill impairment of $2.0 million. The Company determined that the fair value of the Grants Management reporting unit was less than its carrying value. As a result, the Company recorded a $2.0 million impairment charge. This reduction was largely due to the reporting unit's inability to service its existing backlog during the COVID-19 pandemic. Significant judgment was required to estimate the fair value of the reporting unit including long-term cash flow forecasts, and the Company obtained the assistance of a third-party valuation specialist.

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The following table provides a rollforward of Goodwill for the years ended December 31, 2021 and 2020:

	Procurement	Payments	Grants Management	Permitting	Budget	Total
Balance at December 31, 2019	68,744	88,327	47,140	21,956	60,468	286,635
Goodwill impairment	—	—	(2,000)	—	—	(2,000)
Balance at December 31, 2020	68,744	88,327	45,140	21,956	60,468	284,635
Goodwill impairment	—	(10,705)	—	(5,122)	—	(15,827)
Balance at December 31, 2021	68,744	77,622	45,140	16,834	60,468	268,808

Intangible Assets

Identifiable intangible assets consist of the following as of December 31, 2021 and 2020:

	December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents / Developed Technology	$ 60,084	$ (21,494)	$ 38,590
Trade Names / Trademarks	16,348	(4,836)	11,512
Customer Relationships	51,003	(14,630)	36,373
Non-Compete Agreements	1,162	(1,109)	53
Total Intangibles	$ 128,597	$ (42,069)	$ 86,528

	December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents / Developed Technology	$ 60,084	$ (14,026)	$ 46,058
Trade Names / Trademarks	16,348	(3,227)	13,121
Customer Relationships	51,003	(9,514)	41,489
Non-Compete Agreements	1,162	(723)	439
Total Intangibles	$ 128,597	$ (27,490)	$ 101,107

Amortization expense recognized by the Company related to intangible assets for the years ended December 31, 2021 and 2020 was $14.6 million and $14.7 million, respectively. There were no impairment charges recorded for amortizable intangible assets for the years ended December 31, 2021 and 2020.

The following are the useful lives of acquired intangible assets:

	Useful Lives (Years)
Patents / Developed Technology	8
Trade Names / Trademarks	1-10
Customer Relationships	10
Non-Compete Agreements	3

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The estimated aggregate future amortization expense for intangible assets is as follows:

Year ending December 31, 2022	14,276
Year ending December 31, 2023	14,224
Year ending December 31, 2024	14,263
Year ending December 31, 2025	14,224
Year ending December 31, 2026	14,224
Thereafter	15,317
	$ 86,528

Note 5. Share-Based Compensation

Stock Options

In connection with the Acquisition, the Company adopted a stock option plan and issued 408,667 stock options to employees. The total fair value of the stock options at the grant date was $3.6 million.

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Total Intrinsic Value
Outstanding as of December 31, 2020	245,904	$ 2.26	7.0	$ 1,130
Granted	—	—	—	—
Exercised	(5,133)	1.16		
Forfeited/expired	(350)	1.16		
Outstanding as of December 31, 2021	240,421	$ 2.28	6.0	$ 1,099
Options vested and exercisable	226,380	$ 2.27	5.9	$ 1,036

For the years ended December 31, 2021 and 2020, the Company recorded approximately $0.1 and $0.4 million of share-based compensation expense, respectively, related to the stock options. As of December 31, 2021, the Company has less than $0.1 million of unrecognized share-based compensation cost which will be recognized over 0.3 years.

Restricted Stock Units

Subsequent to the Acquisition, the Company adopted a plan to issue restricted stock units ("RSUs") to employees as annual performance awards. RSUs may vest in ratable annual installments over either one, two, three or four years, as applicable, from the grant date, or RSUs may vest subject to the achievement of certain performance conditions over a two- or three-year performance period, in each case, assuming continuous service by the employees through the applicable vesting dates.

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A summary of the Company's restricted stock units and related information is as follows:

	Number of Units	Weighted Average Grant Price
Unvested as of December 31, 2020	3,280,290	$ 4.94
Granted	2,129,709	6.47
Vested	(1,198,172)	4.99
Forfeited/expired	(460,521)	5.43
Unvested as of December 31, 2021	3,751,306	$ 5.73

For the years ended December 31, 2021 and 2020, the Company recorded approximately $9.9 and $8.2 million of share-based compensation expense, respectively, related to the RSUs. As of December 31, 2021, the Company had unrecognized share-based compensation expense related to all unvested restricted stock units of $12.1 million. The weighted average remaining contractual term of unvested RSUs that is time based is approximately 0.8 years at December 31, 2021. As of December 31, 2021, 1,059,776 unvested RSUs contained performance conditions.

Note 6. Leases

The Company leases office space under agreements classified as operating leases that expire on various dates through 2030. Such leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of the Company’s leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and right of use assets as the Company is not reasonably certain to exercise the options. Variable expenses generally represent the Company’s share of the landlord’s operating expenses. The Company does not act as a lessor or have any leases classified as financing leases.

The following summarizes quantitative information about the Company’s leases:

Year Ended December 31, 2021

	Procurement	Payments	Grants Management	Budget	Total
Finance lease cost					
Amortization of right-of-use assets	$ —	$ 183	$ —	$ —	$ 183
Interest	—	69	—	—	69
Operating lease cost	456	461	112	426	1,455
Total lease cost	$ 456	$ 713	$ 112	$ 426	$ 1,707

	Procurement	Payments	Grants Management	Budget	Total
Weighted-average remaining lease term – finance leases	N/A	0.3	N/A	N/A	0.6
Weighted-average remaining lease term – operating leases	0.5	N/A	1.0	8.8	8.7
Weighted-average discount rate – finance leases	N/A	13.0 %	N/A	N/A	13.0 %
Weighted-average discount rate – operating leases	9.7 %	N/A %	8.0 %	4.8 %	4.9 %

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As of December 31, 2021, future minimum lease payments under non-cancellable leases are as follows:

	Procurement	Grants Management	Budget	Operating Leases	Finance Leases
Year Ending December 31, 2022	$ 248	$ 123	$ 429	$ 800	$ 156
Year Ending December 31, 2023	—	10	382	392	—
Year Ending December 31, 2024	—	—	367	367	—
Year Ending December 31, 2025	—	—	416	416	—
Year Ending December 31, 2026	—	—	416	416	—
Thereafter	—	—	1,686	1,686	—
Total	$ 248	$ 133	$ 3,696	$ 4,077	$ 156
Less present value discount	—	(7)	(773)	(780)	(16)
Present value of lease liabilities	$ 248	$ 126	$ 2,923	$ 3,297	$ 140

Note 7. Term Loans

Credit Facility

On February 14, 2020, the Company entered into an unsecured term loan credit facility (“February 2020 Credit Facility”) that provides for borrowing of term loans in an aggregate principal amount of $12.0 million. The credit facility had a maturity date of twelve months from the borrowing date of the term loans. On the closing date, the Company fully drew on the credit facility net of deferred issuance costs of $0.7 million. The $0.7 million of deferred issuance costs included $0.4 million of fees to be applied against interest and $0.3 million of other issuance costs. Amounts outstanding under the credit facility bore interest from the date the term loans were first made until the last day of the fiscal month immediately following the six-month anniversary of such initial borrowing date at a rate per annum equal to twelve percent. Commencing on the first day of each fiscal month thereafter, the interest rate increased by one percent per annum until the termination date. The February 2020 Credit Facility was terminated on November 13, 2020 and $0.2 million of unamortized deferred issuance costs were expensed and included in other income, net.

On November 13, 2020, the Company entered into a senior secured term loan facility (“November 2020 Credit Facility”) that provides for borrowing of term loans in an aggregate principal amount of $25,000,000. The November 2020 Credit Facility has a maturity date of 30 months from the borrowing of the term loans. On the closing date, the Company fully drew on the November 2020 Credit Facility and replaced the Company's February 2020 Credit Facility. Amounts outstanding under the November 2020 Credit Facility accrue interest at a rate of eight percent plus LIBOR or 8.15% at December 31, 2020 and two percent payment-in-kind (“PIK”) interest. The November 2020 Credit Facility is supported by a security interest in the assets of the Company and includes certain financial covenants pertaining to annual recurring revenue, revenue, and cash. As of December 31, 2021 and 2020, the Company was compliant with all financial covenants.

For the years ended December 31, 2021 and 2020, the Company recognized $2.7 million and $1.1 million of interest expense under the February 2020 and November 2020 Credit Facilities and approximately $0.7 and $0.5 million of debt issuance costs, respectively. At December 31, 2021, the Company had accrued approximately $0.3 million of accrued interest.

Paycheck Protection Plan Loans (PPP Loans)

In April and May 2020, the Company’s subsidiaries CityBase, eCivis, and Sherpa received $2.0 million, $0.9 million and $0.2 million, respectively, in loan proceeds from the Paycheck Protection Program (the “PPP”) administered by the Small Business Administration of the United States government. This program was established under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), which was created to provide fast and direct economic assistance for American workers, families, small businesses, and preserves jobs for American industries. The Company used the funds to support the compensation expenses related to its U.S. employees. These loans mature two years from the date of issuance and accrue interest at a rate of one percent per annum, and the Company accounted for these loans in accordance with ASC 470. During the year ended December 31, 2021, the Company recognized $3.2 million in gains on extinguishment of debt associated with the forgiveness of these loans. As of December 31, 2021, all outstanding loans under the PPP had been forgiven.

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The Company's term loans are summarized as follows:

	November 2020 Credit Facility
Principal	$ 25,000
Payment-in-kind ("PIK") accrued interest	599
Unamortized deferred issuance costs	(958)
Term loans, net	$ 24,641
Maturity date	May 2023
Interest rate	8% + LIBOR
PIK interest rate	2%

Note 8. Income Taxes

The components of the income tax provision (benefit) are as follows:

	2021	2020
Domestic		
Federal		
Current	$ 123	$ 234
Deferred	—	(1,640)
State		
Current	57	108
Deferred	—	(251)
Foreign		
Current	427	—
Deferred	242	(890)
Total	$ 849	$ (2,439)

A reconciliation of the US federal statutory tax rates and the effective tax rates is as follows:

	2021	2020
Statutory federal income tax provision	21.0%	21.0%
State taxes, net of federal income tax effect	4.2%	4.5%
Foreign taxes	0.3%	0.6%
Permanent items	(7.7)%	(6.8)%
Valuation allowance	(20.0)%	(14.2)%
Other	0.6%	0.4%
Total	(1.6)%	5.5%

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Deferred tax assets (liabilities) comprised the following temporary differences between the financial statement carrying amounts and the tax basis of assets at December 31 and income tax attributes:

	2021	2020
Deferred tax assets:		
Settlement amount	$ —	$ 985
Stock-based compensation	2,718	2,391
Lease liability	4	125
Net operating losses	30,131	20,858
Tax credits	589	589
Deferred revenue	410	1,380
Deferred commissions	656	819
Other	1,017	496
Total deferred tax assets	35,525	27,643
Less: valuation allowance	(17,974)	(7,367)
Deferred tax assets, net of valuation allowance	17,551	20,276
Deferred tax liabilities:		
Property and equipment	(720)	(901)
Intangible assets	(33,099)	(36,177)
Right of use assets	(159)	(119)
State deferreds	(1,154)	(561)
Other	(157)	(12)
Total deferred tax liabilities	(35,289)	(37,770)
Net deferred taxes	$ (17,738)	$ (17,494)

The Company's valuation allowance for the years ended December 31, 2021 and 2020 was approximately $18.0 million and $7.4 million, respectively, relating to U.S. tax credits and federal net operating losses that we do not believe a tax benefit is more likely than not to be realized.

The Company has approximately $89.9 million of United States federal net operating losses and $10.3 million of Canadian federal net operating losses. The United States federal net operating losses will begin to expire in 2033. The Canadian federal net operating losses will begin to expire in 2039.

Utilization of the Company's net operating loss and tax credit carryforwards may be subject to substantial annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such annual limitations could result in the expirations of the net operating loss and tax credit carryforwards before their utilization. The events that may cause ownership changes includes, but are not limited to, a cumulative stock ownership change of greater than 50% over a three-year period.

The Company and its subsidiaries are subject to Canadian and United States federal income tax, as well as income and franchise tax in multiple state and provincial jurisdictions. The Canadian and United States federal tax years ended December 31, 2017, and subsequent years, are open for the assessment of taxes and various state and provincial tax years ended December 31, 2016, and subsequent years, are open for the assessment of taxes.

The 2017 Tax Cuts and Jobs Act (Tax Act) imposed a mandatory transition tax on accumulated foreign earnings and generally eliminated U.S. taxes on foreign subsidiary distribution. As a result, accumulated earnings in foreign jurisdictions are available for distribution to the U.S. without incremental U.S. taxes.

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As of December 31, 2021 and 2020, the Company had no unrecognized tax benefits and does not anticipate any significant change to the unrecognized tax benefit balance. The Company would classify interest and penalties related to uncertain tax positions as income tax expense, if applicable. There was no interest expense or penalties related to unrecognized tax benefits recorded through December 31, 2021.

Note 9. Commitments and Contingencies

Legal Proceedings

From time to time, the Company may become involved in legal proceedings arising in the ordinary course of its business. The Company is not presently a party to any legal proceedings that, if determined adversely to the Company, would have a material adverse effect on the Company.

Indemnification

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to customers, vendors, investors, directors and officers with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is indeterminable. The Company has never paid a material claim, nor have it been sued in connection with these indemnification arrangements.

As of December 31, 2021 and 2020, the Company has not accrued a liability for these indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with these indemnification arrangements is not probable or reasonably estimable.

Note 10. Shareholders' Equity

Initial Public Offering Redemption Shares

In connection with a shareholder meeting called to approve the business combination, the Company provided the holders of its outstanding Class A ordinary shares sold in the Company's initial public offering (the "public shareholders") with the opportunity to redeem all or a portion of their public shares. The public shareholders were entitled to redeem their public shares for a pro rata portion of the remaining balance in the trust account established in connection with the Company's initial public offering for the benefit of the Company's public shareholders and into which substantially all of the proceeds from the initial public offering were deposited (the "Trust Account"). The remaining 20,289,478 GTY Cayman public shares were recorded at a redemption value and classified as temporary equity upon the completion of the initial public offering, in accordance with Accounting Standards Codification ("ASC") Topic 480 "Distinguishing Liabilities from Equity." In connection with the Business Combination, 11,073,040 Class A ordinary shares of GTY were redeemed for $114.0 million, at a per share price of approximately $10.29. The remaining 9,216,438 shares with a redemption value of $88.9 million were transferred to permanent equity.

Subscription Agreement

Immediately prior to the Closing, pursuant to subscription agreements (the "Subscription Agreements"), dated as of various dates from January 9, 2019 through February 12, 2019, by and among GTY and certain institutional and accredited investors party thereto (the "Subscribed Investors"), GTY Cayman issued to the Subscribed Investors an aggregate of 12,863,098 Class A ordinary shares of GTY for $10.00 per share, for an aggregate cash purchase price of approximately $126.4 million and paid fees of $1.1 million, including three such Subscription Agreements with certain CityBase holders (including Michael Duffy, the chief executive officer of CityBase) for an aggregate of 380,937 Class A ordinary shares of

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GTY at a price of $10.00 per share, for an aggregate cash purchase price of approximately $3.8 million. The Class A ordinary shares of GTY issued to the Subscribed Investors were cancelled and exchanged on a one-for-one basis for shares of Company common stock at the Closing.

In connection with the Subscription Agreements, immediately prior to the Closing, the Sponsor surrendered to GTY Cayman for cancellation (at no cost to GTY) 231,179 Class B (founder) shares, which have been retroactively adjusted in the accompanying statement of stockholders equity, and sold 500,000 private placement warrants held by it to an accredited investor in a private placement for an aggregate of $250,000 or $0.50 per warrant (which was $1.00 per warrant less than the price originally paid for such warrants).

GTY Merger Share Exchange

In connection with the GTY Merger, all of the issued and outstanding shares of GTY Cayman were exchanged for an equal number of shares of GTY common stock and immediately before the exchange, each outstanding unit was separated into its component Class A ordinary share and warrant. Upon the exchange, 22,978,520 Class A and 13,568,821 Class B shares of GTY Cayman were exchanged for an aggregate of 36,547,341 shares of common stock of GTY.

Shares issued in the Acquisition

As part of the consideration for the Acquisition, the Company issued (a) 11,973,154 shares of common stock (as adjusted by the Measurement Period Adjustment below), of which 3,955,442 were redeemable at the option of the Company (the "Acquisition Redemption Shares"), (b) 2.6 million Class A and 0.5 million Class C shares (the "Class C Shares") of Questica Exchangeco (the "Questica Shares") and 2,161,741 shares of Bonfire Exchangeco shares (collectively, the "Exchange Shares") that are exchangeable into an equal number of common stock. The Exchange Shares are recorded as common shares of the Company. The Company also issued 1,000,000 Class B shares of Questica Shares which are not exchangeable for common stock and thus have no value. The shares issued as consideration in the Acquisition were valued at $10 per share in the accompanying condensed consolidated financial statements.

The 0.5 million Class C Shares were redeemable at the option of the shareholder at $10 per share, and thus the Company had classified the Class C Shares in the capital stock of Questica Exchangeco as temporary equity in accordance with ASC 480 - "Distinguishing Liabilities from Equity." In June 2019, these shares were redeemed for 0.5 million shares of Common Stock at the market price of $7.72, or $3.9 million, and transferred to permanent equity, and $1.3 million of cash. The incremental $0.2 million above the stated redemption price was recorded as a deemed dividend in the accompanying condensed consolidated financial statements.

In April 2019, 193,645 shares of the Bonfire Exchangeco Shares were converted into the Company's Common Stock on a one-for-one basis.

For the period from the Closing Date to December 31, 2019, there was a "Measurement Period Adjustment" to change $41,500, or 4,150 shares, of stock consideration to cash consideration.

During the year-ended December 31, 2019, the option to redeem 3,155,961 shares from the acquisition of CityBase was not exercised and expired and the 100,000 OC Redeemable Shares were redeemed. As of December 31, 2019, 525,060 shares of the Acquisition Redemption Shares, resulting from the Redeemable Shares from the acquisition of eCivis, remain redeemable at the option of the Company. The Redeemable Shares from the acquisition of eCivis required the Company to simultaneously redeem the Additional Shares (equal to 40% of the number of Redeemable Shares being redeemed). If the Redeemable Shares were not redeemed by February 12, 2020 and February 12, 2021, respectively, the Company was required to issue additional shares, as calculated based on the number of outstanding Redeemable Shares. On February 20, 2020, the Company issued 334,254 of these additional shares with respect to the February 12, 2020 deadline and recorded a loss of $2.1 million.

In March 2020 and April 2020, 246,097 and 230,199 shares of the Bonfire Exchangeco Shares were converted into the Company's common stock on a one-for-one basis, respectively. In September 2020, to correct an over allocation of common shares held in escrow, 352,675 shares of common stock were returned to the Company and 352,675 of the Bonfire Exchangeco Shares were issued to the Bonfire Holders. During the year ended December 31, 2021, 386,528 exchangeable shares were converted to shares of the Company's common stock.

Common Stock – GTY is authorized to issue 400,000,000 shares of common stock with a par value of $0.0001 per share.

In June 2019, the Company issued 3.5 million shares of common stock in a registered direct offering for $25.5 million, at a price of $7.70 per share, net of $1.5 million of offering costs.

In June 2019, two Bonfire employees cashless exercised 284 stock options and the Company issued 117 shares of common stock. For the year ended December 31, 2019, Bonfire employees exercised 112,526 stock options for the issuance of 112,526 shares of common stock.

In December 2019, 97,595 shares of common stock were issued for the vesting of RSUs.

In February 2020 and April 2020, the Company issued 1,550,388 of exchangeable shares and 336,965 shares of common stock to the former shareholders of Questica and Sherpa, respectively, for contingent consideration related to achieving certain acquisition related milestones.

In December 2020, the Company issued 2.0 million shares of common stock in a registered direct offering for $7.0 million at a price of $3.50 per share.

During the year ended December 31, 2021, the Company issued 935,633 shares of common stock for $6.8 million in proceeds.

Share Repurchases

In March 2019, the Company redeemed 100,000 shares of common stock, the OC Redeemable Shares, for a promissory note in the principal amount of $1,000,000, which was subsequently repaid in March 2019, and included these in Treasury Stock in the accompanying condensed consolidated balance sheets.

Under the agreements with eCivis, the Company acquired eCivis for aggregate consideration of approximately $14.0 million in cash and 2,883,433 shares of Company common stock, including 703,631 shares of the Company's common stock which are redeemable for cash at any time in the sole discretion of the Company for a price of $10.00 per share (the "Redeemable Shares"). Upon redemption of the Redeemable Shares, the Company must simultaneously redeem additional shares from the holder equal to 40% of the number of Redeemable Shares being redeemed (the "Additional Shares") at $10 per share. If the Redeemable Shares were not redeemed by February 12, 2020 and February 12, 2021, the Company was required to issue additional shares, as calculated based on the number of outstanding Redeemable Shares. In June 2019, 178,571 Redeemable Shares and 71,428 Additional Shares were redeemed and the Company recorded a $0.8 million loss. During February 2020, the Company issued 334,254 Additional Shares and recorded a $2.1 million loss. The remaining 525,060 shares of common stock were redeemed for a total of $8.0 million and the Company recorded a $5.3 million loss during the three months ended March 31, 2021.

For the period from the Closing Date to December 31, 2019, the Company repurchased 616,366 shares of common stock for $5.2 million. These shares were included in Treasury Stock in the accompanying condensed consolidated balance sheets at the stock price on the date of the repurchases, or $4.2 million, and the remaining $1.0 million is included in Loss from repurchase of shares in the condensed consolidated statements of operations and comprehensive loss.

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During the year ended December 31, 2020, the Company purchased 127,712 shares of common stock from employees under the Company's RSU plan.

Preferred Shares – GTY is authorized to issue 1,000,000 preferred shares with a par value of $0.0001 per share. As of December 31, 2021 and 2020, there were no preferred shares issued or outstanding.

Warrants

At December 31, 2021 and 2020, there were a total of 27,093,334 warrants outstanding. The warrants were originally sold as part of the units offered in the IPO. Each warrant entitles the holder thereof to purchase one share of common stock at a price of $11.50 per share, subject to adjustments. The warrants may be exercised only for a whole number of shares of common stock. No fractional shares will be issued upon exercise of the warrants.

The Company may call the public warrants for redemption, in whole and not in part, at a price of $0.01 per warrant, upon not less than 30 days' prior written notice of redemption to each warrant holder, if, and only if, the reported last sale price of common stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sends the notice of redemption to the warrant holders.

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Note 11. Segment Reporting

The Company conducts the business through the following five operating segments: Procurement, Payments, Grants Management, Permitting, and Budget.

The accounting policies of the operating segments are the same as those described in Note 3. Non-allocated interest expense and various other administrative costs are reflected in Corporate. Corporate assets include cash and cash equivalents, prepaid expenses and other current assets. The following provides operating information about the Company's reportable segments for the periods presented (in thousands):

	Corporate	Procurement	Payments	Grants Management	Permitting	Budget	Total
Year Ended December 31, 2021							
Total revenue	$ —	10,559	12,848	7,663	2,778	26,605	$ 60,453
Cost of revenues	—	2,047	8,258	3,157	700	8,210	22,372
Income (loss) from operations	(7,863)	(2,959)	(25,197)	(4,212)	(6,869)	1,598	(45,502)
Amortization of intangible assets	—	2,642	5,496	1,302	1,203	3,936	14,579
Depreciation expense	1	182	359	37	14	427	1,020
Interest income (expense), net	(3,425)	1	54	6	—	—	(3,364)
Benefit from (provision for) income taxes	(1,743)	496	—	1,243	501	(1,346)	(849)
Year Ended December 31, 2020							
Total revenue	$ —	7,806	8,863	6,693	2,645	22,121	$ 48,128
Cost of revenues	—	1,520	6,682	3,030	563	6,673	18,468
Loss from operations	(10,459)	(4,750)	(22,557)	(4,233)	(2,220)	1,501	(42,718)
Amortization of intangible assets	—	2,658	5,504	1,310	1,208	4,001	14,681
Depreciation expense	—	138	459	41	—	225	863
Interest income (expense), net	(1,663)	2	(92)	(6)	—	1	(1,758)
Benefit from (provision for) income taxes	(1,334)	691	1,922	1,294	669	(803)	2,439
As of December 31, 2021							
Goodwill	$ —	68,744	77,622	45,140	16,834	60,468	$ 268,808
Assets	15,063	92,352	84,940	53,168	22,186	127,235	394,944
As of December 31, 2020							
Goodwill	$ —	68,744	88,327	45,140	21,956	60,468	$ 284,635
Assets	31,407	92,841	110,339	55,676	28,474	113,710	432,447

Revenues from North America customers accounted for greater than 90% of the Company's revenues for the periods presented.

Note 12. Subsequent Events

The compensation committee of our board of directors approved a grant on February 10, 2022 of restricted stock units to employees totaling 202,098 shares. Each restricted stock unit entitles the recipient to receive one share of common stock upon vesting of the award.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2021. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of our internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework.* Based on its assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2021.

Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information relating to this Item will be included in an amendment to this report or the proxy statement to be filed pursuant to Regulation 14A for our 2022 Annual Stockholders' meeting and is incorporated by reference in this report.

Delinquent Section 16(a) Reports

Name of Filer	Number of Reports Filed Late	Number of Transactions Not Reported on a Timely Basis
Justin Kerr	1	1

This transaction now has been reported and the Company has refined its controls to help avoid future administrative errors.

Item 11. Executive Compensation

Incorporated by reference from the information under the captions "Named Executive Officer Compensation," "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in our 2022 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated by reference from the information under the captions "Information Regarding Beneficial Ownership of Principal Stockholders, Directors and Management" and "Equity Compensation Plan Information" in our 2022 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated by reference from the information under the captions "Corporate Governance at Groupon," "Board Independence and Expertise" and "Certain Relationships and Related Party Transactions" in our 2022 Proxy Statement.

Item 14. Principal Accountant Fees and Services

Incorporated by reference from the information under the caption "Independent Registered Public Accounting Firm" in our 2022 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements: See "Index to Consolidated Financial Statements" at "Item 8. Consolidated Financial Statements and Supplementary Data" herein.

(b) Consolidated Financial Statement Schedules. All schedules are omitted for the reason that the information is included in the consolidated financial statements or the notes thereto or that they are not required or are not applicable.

(c) Exhibits: The exhibits listed in the Exhibit Index below are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Index

Exhibit No.	Description
1.1	At Market Issuance Sales Agreement dated November 25, 2020 with B. Riley Securities, Inc. and Needham & Company LLC (collectively, the “Sales Agents”) with respect to an at-the-market offering program under which the Company could offer and sell, from time to time at its sole discretion, shares of its common stock, par value $0.0001 per share having an aggregate offering price of up to $10,000,000 through the Sales Agents (incorporated by reference to Exhibit 1.1 to the Company’s Current Report on Form 8-K filed with the SEC on November 25, 2020).
1.2	At Market Issuance Sales Agreement dated February 4, 2022 with the Sales Agents with respect to an at-the-market offering program under which the Company may offer and sell, from time to time at its sole discretion, shares of its common stock, par value $0.0001 per share having an aggregate offering price of up to $10,000,000 through the Sales Agents, and under which the parties agreed that the At Market Issuance Sales Agreement dated November 25, 2020 between them had terminated (incorporated by reference to Exhibit 1.1 to the Company’s Current Report on Form 8-K filed with the SEC on February 4, 2022).
2.1	Agreement and Plan of Merger, dated September 12, 2018, by and among GTY Technology Holdings Inc., a Cayman Islands exempted company (“GTY Cayman”), GTY Technology Holdings Inc., a Massachusetts corporation, formerly known as GTY Govtech, Inc. (the “Company”) and GTY Technology MergerSub, Inc. (incorporated by reference to Exhibit 2.1 to GTY Cayman’s Current Report on Form 8-K filed with the SEC on September 12, 2018).
2.2	Arrangement Agreement, dated September 12, 2018, by and among Bonfire Interactive Ltd., GTY Cayman, 1176370 B.C. Unlimited Liability Company, 1176363 B.C. Ltd. and the Bonfire Holders’ Representative named therein (incorporated by reference to Exhibit 2.2 to GTY Cayman’s Current Report on Form 8-K filed with the SEC on September 12, 2018), as amended by Amendment No. 1 thereto, dated as of October 31, 2018 (incorporated by reference to Exhibit 2.1 to GTY Cayman’s Current Report on Form 8-K filed with the SEC on November 5, 2018) and Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.1 to GTY Cayman’s Current Report on Form 8-K filed with the SEC on January 4, 2019).
2.3	Agreement and Plan of Merger, dated September 12, 2018, by and among CityBase, Inc., GTY Cayman, the Company, GTY CB Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.3 to GTY Cayman’s Current Report on Form 8-K filed with the SEC on September 12, 2018), as amended by Amendment No. 1 thereto, dated October 31, 2018 (incorporated by reference to GTY Cayman’s Current Report on Form 8-K filed with the SEC on November 5, 2018), Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.2 to GTY Cayman’s Current Report on Form 8-K filed with the SEC on January 4, 2019) and Amendment No. 3 thereto, dated February 12, 2019 (incorporated by reference to Exhibit 2.1 to GTY Cayman’s Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.4	Amended and Restated Agreement and Plan of Merger, dated December 28, 2018, by and among eCivis Inc., GTY Cayman, GTY EC Merger Sub, Inc. and the eCivis Holders’ Representative named therein. (incorporated by reference to Exhibit 2.3 to GTY Cayman’s Current Report on Form 8-K filed with the SEC on January 4, 2019), as amended by Amendment No. 1 thereto, dated January 8, 2018 (incorporated by reference to Exhibit 2.1 to GTY Cayman’s Current Report on Form 8-K filed with the SEC on January 14, 2019).

2.5	Amended and Restated Agreement and Plan of Merger, dated December 28, 2018, by and among Open Counter Enterprises Inc., GTY Cayman, OC Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.4 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019).
2.6	Share Purchase Agreement, dated September 12, 2018, by and among Questica Inc., Questica USCDN Inc., GTY Cayman, Fernbrook Homes (Hi-Tech) Limited, 1176368 B.C. Ltd. and each of the Questica Holders named therein (incorporated by reference to Exhibit 2.6 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018) as amended by Amendment No. 1 thereto, dated October 31, 2018 (incorporated by reference to the Exhibit 2.5 to GTY Cayman's Current Report on Form 8-K filed with the SEC on November 5, 2018), Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.5 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019) and Amendment No. 3 thereto, dated July 29, 2019 (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 7, 2019).
2.7	Unit Purchase Agreement, dated September 12, 2018, by and among Sherpa Government Solutions LLC, GTY Cayman, the Sherpa Holders named therein and the Sherpa Holders' Representative named therein (incorporated by reference to Exhibit 2.7 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018) as amended by Amendment No. 1 thereto, dated October 31, 2018 (incorporated by reference to the Exhibit 2.6 to GTY Cayman's Current Report on Form 8-K filed with the SEC on November 5, 2018) and Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.6 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019).
2.8	Form of eCivis Shareholder Agreements (incorporated by reference to Exhibit 2.2 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.9	Form of OpenCounter Shareholder Agreements (incorporated by reference to Exhibit 2.3 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.10	Questica Shareholder Agreement, dated February 12, 2019, by and among GTY Cayman, the Company, Shockt Inc. and 1176368 B.C. Ltd. (incorporated by reference to Exhibit 2.4 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.11	Sherpa Shareholder Agreement, dated February 12, 2019, by and among GTY Cayman, the Company and David Farrell (incorporated by reference to Exhibit 2.5 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.12	Amendment No. 1, dated February 19, 2019, to the Amended and Restated Agreement and Plan of Merger, dated December 28, 2018, by and among Open Counter Enterprises Inc., GTY Cayman, OC Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.12 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
2.13	Amendment No. 3, dated February 12, 2019, to the Agreement and Plan of Merger, dated September 12, 2018, by and among CityBase, Inc., GTY Cayman, the Company, GTY CB Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
3.1	Articles of Organization of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
3.2	Restated Articles of Organization of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).

3.3	Bylaws of the Company (incorporated by reference to Annex J to the Company's Registration Statement on Form S-4 (File No. 333-229189), filed with the SEC on January 11, 2019).
3.4	Amended and Restated Bylaws of GTY Technology Holdings Inc.(f/k/a GTY Govtech, Inc.) dated July 26, 2021 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on July 27, 2021).
4.1	Specimen Stock Certificate of the Company (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-4 (File No. 333-229189), filed with the SEC on January 11, 2019).
4.2	Specimen Warrant Certificate (incorporated by reference to the Exhibit 4.3 to GTY Cayman's Registration Statement on Form S-1 (File No. 333-213809), filed with the SEC on September 26,2016).
4.3	Warrant Agreement between GTY Cayman and Continental Stock Transfer & Trust Company, dated as of October 26, 2016 (incorporated by reference to Exhibit 4.4 to GTY Cayman's Current Report on Form 8-K, filed with the SEC on November 1, 2016).
4.4	Assignment and Assumption Agreement, dated February 19, 2019, by and between GTY Cayman, the Company and Continental Stock Transfer and Trust Company (incorporated by reference to Exhibit 2.12 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
4.5	Assignment and Acknowledgement, dated as of September 20, 2021, by and among Continental Stock Transfer & Trust Company, Broadridge Corporate Issuer Solutions, Inc. and the Company (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on September 22, 2021).
4.6	Amendment to Warrant Agreement, dated as of September 20, 2021, by and between the Company and Broadridge Corporate Issuer Solutions, Inc. (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on September 22, 2021).
4.7	Description of Securities
10.1	Form of Letter Agreement, by and between GTY Cayman and certain investors of City Base (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on October 16, 2018).
10.2	Form of Subscription Agreement, by and between GTY Cayman and certain institutional and accredited investors (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 14, 2019).
10.3	Subscription Agreement, dated February 13, 2019, by and among GTY Cayman and Michael Duffy (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
10.4	Letter Agreement among GTY Cayman, its officers and directors and GTY Investors, LLC, dated as of October 26, 2016 (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K, filed with the SEC on November 1, 2016).
10.5	Registration Rights Agreement among GTY Cayman, GTY Investors, LLC and the Holders signatory thereto, dated as of October 26, 2016 (incorporated by reference to Exhibit 10.3 to GTY Cayman's Current Report on Form 8-K, filed with the SEC on November 1, 2016).

10.6	Form of GTY Technology Holdings Inc. Amended and Restated 2019 Omnibus Incentive Plan (incorporated by reference to Annex A to the Company's Proxy Statement on Schedule 14A, filed with the SEC on April 29, 2020).
10.7	Form of GTY Technology Holdings Inc. 2019 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
10.8	Form of Indemnity Agreement (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed with the SEC on March 18, 2019).
10.9	Form of Subscription Agreement (incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on June 5, 2019).
10.10	Credit Agreement dated February 14, 2020 by and among the Company, certain of its subsidiaries as guarantors, the lenders from time to time party thereto and Wilmington Trust, National Association, as Administrative Agent, with Nineteen77 Global Multi-Strategy Alpha Master Limited, an affiliate of UBS O'Connor LLC, as Sole Lead Arranger and Sole Bookrunner (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2020).
10.11	Loan and Security Agreement dated November 13, 2020 by and among the Company, each of the subsidiary guarantors from time to time party thereto, the financial institutions from time to time party thereto, and Acquiom Agency Services LLC, as agent for the Lenders (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 13, 2020).
10.12	First Amendment to Loan and Security Agreement dated February 4, 2022 by and between GTY Technology Holdings Inc. and Clover Private Credit Opportunities Origination II L.P. (incorporated by reference to Exhibit 10.1 to Company's Current Report on Form 8-K filed with the SEC on February 7, 2022).
10.13	Amended and Restated Employment Agreement dated April 15, 2021 between the Company and David Farrell (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 13, 2021) (the "Farrell Employment Agreement").
10.14	Waiver and Consent by David Farrell dated January 26, 2022 with respect to the Farrell Employment Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on January 26, 2022).
10.15	Amended and Restated Employment Agreement dated April 29, 2021 between the Company and John Curran (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 13, 2021) (the "Curran Employment Agreement").
10.16	Waiver and Consent by John Curran dated January 26, 2022 with respect to the Curran Employment Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on January 26, 2022).
10.17	Amended and Restated Employment Agreement dated July 1, 2021 between the Company and TJ Parass (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 4, 2021) (the "Parass Employment Agreement").
10.18	Waiver and Consent by TJ Parass dated January 26, 2022 with respect to the Parass Employment Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 26, 2022).

21.1	Subsidiaries of the Company.
23.1	Consent of WithumSmith + Brown, PC.
24.1	Powers of Attorney (included on the signature page of this Form 10-K).
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in exhibit 101)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

GTY TECHNOLOGY HOLDINGS INC.

Date: February 18, 2022

By: /s/ TJ Parass
TJ Parass
Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints TJ Parass and Harry L. You and each or any one of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the United States Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

/s/ TJ Parass TJ Parass	Chief Executive Officer, President and Director (principal executive officer)	February 18, 2022
/s/ John J. Curran John J. Curran	Chief Financial Officer, Treasurer (principal financial officer)	February 18, 2022
/s/ Justin Kerr Justin Kerr	Controller and Chief Accounting Officer (principal accounting officer)	February 18, 2022
/s/ William D. Green William D. Green	Chairman of the Board	February 18, 2022
/s/ Harry L. You Harry L. You	Vice Chairman of the Board	February 18, 2022
/s/ Randolph Cowen Randolph Cowen	Director	February 18, 2022
/s/ Joseph M. Tucci Joseph M. Tucci	Director	February 18, 2022
/s/ Charles Wert Charles Wert	Director	February 18, 2022

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following summary of the capital stock and warrants of GTY Technology Holdings Inc. does not purport to be complete and is qualified in its entirety by reference to our restated articles of organization (as amended, our "charter"), our amended and restated bylaws (our "bylaws", and together with our charter, our "organizational documents"), each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part, and certain provisions of Massachusetts law. Unless the context requires otherwise, all references to "we", "us," "our" and "GTY" in this section refer solely to GTY Technology Holdings Inc. and not to our subsidiaries.

General

Under our charter, our authorized capital stock consists of 400,000,000 shares of common stock, par value $0.0001 per share and 25,000,000 shares of preferred stock, par value $0.0001 per share. As of February 18, 2022, there were 57,783,815 shares of common stock outstanding and no shares of preferred stock outstanding. As of February 18, 2022, there were 27,093,334 warrants to purchase shares of our common stock outstanding. The transfer agent and registrar for our common stock and our warrants is Broadridge Corporate Issuer Solutions, Inc., 51 Mercedes Way, Edgewood, NY 11717.

Common Stock

The holders of shares of our common stock are entitled to one vote for each share held and each share of our common stock is entitled to participate equally in dividends out of funds legally available therefor, as and when declared by our board of directors, and in the distribution of assets in the event of liquidation. The shares of our common stock have no preemptive or conversion rights, redemption provisions or sinking fund provisions. The outstanding shares of our common stock are duly and validly issued, fully paid and nonassessable, and any shares of our common stock issued upon exercise of our warrants will be duly and validly issued, fully paid and nonassessable. Our common stock is listed on the Nasdaq Capital Market under the symbol "GTYH."

Preferred Stock

Our board of directors is authorized to create and issue one or more series of preferred stock and to determine the rights and preferences of each series, to the extent permitted by our charter. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could also adversely affect the voting power and dividend and liquidation rights of the holders of common stock. The issuance of preferred stock could also, under certain circumstances, have the effect of delaying, deferring or preventing a change of control of the GTY or the removal of existing management or otherwise adversely affect the market price of our common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of common stock until the board of directors determines the specific rights of that series of preferred stock.

You should refer to the amendment to our charter establishing a particular series of preferred stock which will be filed with the Secretary of State of the State of Massachusetts and the Securities and Exchange Commission in connection with any offering of preferred stock.

Each prospectus relating to a series of preferred stock may describe material U.S. federal income tax considerations applicable to the purchase, holding and disposition of such series of preferred stock.

Warrants

Each whole warrant, whether a public warrant or private placement warrant, is exercisable to purchase one share of common stock at $11.50 per share.

Public Warrants

As of February 18, 2022, we had 18,400,000 public warrants outstanding. Each public warrant entitles the registered holder to purchase one share of our common stock at a price of $11.50 per whole share and is subject to adjustment as discussed below. A warrant holder may exercise its warrants only for a whole number of shares. The warrants will expire on February 19, 2024, which is five years after the closing date of the business combination, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation. The public warrants were determined to be equity classified in accordance with ASC 815, Derivatives and Hedging.

We will not be obligated to deliver any shares of common stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act of 1933, as amended (the "Securities Act") with respect to the shares of common stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to its satisfying its obligations described below with respect to registration. No warrant will be exercisable and we will not be obligated to issue a share of common stock upon exercise of a warrant unless the share issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless. In no event will we be required to net cash settle any warrant.

We were obligated to file with the Securities and Exchange Commission (the "SEC"), under the Securities Act, of the shares of common stock issuable upon exercise of the warrants, and are obligated to cause the same to become effective and to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the expiration of the warrants in accordance with the provisions of the warrant agreement. A registration statement covering the shares of common stock issuable upon exercise of the warrants was declared effective by the SEC on May 28, 2019 and amended effective December 1, 2021. During any period when we may fail to maintain an effective registration statement, warrant holders may, until such time as there is again an effective registration statement, exercise warrants on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act or another exemption.

Private Placement Warrants

At the time of our initial public offering, our sponsor purchased 8,693,334 warrants in a private placement at a price of $1.50 per warrant. The private placement warrants are identical to the public warrants, except that the private placement warrants and the shares issuable upon exercise of the private placement warrants were not transferable, assignable or salable until 30 days after the completion of the business combination, subject to certain limited exceptions. Additionally, the private placement warrants will be non-redeemable so long as they are held by the initial purchasers or such purchasers' permitted transferees. If the private placement warrants are held by someone other than the initial shareholders or their permitted transferees, the private placement warrants will be redeemable by us and exercisable by such holders on the same basis as the public warrants. Because the Company's private placement warrants do not otherwise contain a provision whereby the Company can redeem them, the private placement warrants were recorded at fair value as a liability in the Company's consolidated balance sheet following the Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies that the Acting Director of the Division of Corporation Finance and Acting Chief Accountant of the SEC issued on April 12, 2021.

Redemption

We may call the public warrants for redemption:

- in whole and not in part;

- at a price of $0.01 per warrant;

- upon a minimum of 30 days' prior written notice of redemption; and

- if, and only if, the last reported closing price of our shares equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders.

If we call the public warrants for redemption, management will have the option to require all holders that wish to exercise the public warrants to do so on a "cashless basis," as described in the warrant agreement.

The exercise price and number of shares issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a share dividend, or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuance of shares at a price below its exercise price. Additionally, in no event will we be required to net cash settle the warrants shares.

Provisions of the Restated Articles of Organization and Bylaws that May Have an Anti-Takeover Effect

We are a corporation incorporated under the laws of the Commonwealth of Massachusetts, subject to the provisions of the Massachusetts General Laws.

Chapter 110F of the Massachusetts General Laws generally provides that, if a person acquires 5% or more of the stock of a Massachusetts corporation without the approval of the board of directors of that corporation, such person may not engage in certain transactions with the corporation for a period of three years following the time that person becomes a 5% shareholder, with certain exceptions. A Massachusetts corporation may elect in its articles of organization or bylaws not be governed by Chapter 110F.

Under the Massachusetts control share acquisitions statute, Chapter 110D of the Massachusetts General Laws, a person who acquires beneficial ownership of shares of stock of a corporation in a threshold amount equal to one-fifth or more but less than one-third, one-third or more but less than a majority, or a majority or more of the voting stock of the corporation, referred to as a control share acquisition, must obtain the approval of a majority of shares entitled to vote generally in the election of directors (excluding (1) any shares owned by any person acquiring or proposing to acquire beneficial ownership of shares in a control share acquisition, (2) any shares owned by any officer of the corporation and (3) any shares owned by any employee of the corporation who is also a director of the corporation) for the purpose of acquiring voting rights for the shares that such person acquires in crossing the foregoing thresholds.

The Massachusetts control share acquisitions statute permits the corporation, to the extent authorized by its articles of organization or bylaws, to redeem all shares acquired by an acquiring person in a control share acquisition for fair value (which is to be determined in accordance with procedures adopted by the corporation) if (1) no control share acquisition statement is delivered by the acquiring person or (2) a control share acquisition statement has been delivered and voting rights were not authorized for such shares by the shareholders in accordance with the applicable provision of the control share acquisitions statute.

If the voting rights for shares acquired in a control share acquisition are authorized by a majority of shareholders, the acquirer has acquired beneficial ownership of a majority or more of all voting power in the election of directors, then each stockholder of record, other than the acquirer, who has not voted in favor of authorizing voting rights for the control may demand payment for his or her stock and an appraisal in accordance with Chapter 156D of the Massachusetts General Laws.

The Massachusetts control share acquisition statute permits a Massachusetts corporation to elect not to be governed by the statute's provisions by including a provision in the corporation's articles of organization or bylaws pursuant to which the corporation opts out of the statute.

Massachusetts law provides that the board of directors of a public corporation be staggered into three groups having terms of three years. This could make it difficult to replace a majority of the board in any one year. A corporation may elect not to be governed by this provision by a vote of the board of directors, or by two-thirds of each class of stock outstanding at a meeting duly called for the purpose of voting on an exemption.

Chapter 110C of the Massachusetts General Laws (1) subjects an offeror to certain disclosure and filing requirements before such offeror can proceed with a takeover bid, defined to include any acquisition of or offer to acquire stock by which, after acquisition, the offeror would own more than 10% of the issued and outstanding equity securities of a target company and (2) provides that, if a person (together with its associates and affiliates) beneficially owns more than 5% of the stock of a Massachusetts corporation, such person may not make a takeover bid if during the preceding year such person acquired any of the subject stock with the undisclosed intent of gaining control of the corporation. The statute contains certain exceptions to these prohibitions, including if the board of directors approves the takeover bid, recommends it to the corporation's shareholders and the terms of the takeover are furnished to shareholders. The validity of Chapter 110C has been called into questioned by a 1982 U.S. Supreme Court decision that invalidated a similar law in the state of Illinois.

Elimination of Liability in Certain Circumstances

Our charter contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Massachusetts law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors to the extent provided by applicable law, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- distributions to shareholders not in compliance with the MBCA; or
- any transaction from which the director derived an improper personal benefit.

Our charter provides that we are required to indemnify our directors and officers, in each case to the fullest extent permitted by Massachusetts law. We expect to enter into agreements to indemnify our directors, executive officers and other employees as determined by our Board. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our charter may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and our stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage.

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Subsidiary Name	Jurisdiction
Bonfire Interactive Ltd.	British Columbia (Canada)
CityBase, Inc.	Delaware (United States)
eCivis Inc.	Delaware (United States)
Sherpa Government Solutions LLC	Colorado (United States)
Sherpa Government Solutions LLC	Delaware (United States)
Open Counter Enterprises Inc.	Delaware (United States)
Questica Ltd.	Delaware (United States)
Questica USCDN Investments Inc.	British Columbia (Canada)
Questica Software Inc.	British Columbia (Canada)
The Department of Better Technology, Inc.	Delaware (United States)
1176363 B.C. Ltd.	British Columbia (Canada)
1176368 B.C. Ltd.	British Columbia (Canada)
1176370 B.C. Unlimited Liability Company	British Columbia (Canada)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement(s) on Form S-3 No. 333-250152 and Form S-8 No. 333-231564 of GTY Technology Holdings Inc. of our report dated February 18, 2022, relating to the consolidated financial statements which appear in this Form 10-K.

/s/ WithumSmith+Brown, PC

Whippany, NJ

February 18, 2022

EXHIBIT 31.1

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, TJ Parass, certify that:

1. I have reviewed this Annual Report on Form 10-K of GTY Technology Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepting accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 18, 2022

By: /s/ TJ Parass
TJ Parass
Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, John J. Curran, certify that:

1. I have reviewed this Annual Report on Form 10-K of GTY Technology Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepting accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: February 18, 2022

By: /s/ John J. Curran
John J. Curran
Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Annual Report of GTY Technology Holdings Inc. (the "Company") on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, TJ Parass, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78*o*(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2022

/s/ TJ Parass
Name: TJ Parass
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Annual Report of GTY Technology Holdings Inc. (the "Company") on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John J. Curran, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78*o*(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2022

/s/ John J. Curran
Name: John J. Curran
Title: Chief Financial Officer
(Principal Financial Officer)

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-37931

GTY Technology Holdings Inc.

(Exact name of Registrant as specified in its Charter)

Massachusetts	**83-2860149**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1180 North Town Center Drive, Suite 100 **Las Vegas, Nevada**	**89144**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(702) 945-2898**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Symbol	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	**GTYH**	**Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $144 million based upon the closing sale price of our common stock of $4.17 on that date. As of February 19, 2021, there were 56,748,709 shares of common stock, $0.0001 par value, issued and 55,130,927 outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Stockholders to be held in 2020, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation and availability of resources. Specifically, forward-looking statements may include statements relating to:

- the benefits of our February 2019 business combination (the "business combination");
- the future financial performance of the Company, including our revenues, cost of revenue, gross profit, operating expenses, ability to generate positive cash flow and ability to achieve profitability;
- the sufficiency of our cash to meet our liquidity needs;
- changes in the market for our products;
- expansion plans and opportunities; and
- other statements preceded by, followed by or that include the words "may," "can," "should," "will," "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "target" or similar expressions.

You should not place undue reliance on these forward-looking statements in deciding whether to invest in our securities. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- public health crises, epidemics, and pandemics such as the COVID-19 pandemic;
- the extent of the impact of the COVID-19 pandemic, including the duration, spread, severity, and any recurrence of the COVID-19 pandemic, the duration and scope of related government orders and restrictions, the impact on our employees, and the extent of the impact of the COVID-19 pandemic on overall demand for the Company's cloud-based suite of solutions and related products and services;
- local, regional, national, and international economic conditions that have deteriorated as a result of the COVID-19 pandemic including the lack of funding for state and local governments, the risks of a global recession or a recession in one or more of our key markets, and the impact they may have on us and our customers and our assessment of that impact;
- the risk that the ongoing integration of the businesses acquired in the business combination may disrupt current plans and operations;
- the ability to recognize the anticipated benefits of the business combination, which may be affected by, among other things, competition and the ability of the combined business to grow and manage growth profitably;
- costs related to the business combination;
- changes in applicable laws or regulations;
- the risk that we are unable to generate sufficient cash flow from our business to make payments

on our debt;

- the ability to raise or borrow additional funds on acceptable terms;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors; and
- other risks and uncertainties described in this Annual Report on Form 10-K under "Risk Factors."

Our forward-looking statements speak only as of the time that they are made and do not necessarily reflect our outlook at any other point in time, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Unless the context indicates otherwise, the terms “GTY,” the “Company,” “we,” “us” and “our” refer to GTY Technology Holdings Inc., a Massachusetts corporation (f/k/a GTY Govtech, Inc.).

Item 1. Business.

GTY Business Overview

GTY is a software-as-a-service (“SaaS”) company that offers a cloud-based suite of solutions for the public sector in North America. GTY brings government technology companies together to achieve a new standard in citizen engagement and resource management. GTY solutions provide public sector organizations with the ability to communicate, engage, interact, conduct business, and transact with their constituents in procurement, payments, grants management, budgeting, and permitting.

GTY operates through six subsidiaries: Bonfire Interactive Ltd., a Canadian company, and Bonfire Interactive Ltd., its U.S. subsidiary (together, “Bonfire”) provides strategic sourcing and procurement SaaS to enable confident and compliant spending decisions; CityBase, Inc. (“CityBase”) provides government payment solutions to connect constituents with utilities and government agencies; eCivis® Inc. (“eCivis”), offers a grants management system to maximize grant revenues and track performance; Open Counter Enterprises Inc. (“Open Counter”) provides government permitting SaaS to guide applicants through complex permitting and licensing procedures; Questica® Software Inc. and Questica USCDN Inc., Canadian companies, and Questica Ltd., a U.S. subsidiary (collectively, “Questica”) offer budget preparation and management SaaS and software to deliver on financial and non-financial strategic objectives; Sherpa Government Solutions LLC (“Sherpa”) provides public-sector budgeting SaaS, software and consulting services.

To attract, develop and retain personnel, we focus on a variety of factors. We design recruitment practices to attract and hire the best people in support of SaaS. Market-based compensation and benefits, adjusted to account for the specific states, provinces and countries in which we operate in North America, facilitate retention of the right people. Training provides our people with the skills they need to succeed in technology and in serving our public sector customers. Internal development opportunities, both in our business units and at GTY, facilitate career development and satisfaction from individual contributors to management to executives.

We were initially formed as a blank check company incorporated on August 11, 2016 as a Cayman Islands exempted company formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. Until the consummation of the business combination in 2019, we neither engaged in any operations nor generated any revenue.

On November 1, 2016, we consummated our initial public offering of 55,200,000 units, including the issuance of 7,200,000 units as a result of the underwriters’ exercise of their over-allotment option in full. Each unit consisted of one Class A ordinary share and one-third of one warrant. Each whole warrant entitled the holder thereof to purchase one Class A ordinary share at a price of $11.50 per share. The units were sold at an offering price of $10.00 per unit, generating gross proceeds, before expenses, of $552 million. Prior to the consummation of the initial public offering, in August 2016, GTY Investors, LLC (the “Sponsor”) purchased 8,625,000 Class B ordinary shares (“founder shares”) for an aggregate purchase price of $25,000, or approximately $0.002 per share. On each of October 14 and October 26, 2016, we effected a share capitalization resulting in an aggregate of 11,500,000 and 13,800,000 founder shares outstanding, respectively. In October 2016, the Sponsor transferred 25,000 founder shares to each of our independent director nominees at the same per-share purchase price paid by the Sponsor.

Simultaneously with the closing of the initial public offering, we consummated the private placement of 8,693,334 private placement warrants, each exercisable to purchase one Class A ordinary share at $11.50 per share, at a price of $1.50 per private placement warrant, with the Sponsor, generating gross proceeds of approximately $13.04 million.

Upon the closing of the initial public offering and private placement on November 1, 2016, $552 million from the net proceeds of the sale of the units in the initial public offering and the private placement was placed in a U.S.-based trust account maintained by Continental Stock Transfer & Trust Company, acting as trustee.

Initially, we were required to complete our initial business combination by November 1, 2018, which was 24 months from the closing of our initial public offering. On October 30, 2018, our shareholders approved a proposal to amend our second amended and restated memorandum and articles of association to extend the date by which we had to consummate an initial business combination from November 1, 2018 to May 1, 2019. In connection with such proposal, our public shareholders had the right to elect to redeem their Class A ordinary shares for a per share price, payable in cash, based upon the aggregate amount then on deposit in the trust account. Our public shareholders holding 34,011,538 Class A ordinary shares out of a total of 55,200,000 Class A ordinary shares validly elected to redeem their shares and, accordingly, after giving effect to such redemptions, the balance in our trust account was approximately $216.8 million.

On February 19, 2019, we consummated the business combination pursuant to which we acquired Bonfire, CityBase, eCivis, Open Counter, Questica, and Sherpa (the “Acquisition”). Until the Acquisition, GTY Technology Holdings Inc., a blank check company incorporated in the Cayman Islands (“GTY Cayman”) did not engage in any operations nor generate any revenues. 11,073,040 Class A ordinary shares were redeemed at a per share price of approximately $10.29 in connection with the shareholder vote to approve the business combination. In connection with the closing of the business combination, GTY Govtech, Inc. a Massachusetts corporation, became the parent company of and successor issuer by operation of Rule 12g-3(a) promulgated under the Exchange Act to our predecessor entity, GTY Cayman, and changed its name from GTY Govtech, Inc. to GTY Technology Holdings Inc.

Upon the closing of the business combination, all outstanding Class A ordinary shares were exchanged on a one-for-one basis for shares of common stock, and our outstanding warrants became exercisable for shares of common stock on the same terms as were contained in such warrants prior to the business combination.

Bonfire Business Overview

Bonfire Interactive Ltd., a corporation incorporated under the laws of the Province of Ontario, Canada, or Bonfire, was founded in 2012 and is a major provider of software technologies for the procurement and vendor or supplier sourcing industry across government, the broader public sector, and various highly-regulated commercial vertical markets.

Bonfire offers customers and their sourcing professionals a modern software as a service (“SaaS”) application that helps find, engage, evaluate, negotiate with, and award contracts to suppliers. Bonfire delivers effective workflow automation, data collection and analysis, and collaboration to drive cost savings, compliance, and strategic outcomes. All of Bonfire’s applications are delivered as a SaaS offering.

Industry Background

The North American public sector represents a significant market for procurement technology. Various levels of government and public sector agencies’ procurement processes account for an estimated 12% of gross domestic product for both the United States and Canada, which equals approximately $2.5 trillion per year for the United States and Canada combined. Despite this magnitude, however, most of these spending decisions are made via paper, off-the-shelf spreadsheet technologies, and legacy internet-based sourcing portals.

In total, the North American public sector market includes over 99,000 cities, counties, towns, and other local government special agencies, and over 17,000 public institutions in academia, public healthcare, transit, utilities, and general state and federal agencies as of the most recent US Census of Governments.

Despite differences in revenue sources, service delivery, and organizational mandates, each government body or entity shapes its sourcing practices in similar ways in response to state and federal procurement legislation and the emergence of various best practices.

Each public body faces a similar challenge: how to procure the best good or service, for the best cost, within often rigid compliance and policy directives from elected bodies or other regulation. This compliance- and policy-driven environment makes public sector procurement a significantly more complex and sensitive process than in the private sector. Public sector procurement teams are typically stewards of tax-payer resources, and are subjected to high sourcing scrutiny and ethics requirements. Such entities must balance competing interests like cost-savings, compliance, and quality to achieve uniquely positive outcomes.

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Public sector procurement groups are more regularly transitioning tools from offline workflows to online SaaS-enabled platforms to fulfill this mandate. Legacy internet-based portals and procurement suites often fail to respect the complexities of making procurement decisions in a public sector context. Many are mere systems of record and rudimentary interface points for buyers and suppliers. Many more fail to help procurement teams with the key functionalities of managing and analyzing supplier data for optimal sourcing decisions.

Bonfire uniquely captures the complexity and depth of public sector sourcing workflows; the SaaS allows procurement teams to collect highly granular supplier data, analyze and evaluate it across discrete criteria, and ultimately help procurement teams make the best possible decision as a balance of compliance, cost-savings, quality and fit.

Products and Services

Bonfire provides a comprehensive and flexible suite of products that addresses the procurement needs of predominantly public sector customers across academia, public healthcare, local and state government, transit, utilities, and various other state and federal agencies. Bonfire derives all revenues from subscription-based SaaS.

A description of Bonfire's suites of products and services follows:

eRFx & eTendering

- Control for requests for proposals, or RFPs or RFx, and bids, streamlining the entire sourcing workflow from posting to award
- Vendor-friendly online portal to post opportunities and receive structured submissions
- Evaluation tools that give deep insights into suppliers' relative strengths/weaknesses, pricing, and other areas
- Real-time overview of projects and key performance indicators, or KPIs

Contracts

- Contract information in one centralized, searchable, online platform
- Heat-mapped calendar view, reminders and KPIs
- Easy creation of contracts from completed projects

Vendor Performance

- Visibility into vendor performance
- Configure custom surveys for end users and set a cadence to automatically send
- Real-time insights to address issues immediately

Strategy

Bonfire's objective is to grow its revenue and earnings organically, supplemented by focused strategic acquisitions. The key components of its business strategy are to:

- Provide high quality, value-added products to its customers. Central to Bonfire's success so far has been customer satisfaction and trust. Bonfire expects that it will continue to invest heavily in customer success.

- Continue to expand its product offerings. Bonfire intends to continue to build innovative new products for its customers. These include products that leverage the data stored in customers' networks to help customers achieve better sourcing outcomes through predictive analytics, machine learning, blockchain, intra-agency collaboration, and other next-generation technologies.

- Expand its customer base. Continued customer growth is key for Bonfire's strategy. Bonfire plans to continue building out its direct customer acquisition strategy while adding strategic channel relationships to aid.

- Attract and retain highly qualified employees. Bonfire's business is dependent on attracting and retaining excellent managers and employees for product development, go-to-market, administrative, and support activities. Bonfire believes that its mission, scale of the opportunity, and unique culture will allow it to continue recruiting excellent staff.

- Pursue selected strategic acquisitions. Where appropriate, Bonfire plans to make strategic acquisitions of legacy portal providers as a way of quickening the adoption of Bonfire. This will allow Bonfire to grow revenues more rapidly than with a purely organic strategy, and to grow its supplier network and corresponding data.

Sales, Marketing and Customers

Bonfire markets its products and services through direct, in-house sales and marketing personnel located in Canada and the United States.

Sales of new products and services are typically generated from outbound marketing and sales campaigns, tradeshows and conferences, word-of-mouth and referrals, and thought-leadership campaigns.

Competition

Bonfire competes with numerous local, regional, and national firms that provide or offer some or many of the same solutions that it provides. Many of these competitors are smaller companies that may be able to offer less expensive solutions than Bonfire's. Many of these firms operate within a specific geographic territory or are in a narrow product or service niche. Bonfire also competes with national firms, some of which have greater financial and technical resources than Bonfire does, including SAP Ariba. Bonfire also occasionally competes with central internal information service departments of local governments, which requires it to persuade the end-user department to discontinue service by its own personnel and outsource the service to Bonfire.

Bonfire competes on a variety of factors, including price, service, name recognition, reputation, technological capabilities, and the ability to modify existing products and services to accommodate the individual requirements of the customer. Bonfire's ability to offer an integrated system of applications for several offices or departments can be a competitive advantage. Local governmental units often are required to seek competitive proposals through a request for proposal process and some prospective customers use consultants to assist them with the proposal and vendor selection process.

Suppliers

Substantially all the computers, peripherals, printers, scanners, operating system software, office automation software, and other equipment necessary for the implementation and provision of Bonfire's SaaS systems and services are currently available from several third-party sources. Hardware is purchased on original equipment manufacturer or distributor terms at discounts from retail. Bonfire has not experienced any significant supply problems.

Research and Development

Bonfire invests substantial resources in research and development to improve its platform and develop new products and features. Bonfire's research and development team is primarily responsible for the design, development, testing, and delivery of its products.

Intellectual Property, Proprietary Rights and Licenses

Bonfire regards certain features of its internal operations, SaaS, and documentation as confidential and proprietary and relies on a combination of contractual restrictions, trade secret laws and other measures to protect its proprietary intellectual property. Bonfire currently does not rely on patents. Bonfire believes that, due to the rapid rate of technological change in the SaaS industry, trade secrets and copyright protection are less significant than factors such as knowledge, ability and experience of its employees, frequent product enhancements, and timeliness and quality of support services. Bonfire typically licenses its SaaS products under non-exclusive agreements, which are generally non-transferable.

Employees

At December 31, 2020, Bonfire had 83 full-time employees. Bonfire's employees are not covered by any collective bargaining agreement and Bonfire has never experienced a work stoppage. Bonfire believes that its relations with its employees are good.

Properties

Bonfire leases and occupies approximately 21,000 square feet of office space in Ontario, Canada. Such lease expires on June 30, 2022.

Government Regulation

Upon reasonable investigation, we are not aware of any current government regulations that negatively impact Bonfire's business or ability to compete in its markets.

CityBase Business Overview

CityBase provides dynamic content, digital services, and integrated payments via a SaaS platform that includes functionality accessible via web and mobile, kiosk, point-of-sale, and other channels. CityBase SaaS integrates its platform to underlying systems of record, billing, and other source systems, and configures payments and digital services to meet the requirements of its customers. Its customers include government agencies and utility companies. CityBase, LLC was formed in Delaware on June 9, 2014. On June 21, 2016, CityBase, LLC was converted into a Delaware corporation, CityBase, Inc.

To complement and expand CityBase's technology and customer base, on August 17, 2017, CityBase acquired 100% of the equity interests of the Department of Better Technology, Inc., a Delaware corporation, in exchange for shares of CityBase common stock.

Industry Background

Currently, the government technology industry is composed of many legacy technology vendors (which typically use significant customization for implementation), consulting firms, in-house development, and manual processes that have never been digitized. CityBase anticipates that government will follow the digital transformation of the private sector as constituents will expect such digitalization, and ultimately such digitalization is expected to yield cost reductions and improved service to constituents. CityBase also expects a continued momentum amongst government staff and leaders to modernize government services. This future is not defined, but facilitated by, technology and will improve the way that people experience government.

Product and Service Offerings

CityBase provides an enterprise SaaS platform that facilitates government and utility interactions with customers. The key elements of its products and services are digital services and payments.

Digital Services

CityBase's digital services make it easier for constituents to register, apply, search, and pay for government and utility services — and easier for staff to administer these services. "Digital services" includes solutions that address the common interactions that people have with the government or their utility provider, which are often paper-based today. CityBase digital services include configurable digital forms and case management tools that replace manual processes or improve existing online processes for government and utility customers. CityBase's digital service tools help government and utility staff process constituent requests faster and more effectively.

Payments

The CityBase platform helps local governments and utilities accept, track, and manage payments from their constituents. CityBase facilitates payments that provide a modern user experience, integrate seamlessly with its customers' existing systems, and are consistent across a large enterprise. The payment technology is available via channels, including web and mobile web, kiosk, and point-of-sale terminals. Its revenue management solution allows customers to manage system-wide payment activity as well as reconcile to individual transactions in one place.

Customers

CityBase's customers include local and county governments and investor or municipal utility companies. Four of CityBase's customers accounted for approximately 75% and 78% of CityBase's total revenues for the years ended December 31, 2020 and 2019, respectively.

Competition

The market for enterprise payment, data analytics, and communication platforms for local governments and utilities is competitive and evolving. CityBase faces competition from several types of internal approaches and independent providers:

- Custom software or SaaS solutions developed by outside consultants or through internal efforts to provide partial- or full-suite offerings;
- Software or SaaS vendors that have developed agency- or utility-specific systems for individual business cases, such as property tax payments, utility payments, or freedom of information requests;
- Other SaaS solution providers; and
- Payment processing solution vendors serving government and utilities.

Competitive factors in CityBase's market may include the following:

- Service
- Price
- Speed to implement
- Citizen-centric design
- Configurability and flexibility
- Back office function for payment and banking reconciliation

CityBase believes that it compares favorably on the basis of these factors. Some of CityBase's current competitors have, and future competitors may have, greater financial, technical, marketing and other resources, greater resources to devote to research and development, a broader range of products and services, larger marketing budgets, more extensive customer bases and broader customer relationships, and/or longer operating histories, greater name recognition and other resources.

Government Regulation

As a contractor to various government agencies, CityBase is subject to certain restrictions in how it operates. Such restrictions may exist at the individual customer level and may include regulations that govern the fees that CityBase collects for its services or the ability of the government counterparty to terminate its contractual obligations.

Privacy and Data Security

In addition, as a facilitator of credit card payments, CityBase is subject to privacy and data protection laws and payment card industry best practices. CityBase is a Payment Card Industry (PCI) Level-1 compliant service provider hosted in an Amazon Web Services (AWS) cloud environment. CityBase takes a number of important measures to promote data privacy and data security, including adhering to the standards and requirements, as defined by the Payment Card Industry Data Security Standard (PCI DSS), using tokenization, employing 24/7 fraud and tamper detection, real-time alerting, end-to-end encryption technology, and regularly scheduled internal and external penetration testing.

Research and Development

CityBase invests substantial resources in research and development to improve its platform and develop new products and features. CityBase's research and development organization is primarily responsible for the design, development, testing, and delivery of its products and platform.

Intellectual Property

The success of CityBase depends, in part, on its ability to protect its brands and technologies against infringement and misappropriation. CityBase relies on a combination of contractual restrictions, confidentiality procedures, trade secret laws and other measures to protect its proprietary intellectual property. CityBase does not currently own any patents or hold other intellectual property registrations to protect its intellectual property.

CityBase uses certain intellectual property licensed from third parties, including software made available to the public under open-source licenses. If any proprietary software does not continue to be available on commercially reasonable terms, CityBase believes that alternative software would be available, if necessary.

CityBase cannot be certain that its products and services do not and will not infringe the intellectual property rights of others. To the extent claims against CityBase are successful, it may have to pay substantial monetary damages or discontinue or modify certain products or services that are found to infringe another party's rights.

Employees

As of December 31, 2020, CityBase had 71 full-time employees. CityBase also utilizes independent contractors to support certain technical and other functions, including implementation engineers, which assist on all phases of the web-based project lifecycle, from project definition through implementation.

CityBase employees are not covered by any collective bargaining agreement, and CityBase has never experienced a work stoppage. CityBase believes that its relations with its employees are good.

eCivis Business Overview

eCivis provides cloud-based grants management and cost allocation SaaS for state, local and tribal governments and other government entities. eCivis helps thousands of public agencies maximize their grant revenues, track financial and program performance, prepare cost allocation plans and budgets, and access free open data tools to make sense of federal data. eCivis's solutions simplify grant pursuance, proposal development, budgeting, program implementation, performance, reporting, compliance and management of direct recipients and subrecipients in one single centralized enterprise system. eCivis was founded in Pasadena, California in 2000 with the help of local government leaders at the International City/County Management Association (ICMA).

Industry Background

eCivis has identified a major inefficiency in the flow of government funding between state and federal government and businesses, individuals and various local government entities. The grant funding process is inefficient, with the majority of local governments lacking essential human and technical resources to pursue and manage the grant process. Instead, staff members without formal training often attempt to fit grants management into their already heavy workload, without access to standardized forms, tools or processes, resulting in inefficient strategy and lost opportunities for funding. Data and information are rarely standardized and is entered into common back office tools such as spreadsheets and outdated grant management systems without comprehensive tracking and integration functions. Furthermore, currently existing fund management systems may be unable to monitor the proper use of funds, leading to potential mismanagement and even risk of loss and misappropriation of funds. Competitive grants are time sensitive and require immediate attention whereas procurement and internal sources take time to be approved. eCivis provides products and services that can be deployed quickly and with little technical support to address the time sensitive nature of these grant funds.

eCivis's Products and Services

The eCivis solution consists of three core cloud-based products including eCivis Grants Network®, a full lifecycle grants management solution consisting of grants acquisition, grantee management, and grantor management SaaS, eCivis Allocate®, a cost allocation solution, and FundMax®, a full-service solution designed to maximize federal and non-federal funds, including maximizing cost reimbursements using a suite of innovative digital tools and expert support. eCivis also offers one-time implementation services including data integration, grants data migration and change management. Additionally, eCivis provides ongoing grants management training and cost allocation plan development and consulting.

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eCivis Grants Network©; Grants Acquisition SaaS

eCivis Grants Network©; Grantee Acquisition SaaS provides customers with the ability to manage the entire planning and grant pursuance process by integrating each step from project creation to grant award, so that stakeholders can eliminate unnecessary steps and systems required to secure the right funding for their projects. Users can determine grant award eligibility and financial requirements, create and track projects requiring funding, track goals and objectives for funding, and assign various metrics to review and track organizational performance. The platform provides customers with the ability to search for federal, state and foundation grants, all identified, analyzed and summarized by eCivis's full-time professional research staff. Such grants can be searched with an easy-to-use advanced multi-factor search engine and reviewed via organized standard tabs to effectively identify the most relevant grants. Users can review application files and e-mail grants to internal and external recipients, as well as save or assign grants to internal projects. Built-in compliance tools help determine and confirm whether internal proposals and costs align with applicable federal and non-federal guidelines.

eCivis Grants Network; Grantee Management SaaS

eCivis Grants Network Grantee Management SaaS Solution allows users to manage the entire grant process, from sourcing grant application to closeout as a grantee. Some of the key features of the Grants Management SaaS solution include the ability to: organize projects and grants by organizational departments, review an enterprise-wide view of all grant activities, and access advanced workflows and robust management reporting systems. Users can build and save template reports for internal and external reporting, setup required tasks at various post-award stages, integrate project tasks with e-mail calendars, manage the communication and approval of budget amendments, and access a myriad of other features and functions. Users are also able to organize and connect financial data to and from enterprise resource planning ("ERP") and general ledger against grant budgets using data integration functions — over thirty data integrations with government ERP and general ledger are provided to serve this function. Additionally, eCivis also maps compliance requirements into standard available actions across the entire grant lifecycle, and provides a library of resource that can be accessed at any time to understand 2 CFR 200 guidelines.

eCivis Grants Network; Grantor Management SaaS

eCivis Grants Network; Grantor Management SaaS provides grantors and its applicants and grantees with the opportunity to interact with each other in a modern and scalable platform. Today's grant portals are not built to make the experience great for the grantor and the grantee. A grantor solution will track performance history, organize reimbursement requests, streamline communication, manage reporting requirements to support payments to deliver transparency of all grantee activities across all of your departments and agencies. Some of the key features of this platform include the ability to create and track grant solicitation, score and record decisions on applicants, check eligibility data, track application history, track and share performance metrics for grant goals and objectives, allocate and track multiple funding sources, track pre-award grant activity by department, project, Category of Federal Domestic Assistance, and other categories.

eCivis Allocate™; Cost Allocation SaaS

eCivis Allocate™ tracks and compares expenditures and allocation basis by fiscal years, and provides a concise methodology for budgeting and program delivery planning. The platform allows users to: maximize efficiency by minimizing time spent entering and reviewing data and producing cost and plans reports, maximize grant and program funding through cost recovery and allocation, provide a clear and concise methodology to assist in developing budgets and planning program delivery, and determine full, defensible, indirect costs to include in ICRPs, hour rates, user fees, and SB90 claims.

eCivis FundMax™: Cost Allocation SaaS

eCivis FundMax™ is a full-service solution designed to maximize federal and non-federal funds, including maximizing cost reimbursements using a suite of innovative digital tools and expert support. The reimbursements from FundMaxTM can generate the required funding to properly implement and utilize eCivis solutions.

Consulting and Training

eCivis's team of experienced consultants and support staff provide training to improve planning, acquisition and effective management of federal and non-federal grants. Further, eCivis's strategic grant development and grant writing service helps stakeholders develop a comprehensive solution leading to sustainable grant success by helping customers, among other things: (i) thoroughly understand key initiatives and internal projects eligible for grant funding, (ii) research grants that align to internal initiatives and organizational priorities to fill existing gaps, (iii) access organizational capacity to apply for grants successfully, (iv) align internal procurement processes and resources to pursue grant opportunities in a more efficient and effective way, and (v) draft grant proposals and provide strategic advice and consulting services to shape priorities per grant funding notices. Finally, the platform also offers a wide array of expert guides and other resources to its users.

Revenues, Sales and Marketing

eCivis derives its revenues primarily from subscription services and professional services. No single contract or customer represents a disproportionate percentage of revenue. eCivis's subscription services revenue primarily consists of fees that provide customers access to either its grant management or cost allocation cloud applications. Such subscriptions are typically one to three years in length, and are priced based on a number of factors, including the number of users having access to the products and the number of products purchased by the customer. eCivis's professional services revenues primarily consist of fees for data integration with the customer's systems and the eCivis grant management application, migration of grants, training, and grant writing services.

eCivis focuses its sales and marketing efforts towards local, state and tribal governments and sells its solution to this market primarily through its direct sales force. The length of its sales cycle depends on the size of the potential customer and contract, as well as the type of solution or product being purchased. The sales cycle of its state government customer is generally longer than that of its local government customers. As eCivis continues to focus on increasing its average contract size and selling more advanced products, it expects its sales cycle to lengthen and become less predictable, which could cause variability in results for a particular period. Additionally, the nature, complexity and extent of its implementations will also increase, which may increase eCivis's professional services revenues as a percentage of its overall revenues.

Research and Development

eCivis invests substantial resources in research and development to improve its platform and develop new products and features. eCivis' research and development organization is primarily responsible for the design, development, testing, and delivery of its products and platform.

Employees

As of December 31, 2020, eCivis had 62 full-time employees. eCivis also employs independent contractors to support grant services, web development, research publishing and editing, fit-gap analysis, change management, implementation services and marketing. eCivis's employees are not covered by any collective bargaining agreement and eCivis has never experienced a work stoppage. eCivis believes that its relations with its employees are good.

Intellectual Property

eCivis does not own any patents. eCivis owns the registered trademarks: "ECIVIS", "GRANTS NETWORK", "NONPROFIT ONE-STOP" and "COSTTREE".

Government Regulation

There are no current government regulations that negatively impact eCivis's business or ability to compete in its markets.

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Open Counter Business Overview

Open Counter builds SaaS to streamline municipal permitting and licensing. The company markets permit discovery portals, which help constituents to learn about permit requirements and costs, as well as permit and licensing intake forms, which allow constituents to apply and pay for permits online. By automating the permit discovery and permit application steps, these tools reduce the need for in-person meetings, and streamline the review and approval process for agency staff.

Open Counter's Products and Services

Open Counter offers the following permit discovery portals and applications:

- The ***Business Portal*** helps entrepreneurs understand the costs and complexity of establishing a business in a particular jurisdiction. The tool aims to provide a comprehensive picture of permitting requirements.

- The ***Residential Portal*** educates homeowners about the rules and regulations regarding residential additions, alterations, and new construction to help plan projects and remain in compliance with city code enforcement.

- The ***Special Events Portal*** helps applicants understand the process involved in hosting a special event in a public space by handling site selection, cost estimation, and event scheduling.

- ***ZoningCheck*** shows applicants where a particular project is permitted, conditionally permitted, or prohibited according to the local zoning code. This helps applicants to understand where their project is allowed, and reduces the risk of projects moving forward in areas that are not zoned for the use. ZoningCheck is often paired with the Business, Residential and Special Events Portals, although it is also offered as a stand-alone product.

- ***Online Applications*** allow applicants to apply and pay for permit and license applications online. Incoming applications are routed to agency staff for review and approval. Approved permits are issued electronically through the tool.

As part of the deployment of these products, Open Counter also offers configuration services to set up and maintain the Portals on behalf of municipal customers.

Competition

There are a number of companies that offer permitting and licensing software or SaaS to municipal governments. These include Accela, Infor, and Tyler, among others. These companies built their software with an emphasis on the requirements of city staff users, with a lesser emphasis on the applicant experience.

By focusing on the applicant experience, Open Counter found a unique niche in the market: permit discovery. While competitors allow applicants to submit permit and license applications online, their SaaS typically assumes that the applicant knows which permits and licenses are required, and the costs of those permits and licenses. In contrast, Open Counter's SaaS guides the applicant through the permit discovery process by calculating the impact of applicable zoning regulations on the choice of location and planned use, the permits required for the project, and the necessary permit fees. Open Counter's SaaS also alerts applicants about the professional licensure requirements for specific permits, such as whether a licensed contractor, electrician or plumber is needed on their project team. By automating these determinations, Open Counter has addressed an in-person step referred to as a “pre-application meeting,” which is a time-consuming step for both applicants and city staff.

Because Open Counter is offered as a SaaS solution, its annual pricing is significantly lower than the legacy systems, which have traditionally been on-premise software under perpetual license agreements.

Some of Open Counter’s competition provide permit discovery products that explain the permitting process in general terms. While helpful, these materials do not provide information tailored to specific projects. For example, a restaurant with outdoor seating, live entertainment, and alcohol service may require a different set of permits (with higher costs), than one without those options. Many cities offer PDF documents with this kind of information. For example, San Francisco and Los Angeles offer detailed “Business Portals,” but they are still based on templatized content.

By focusing on permit discovery, Open Counter has remained agnostic to the back-end systems used by cities. This means that we can launch Open Counter products in cities using Accela, Infor, or Tyler, and other competitors, without coming into direct competition with offerings from those companies.

Research and Development

Open Counter invests substantial resources in research and development to improve its platform and develop new products and features. Open Counter's research and development organization is primarily responsible for the design, development, testing, and delivery of its products and platform.

Employees

As of December 31, 2020, Open Counter had 16 full-time employees. Open Counter's employees are not covered by any collective bargaining agreement and Open Counter has never experienced a work stoppage. Open Counter believes that its relations with its employees are good.

Intellectual Property

Open Counter owns a trademark on the Open Counter name. The company does not hold any patents.

Government Regulation

There are no current government regulations that negatively impact Open Counter's business or Open Counter's ability to compete in the markets it pursues.

Questica Business Overview

Questica offers budgeting SaaS, performance management, and transparency and data visualization solutions throughout North America. Questica was founded by TJ Parass in Ontario, Canada in 1998. Questica uses its 20 years of experience to provide public sector organizations with access to a complete budgeting, performance, transparency and citizen engagement toolkit to better enable data-driven budgeting and decision-making, while increasing data accuracy, saving time and improving stakeholder trust. Questica's solutions are sold to 807 customers as of December 31, 2020, which include state and local governments and public sector organizations such as healthcare, education and not-for-profit organizations.

Questica's Products and Services

Questica has four primary products: (i) *Budget*; (ii) *Performance*; (iii) *OpenBook*®; and (iv) *BudgetBook powered by CaseWare*.

Budget

Questica's *Budget* is a web-based, multi-user budgeting preparation and management solution that provides all budgeting SaaS requirements in one easy-to-access place. *Budget* is a comprehensive, streamlined budgeting SaaS product that enables users to improve and shorten an organization's budgeting cycle by ensuring an accurate and collaborative multi-user budgeting process. It provides multi-year capital budgeting, identifies expenditures and funding sources, provides salary and position planning and performance management modules, supports the creation of future looking financial statements, enables advanced analytics and provides an integrated dashboard that shows all critical data and other relevant information together in an interactive interface. *Budget* directly and seamlessly integrates with Questica's other products, which are described below, as well as the *Balancing Act* budget simulator created by

Engaged Public, a Colorado-based public policy consulting firm with which Questica has had a business relationship since August 2018.

Performance

Questica's *Performance* is a management performance measurement tool which permits users to obtain a complete view of performance across an organization. *Performance*, which can integrate with *Budget*, leverages financial and statistical data from an unlimited number of budget and non-budget key performance indicators to effectively measure performance by tracking an organization's progress in converting its objectives and goals into desired outcomes. *Performance* can incorporate data from a variety of other sources such as ERP systems.

OpenBook

Questica's *OpenBook* is a data visualization SaaS that enables the presentation of financial and non-financial data with descriptive text, informational pop-ups, charts and graphs and includes fast information search functionality. *OpenBook*, which can integrate with *Budget*, can display capital infrastructure projects on a map, including the budget data, actual spend, funding sources and accompanying documentation, images, video and other multimedia assets. By facilitating the sharing and communication of financials and other data, *OpenBook* is used by organizations to communicate strategic plans, fundraising and community initiatives, disclose to citizens how tax dollars are spent, and engage with stakeholders regarding plans, projects and issues. Organizations can also link related activities to showcase the depth and scope of capital projects that are happening in a city, region, state, province or country.

Budget Book powered by CaseWare

Questica's *Budget Book powered by CaseWare* is a user-friendly and comprehensive document management and financial reporting tool that allows government agencies to create, collaborate, edit, approve and publish annual budget books. *Budget Book* integrates with *Budget* and leverages CaseWare's *flexible, comprehensive, and automated* PSAB reporting software solution. The budget book standards for the Government Financial Officers Association's annual Distinguished Budget Presentation Award were used to develop the standard budget book preparation model for *Budget Book*'s interface, permitting agencies to easily prepare professional and compliant budget books that are often very time and resource intensive to produce.

Competition

The competitive landscape for budgeting SaaS, software, performance management, and transparency and data visualization solutions varies depending on the type of solution, the size of the organizations to be served and the geographical locations in which such organizations operate, but in most cases the solutions with which Questica competes are ERP solutions, Microsoft's Excel and home-grown solutions designed by the organizations themselves.

Questica believes the principal competitive factors in its markets include:

- Cost
- Technology
- User Interface
- Customer Service
- Integration
- Public Sector Focus and Expertise
- Product Breadth
- Implementation Track Record

Questica believes that it competes favorably based on these factors.

While there are a number of competitors seeking to provide such solutions, the primary competitors include Oracle's Hyperion Planning, Sherpa, ClearGov, Public Sector Digest Software, MyBudgetFile, Allovue Balance, Adaptive Insights (Workday), Kaufman Hall, OpenGov and Centage's Budget Maestro, which each compete to differing degrees across the spectrum of organizations, geographical locations and vertical markets in which Questica operates. Questica has emerged as a market leader or strong market participant for each type of solution that it provides among these primary competitors.

Questica has focused on establishing relationships with potential customers as early in the process as possible through cold calling, email campaigns, trade show attendance and sponsorships, web marketing, partner referrals and Questica-sponsored regional events. Questica leverages existing customer references and its broad knowledge and understanding of the public sector and the unique budgeting challenges these customers face to compete with its primary competitors. Questica additionally differentiates itself by solely focusing its product development on the public sector and does not sell or market its products into any other types of customers.

Questica has a sales organization that sells its products, sometimes working with referral partners who sell complimentary solutions. In addition, Questica utilizes distribution relationships with partners who sell, implement and provides basic support services to customers and has a number of referral arrangements with partners who introduce Questica's products to their customers and receive a referral fee for Questica contracts.

Questica is not dependent on any one customer with no customers representing more than 10% of total revenues during each of the years ended December 31, 2020 and 2019.

Research and Development

Questica invests substantial resources in research and development to improve its platform and develop new products and features. Questica's research and development organization is primarily responsible for the design, development, testing, and delivery of its products and platform.

Employees

As of December 31, 2020, Questica had 103 full-time employees. None of Questica's employees are not covered by any collective bargaining agreement and Questica has never experienced a work stoppage. Questica believes that its relations with its employees are good.

Intellectual Property

Questica does not hold any patents but has registered trademarks for "QUESTICA" in the U.S. and Canada and has applied for trademarks for "OPENBOOK" and "WHERE BRILLIANT BEGINS" in the U.S. and Canada.

Government Regulation

There are no current government regulations that negatively impact Questica's business or Questica's ability to compete in the markets it pursues. However, there are regulations related to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the Americans with Disabilities Act (ADA) that are relevant to Questica's customers that could in the future necessitate changes to Questica's products to be compliant, and if not addressed, could negatively impact Questica's ability to compete for new business.

Sherpa Business Overview

Sherpa is a leading provider of public sector budgeting SaaS, perpetual license software and consulting services that help state and local governments create and manage budgets and performance. Customers purchase Sherpa SaaS or perpetual license software and engage Sherpa consulting services to configure the software and train customers. Following the implementation, customers continue to use the software while paying maintenance or subscription fees.

Sherpa's customers benefit from a system that simplifies the budgeting process, encourages collaboration and provides detailed projections on substantial portions of their budgets. Increased access to data, including instant aggregation of the budget requests, means customers can spend more time analyzing data and less time collecting it and formatting outputs. Sherpa's business consulting provides access to lessons learned from over 150 public sector budgeting implementations and consultants with a median of 22 years of experience in budgeting and performance management.

Sherpa's contracts are composed of three types: (i) short-term services contracts for software implementation of three to twelve months; and (ii) on-going maintenance of one-to-five year renewable periods; and (iii) optional full service maintenance, which offers clients full system administration functions, renewable annually. Due to the investment made in implementing the SaaS or perpetual license software and the quality of the solution and support, retention rates are very high.

Industry Background

Public sector budgeting has been traditionally performed by either spreadsheet that are compiled by a central office or home-grown systems. Due to the sheer amount of data and publication requirements needed by public sector organizations, using this traditional process can be challenging. Most budget processes experience a significant amount of data re-entry and re-stating, manual compilation and extensive data verification and often rely on a mostly manual preparation of required publications. While products that meet some budgeting software or SaaS requirements exist in the market, many are overly complicated to implement, priced at a point that exceeds the reservation points of most government organizations, or were built for private sector functions. Sherpa's product is flexible enough to meet complex requirements while also scalable to lower budget customers.

Sherpa's Products and Services

Sherpa provides public sector SaaS or perpetual license budgeting software to meet the needs of key stakeholders, executive and legislative branches, budget offices and department users. The key elements of Sherpa's offerings are: (i) a highly configurable SaaS or perpetual license software; (ii) an experienced consulting team; and (iii) a long-term support model.

Highly Configurable SaaS and Software

Sherpa's SaaS and software were designed to be configured by functional staff with no changes to the underlying code. Implementation teams are comprised of functional experts, not technical experts, who are able to understand business requirements and demonstrate configured SaaS or software immediately after requirements meetings. This means customers see their future solution throughout the process and can make refinements without having to wait for an entire build phase to complete.

Consulting

The members of Sherpa's consulting team have a median of 22 years of targeted public sector budgeting experience and together have implemented over 150 public sector budgeting projects. This experience is invaluable to customers for several reasons. Customers can quickly explain their processes and Sherpa's team will understand without multiple iterations, meaning customers dedicate a significantly lower amount of their time to engagements. When customers seek advice, Sherpa can refer them to dozens of relevant examples where other similar customers have faced similar challenges. Sherpa has many innovative customers whose collective thought leadership is channeled through Sherpa's implementation team. Sherpa's team has seen what has worked and what has not, so Sherpa can offer counsel on business processes redesign including recommended timing relative to the software project.

Support

Sherpa's support model is designed to enable customers to use Sherpa's software for the long term, traversing changes in economic conditions, leadership, policy, and staff. As part of Sherpa's basic maintenance model, customers can reach out to their consulting team at any time to get assistance, answers to questions or support with activities that are rarely done, such as annual rollovers. This results in customers getting answers to questions immediately, without the struggles of reporting issues through a chain of support staff who are not familiar with the customer processes and configuration.

Revenues

Sherpa currently earn revenues from three main sources: (i) consulting services for implementations and business process design; (ii) SaaS and software fees; and (iii) maintenance fees. Consulting services are composed of one-time implementation fees and system administrator services, where Sherpa serves as the customer's system administrator, typically to provide coverage in stretched budget offices or to cover turnover. Software fees are made up of both perpetual license fees and subscription fees. Maintenance fees are annual fees paid by perpetual license customers to have access to customer support and software upgrades. Hosting services are also provided but are mostly pass-through to Sherpa's hosting providers. Sherpa generally relies on approximately 30 customers for each of its three main revenue sources in a given fiscal year, which are mostly comprised of state and local governments.

Sales and Marketing

Sherpa's primary method of securing sales to date is through responses to requests for proposals. In addition, Sherpa's target audience actively communicates with similar public sector organizations, which leads to word-of-mouth sales. To grow sales beyond responses to requests for proposals and word-of-mouth referrals, Sherpa employs the following sales and marketing strategies:

- Limited conferences where decision-makers attend;
- Partnerships with leading ERP Vendors
- Pre-sales work to introduce customers to Sherpa's offering; and
- Selling via cooperative agreements.

Revenue Growth

Sherpa's primary focus for revenue growth is to ensure Sherpa's current customer base maintains a high degree of customer satisfaction. Sherpa believes that high retention of recurring revenue is critical to create the foundation for revenue growth. Sherpa also believes that high customer satisfaction provides secondary benefits, including strong references and willingness to promote the product and team.

Growing Existing Markets

Sherpa's goals for growth focus on verticals with which Sherpa has had the most success: cities, counties and states. Sherpa's targeted market of large, complex customers has a total available market of 450 counties, 300 cities, 49 states and 600 state agencies. There are also a large number of K-12 opportunities, which Sherpa pursues selectively due to their unique requirements.

New Markets

There are additional verticals where Sherpa's product applies, such as federal government agencies which may be considered for long-term growth.

Technology and Operations

Sherpa's technology leverages Microsoft's widely used SQL Server, which is a relational database management system, and .NET software framework. The power of Sherpa's application is derived from Sherpa's investment in on-screen configuration, all of which is stored in the database, meaning code updates do not have customer-specific features. Since each customer has unique requirements which must be met due to statutory requirements or policy, Sherpa's solution was built to be flexible enough to meet these requirements without code changes or customer customizations. With Sherpa's experience with multiple other budgeting systems, Sherpa's product was built from the ground up with the specific focus on how to create outputs in an efficient manner. Reports are fast and easy to create due to the strong design.

Sherpa's technology infrastructure for hosted customers is provided by Amazon Web Services and is maintained by Sherpa's vendor at Smart Panda Labs. We have multiple hosting sites. Approximately one-third of Sherpa's customer base is serviced on-premises. Sherpa's objective is to provide uninterrupted service 24 hours per day and seven days a week, and Sherpa's operations maintain extensive backup, security and disaster recovery procedures.

Sherpa's solutions are scalable and can be set up quickly for new customers. The average time to stand up a new environment is less than one day. Due to low incidences of system issues, most customers take upgrades only once per year, allowing them to complete their budget cycle uninterrupted.

Competition

Nearly every competitive request for proposals in the budget space will have five or more bidders. Historically, very few are truly competitive across all scoring areas. Sherpa believes that the principal factors upon which its businesses compete are:

- *SaaS and Software capabilities* — Sherpa's SaaS and software generally meets over 98% of requirements

- *Implementation team experience* — Sherpa's team members have extensive, targeted experience

- *Support model* — Sherpa's customers have direct contact with Sherpa's implementation team without a tiered support model

- *References* — References are strong, with surveys resulting in a 9.9/10 average score

- *Price* — Sherpa is generally in the 50th percentile in pricing among competitors for large to mid-sized customers

Sherpa believes Sherpa competes favorably with respect to all of the above-listed factors. Sherpa's main competitors are much larger than Sherpa and have an advantage in name recognition. However, Sherpa believes that in public sector budgeting most decision makers are focused on procuring the best possible product and rarely factor in company size once they are satisfied with the long-term prospects of the offering.

All of Sherpa's prospective customers have preexisting financial and human resources solutions, meaning that Sherpa also faces competition with legacy product offerings. Companies such as Infor, Workday, SAP and Oracle have a substantial market share of financial and human resources software and SaaS, which means they can up-sell their products, often without formal procurements. Sherpa has found, however, that most customers are not satisfied with enterprise resource planning budget products and are moving to best-in-breed for products such as budgeting, grants and strategic sourcing.

Sherpa's primary competitors in the market vary by customer size:

- *Large, complex customers with over $10 billion in budget; competitors* are larger, established companies such as Questica, Oracle, SAP and CGI. Integrators include Grant Thornton, Deloitte, Accenture, Ernst and Young.

- *Mid-sized customers with between $1 billion to $10 billion in budget; Questica* and lower-priced integrators of expensive products such as Oracle or scaled-down offerings of the more expensive products.

- *Smaller customers with less than $1 billion in budget:* Sherpa enters this space selectively, but there is more competition at this level due to price sensitivity.

Research and Development

Sherpa invests substantial resources in research and development to improve its platform and develop new products and features. Sherpa's research and development organization is primarily responsible for the design, development, testing, and delivery of its products and platform.

Employees

As of December 31, 2020, Sherpa had 13 employees. Sherpa also employs independent contractors to support Sherpa’s hosting environments. Sherpa’s employees are not covered by any collective bargaining agreement and Sherpa has never experienced a work stoppage. Sherpa believes that its relations with its employees are good.

Government Regulation

There are no current government regulations that negatively impact Sherpa's business or ability to compete in its markets. However, there are regulations related to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the Americans with Disabilities Act (ADA) that are relevant to Sherpa's customers that could in the future necessitate changes to Sherpa's products to be compliant, and if not addressed, could negatively impact Sherpa's ability to compete for new business.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. Our SEC filings are also available to the public on the internet at a website maintained by the SEC located at http://www.sec.gov.

Our website address is *www.gtytechnology.com*. Through our website, we make available, free of charge, the following documents as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC: our Annual Reports on Form 10-K; our proxy statements for our annual and special shareholder meetings; our Quarterly Reports on Form 10-Q; our Current Reports on Form 8-K; Forms 3, 4 and 5 and Schedules 13D; and amendments to those documents. The information contained on, or that may be accessed through, our website is not part of, and is not incorporated into, this Annual Report on Form 10-K.

Item 1A. Risk Factors.

RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, prospects, financial condition, or operating results could be harmed by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. The trading price of our securities could decline due to any of these risks, and, as a result, you may lose all or part of your investment.

Our risk factors are grouped into the following categories:

- Risks Relating to Our Business and Industries;
- Risks Relating to SaaS, the Internet, and Technology;
- Public Sector-Related Risk Factors; and
- General Risk Factors.

Risks Relating to Our Business and Industries

The ongoing integration of the business, management and operations of Bonfire, CityBase, eCivis, Open Counter, Questica and Sherpa may prove difficult, disrupt our business and operations, divert management attention and adversely affect the business and financial results of our consolidated company.

We completed the business combination in February 2019, which we continue to believe will result in benefits and synergies, including our goal of establishing an efficiently integrated public sector SaaS company through our six operating subsidiaries. Together, we have believed and continue to believe they can offer solutions to North American state and local governments that may not otherwise be achievable by any one individual business on its own. However, our ability to realize these anticipated benefits depends on the final, successful integration of the six businesses. The consolidated company may fail to realize the anticipated benefits of the business combination for a variety of reasons, including the following:

- the inability to complete the integration of the businesses in a timely and cost-efficient manner or do so without adversely impacting revenue, operations and cash flows;

- the failure of our management team to successfully manage the consolidated business and operations of a public company;
- expected synergies or operating efficiencies failing to materialize in whole or part, or not occurring within expected time-frames;
- the failure to successfully manage relationships with each company's customers and their operating results and businesses generally (including the diversion of management time to react to new and unforeseen issues);
- the failure or inability to timely and efficiently integrate and establish new sales forces without materially adversely impacting our relationships with customers;
- the failure to accurately estimate the potential markets and market shares for the consolidated business's products, the nature and extent of competitive responses to the business combination and the ability of the consolidated to achieve or exceed projected market growth rates;
- the inability to attract key personnel or to retain key personnel with unique talents, expertise or background knowledge as a consequence of both voluntary and involuntary employment actions;
- the failure to successfully advocate the benefits of the consolidated for existing and potential customers or general uncertainty regarding the value proposition of the combined entity or its products;
- difficulties forecasting financial results;
- failures in our financial reporting, including those resulting from system implementations in the context of the integration, our ability to report or forecast financial results of the consolidated and our inability to successfully discover and assess and integrate into our reporting system, any of which may adversely impact our ability to make timely and accurate filings with the SEC and other domestic and foreign governmental agencies; and
- the potential that we continue to not be fully aware of the risks and potential liabilities of any of Bonfire, CityBase, eCivis, Open Counter, Questica or Sherpa.

The ongoing integration may result in additional and unforeseen expenses or delays, distract management from other revenue or acquisition opportunities, and increase the consolidated business's expenses and working capital requirements, particularly in the short-term. If we are unable to successfully complete the integration of our businesses and operations in a timely manner, the anticipated benefits of the business combination may not be fully realized, or at all, or may take longer to realize than anticipated. Should any of the foregoing or other currently unanticipated risks arise, our business and results of operations may be materially adversely impacted.

Our goodwill and other long-lived assets are subject to potential impairment that could negatively impact our earnings.

A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired. As of December 31, 2020, we had $385.7 million of goodwill and net intangible assets, comprising approximately 89% of our total assets. If actual results differ from the assumptions and estimates used in our goodwill and long-lived asset valuation calculations, we could incur impairment charges, which would negatively impact our earnings.

During the year ended December 31, 2020 and the period beginning February 19, 2019 through December 31, 2019 (the "2019 Successor Period"), we recognized a non-cash goodwill impairment charge of $2.0 million and $32.2 million related to the Acquisition, respectively. The fair value of the goodwill related to the Acquisition continues to be sensitive to changes in projections for revenue growth and earnings. Numerous risks may cause that fair value to fall below its carrying amount or the value of long-lived assets to not be recoverable. These risks include, but are not limited to, significant negative variances between actual and expected financial results, lowered expectations of future financial results, failure to fully realize anticipated synergies from acquisitions, adverse changes in the business climate, and the loss of key personnel. If we are not able to achieve projected performance levels, future impairments could be possible, which could negatively impact our earnings.

Certain liabilities resulting from acquisitions are estimated and could lead to a material impact on earnings.

As a result of our acquisition activities, we recorded liabilities for future contingent earnout payments that are settled in cash or through the issuance of common stock. Not all of those payments have been made, and the fair value of these liabilities is assessed on a quarterly basis. Changes in assumptions used to determine the amount of such liabilities or a change in the fair value of our common stock could lead to an adjustment that may have a material impact, favorable or unfavorable, on our results of operations. For additional information regarding our contingent earnout liabilities, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations" and Note 3 of our Financial Statements.

Our failure to generate sufficient cash flows from our business to make payments on our debt would adversely affect our business, financial condition and results of operations.

On November 13, 2020, we entered into a Loan and Security Agreement by and among the Company, each of the subsidiary guarantors from time to time party thereto (each a "Guarantor," and, collectively, the "Guarantors"), the financial institutions from time to time party thereto (each, a "Lender," and, collectively, "Lenders"), and Acquiom Agency Services LLC, a Colorado limited liability company, as agent for the Lenders (the "Loan and Security Agreement" and the facility thereunder, the "Credit Facility"). The Credit Facility is a senior secured term loan facility that provides for borrowing of term loans in an aggregate principal amount of $25,000,000. The Credit Facility has a maturity date of 30 months from the borrowing of the term loans. On the closing date, we fully drew on the Credit Facility. The Credit Facility replaced our prior $12,000,000 unsecured credit facility. The Loan and Security Agreement is supported by a security interest in our assets and the assets of the Guarantors party to the Loan and Security Agreement and to related guaranty agreements. Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance the Credit Facility and any additional debt obligations we may incur depends on our future performance, which is subject to economic, financial, competitive, and other factors that may be beyond our control. Our business may not generate cash flows from operations in the future sufficient to service our debt and to make necessary capital expenditures. If we are unable to generate sufficient cash flows or if our results of operations cause us to fail to comply with our financial covenants, we may be required to take one or more actions, including refinancing our debt, significantly reducing expenses, renegotiating our debt covenants, restructuring our debt, selling assets or obtaining additional capital, each of which may be on terms that may be onerous, highly dilutive or disruptive to our business. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on commercially reasonable or acceptable terms, which could result in a default on our obligations, including under the Credit Facility.

Our Credit Facility restricts our operations, particularly our ability to respond to changes or to take certain actions regarding our business.

The Loan and Security Agreement contains various customary covenants that limit or prohibit the Company's ability to, among other things, (i) incur or guarantee additional indebtedness; (ii) pay certain dividends on its capital stock or redeem, repurchase, retire, or make distributions in respect of its capital stock or subordinated indebtedness or make certain other restricted payments; (iii) make certain loans, acquisitions, capital expenditures or investments; (iv) sell certain assets, including stock of its subsidiaries; (v) enter into certain sale and leaseback transactions; (vi) create or incur certain liens; (vii) consolidate, merge, sell, transfer, or otherwise dispose of all or substantially all of its assets; (viii) enter into certain transactions with its affiliates; and (ix) engage in certain business activities. A violation of the covenants under the Loan and Security Agreement may result in default or an event of default.

The Loan and Security Agreement also contains customary events of default that include, among other things, certain payment defaults, covenant defaults, cross-defaults to other indebtedness, change of control defaults, judgment defaults, and bankruptcy and insolvency defaults. Upon the occurrence of an event of default under the Loan and Security Agreement, the agent, at the direction of the lenders holding greater than 50% of the amounts outstanding, could elect to declare all amounts of such indebtedness outstanding to be immediately due and payable and terminate any commitments to extend further credit.

Furthermore, if we are unable to repay the amounts due and payable under the Credit Facility, those lenders could proceed against the collateral granted to them to secure that indebtedness, which could force us into bankruptcy or liquidation. In the event that our lenders accelerated the repayment of the borrowings, we may not have sufficient assets to repay that indebtedness. Any acceleration of amounts due under the Credit Facility would likely have a material adverse effect on us. As a result of these restrictions, we may be limited in how we conduct business, unable to raise additional debt or equity financing to operate during general economic or business downturns, or unable to compete effectively or take advantage of new business opportunities.

Our restated articles of organization designate the Business Litigation Session of the Superior Court of Suffolk County, Massachusetts as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders and the United States District Court in Boston as the sole and exclusive forum for any claim arising under the Securities Act, which could discourage lawsuits against us and our directors and officers.

Our restated articles of organization designate the Business Litigation Session of the Superior Court of Suffolk County, Massachusetts as the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim for breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our shareholders, any action asserting a claim arising pursuant to any provision of the Massachusetts Business Corporation Act, our articles of organization or our bylaws or any action asserting a claim governed by the internal affairs doctrine, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Our restated articles of organization designate the United States District Court in Boston as the sole and exclusive forum for any claim arising under the Securities Act or any claim for which other courts do not have subject matter jurisdiction including, without limitation, any claim arising under the Exchange Act. This exclusive forum provision may limit the ability of our shareholders to bring a claim in a judicial forum that such shareholders find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us and our directors and officers. Alternatively, if the Business Litigation Session of the Superior Court of Suffolk County, Massachusetts, the United States District Court in Boston or a court outside of Massachusetts were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other venues or jurisdictions, which could materially and adversely affect our business, financial condition, operating results, cash flows and prospects.

Risks Relating to SaaS, the Internet and Technology

Cyber-attacks and security vulnerabilities can disrupt our business and harm our competitive position.

Threats to information technology security can take a variety of forms. Individuals and groups of hackers, and sophisticated organizations including state-sponsored organizations, may threaten our customers' information technology. These individuals, groups and organizations may develop and deploy malicious software to attack our products and services and gain access to our networks and data centers, or act in a coordinated manner to launch distributed denial of service or other coordinated attacks. Cyber threats are constantly evolving, thereby increasing the difficulty of detecting and successfully defending against them. Cyber threats can have cascading impacts that unfold with increasing speed across our internal networks and systems and those of our partners and customers. Breaches of our network or data security could disrupt the security of our internal systems and business applications, impair our ability to provide services to our customers and protect the privacy of our data, result in product development delays, compromise confidential or technical business information harming our competitive position, result in theft or misuse of our intellectual property or other assets, require us to allocate more resources to improve technologies, or otherwise adversely affect our business. Our business policies and internal security controls may not keep pace with these evolving threats.

Disclosure of personally identifiable information or other sensitive customer data could result in liability and harm our reputation.

We store and process increasingly large amounts of personally identifiable and other confidential information of our customers. The continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to data security. Despite our efforts to improve security controls, it is possible that our security controls over personal data, training of employees on data security, and other practices may not prevent the improper disclosure of customer data that we store and manage. Disclosure of personally identifiable information or other sensitive customer data could result in material liability and harm our reputation. Additionally, data privacy and security are evolving areas of the law and our business may become subject to new and expanding regulations. Application of these new and changing laws to our business may increase risks and compliance costs.

Hosting services for some of our products and services are dependent upon the uninterrupted operation of data centers.

A material portion of our business is provided through SaaS. These hosting services depend on the uninterrupted operation of data centers and the ability to protect computer equipment and information stored in these data centers against damage that may be caused by natural disaster, fire, power loss, telecommunications or internet failure, acts of terrorism, unauthorized intrusion, computer viruses, and other similar damaging events. If any of our data centers were to become inoperable for an extended period, we might be unable to fulfill our contractual commitments. Although we take what we believe to be reasonable precautions against such occurrences, we can give no assurance that damaging events such as these will not result in a prolonged interruption of our services, which could result in customer dissatisfaction, loss of revenue, and damage to our business.

We run the risk of errors or defects with new products or enhancements to existing products.

Our SaaS products and related services are complex and may contain errors or defects, especially when first introduced or when new versions or enhancements are released. We cannot assure you that material defects and errors will not be found in the future. Any such defects could result in a loss of revenues, negative publicity, or delay market acceptance. Our license and subscription agreements typically contain provisions designed to limit our exposure to potential liability. However, it is possible we may not always successfully negotiate such provisions in our customer contracts or the limitation of liability provisions may not be effective due to existing or future federal, state, or local laws, ordinances, or judicial decisions, or customers declining to negotiate these provisions. We cannot assure you that a successful claim could not be made or would not have a material adverse effect on our future operating results.

We must timely respond to technological changes to be competitive.

The market for our products is characterized by technological change, evolving industry standards in SaaS technology, changes in customer requirements, and frequent new product and service introductions and enhancements. The introduction of products and services embodying new technologies and the emergence of new industry standards can render existing products obsolete and unmarketable. As a result, our future success will depend, in part, upon our ability to enhance existing products and develop and introduce new products and services that keep pace with technological developments, satisfy increasingly sophisticated customer requirements, and achieve market acceptance. We cannot assure you that we will successfully identify new product and service opportunities and develop and bring new products and services to market in a timely and cost-effective manner. The products, capabilities, or technologies developed by others could also render our products or technologies obsolete or noncompetitive. Our business may be adversely affected if we are unable to develop or acquire new SaaS products or related services or develop enhancements to existing products on a timely and cost-effective basis, or if such new products or services or enhancements do not achieve market acceptance.

We may be unable to protect our proprietary rights.

Many of our product and service offerings incorporate proprietary information, trade secrets, know-how, and other intellectual property rights. We rely on a combination of contracts, copyrights, and trade secret laws to establish and protect our proprietary rights in our technology. We cannot be certain that we have taken all appropriate steps to deter misappropriation of our intellectual property. There has also been significant litigation recently involving intellectual property rights. We are, and in the future may be, a party to litigation to protect our proprietary information, trade secrets, know-how, and other intellectual property rights. We cannot assure you that third parties will not assert infringement or misappropriation claims against one or more of the products or services with respect to current or future products or services. Any claims or litigation, with or without merit, could be time consuming, costly, and a diversion to management. Any such claims and litigation could also cause product delivery delays or service interruptions or require us to enter into royalty or licensing arrangements. Such royalty or licensing arrangements, if required, may not be available on terms acceptable to us, if at all. Therefore, litigation to defend and enforce our intellectual property rights could have a material adverse effect on our business, regardless of the final outcome of such litigation.

Customers may elect to terminate our maintenance contracts and manage operations internally.

It is possible that our customers may elect to not renew maintenance contracts for our software, trying instead to maintain and operate the software themselves using their perpetual license rights (excluding software applications provided on a hosted or cloud basis). This could adversely affect our revenues and profits. Additionally, they may inadvertently allow our intellectual property or other information to fall into the hands of third parties, including our competitors, which could adversely affect our business.

Material portions of our business require the internet infrastructure to be further developed or adequately maintained.

Part of our future success depends on the use of the internet to access public information and perform transactions electronically. This in part requires the further development and maintenance of the internet infrastructure. Among other things, this further development and maintenance will require a reliable network backbone with the necessary speed, data capacity, and security, and the timely development of complementary products for providing reliable internet access and services. If this infrastructure fails to be further developed or be adequately maintained, our business would be harmed because users may not be able to access our government portals.

Security breaches or unauthorized access to payment information, including credit card and debit card data, or personal information that we, or our service providers, store, process, use, or transmit for our business may harm our reputation, cause service disruptions, and adversely affect our business and results of operations.

A significant challenge to electronic commerce is the secure transmission of payment information or personal information over information technology networks and systems that process, transmit and store electronic information, and manage or support a variety of business processes. The collection, maintenance, use, disclosure, and disposal of payment information and personal information by our business is regulated at state and federal levels, and cybersecurity legislation, executive orders, and reporting requirements continue to evolve and become more complex. Because we either directly or indirectly through service providers (i) provide the electronic transmission of sensitive and personal information released from and filed with various government entities and (ii) perform online payment and electronic check processing services, we face the risk of a security breach, whether through system attacks, hacking events, acts of vandalism or theft, malware, viruses, human errors, catastrophes, or other unforeseen events that could lead to significant disruptions or compromises of information technology networks and systems or the unauthorized release or use of payment information or personal information. Additionally, vulnerabilities in the security of our own internal systems or those of our service providers could compromise the confidentiality of, or result in unauthorized access to, personal information of our employees.

We rely on encryption and authentication technology purchased or licensed from third parties to provide the security and authentication tools to effectively secure transmission of confidential information, including user credit card and debit card information and banking data. Advances in computer capabilities, new discoveries in the field of cryptography, threats that evolve ahead of tools designed to counter them, or other developments may result in the breach or compromise of technology used by them to protect transaction data. Data breaches can also occur as a result of non-technical issues, such as so-called “social engineering,” or “phishing,” where individuals are manipulated into divulging confidential or personal information.

Despite the various security measures that we have in place to protect payment and personal information from unauthorized disclosure and to comply with applicable laws and regulations, our information technology networks and systems and those of our third-party vendors and service providers cannot be made completely secure against security breaches or disruptions. Even the most well protected information, networks, systems, and facilities remain vulnerable to security breaches or disruptions because (i) the techniques used in such attempts are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected for an extended period and (ii) the security methodologies, protocols, systems, and procedures used for protection are implemented by humans at each level, and human errors may occur. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, or if such measures are implemented, and even if appropriate training is conducted in support of such measures, human errors may still occur. It is impossible for us to entirely mitigate this risk. A party, whether internal or external, able to circumvent our security measures, or those of our service providers, could misappropriate information, including but not limited to payment information and personal information, or cause interruptions or direct damage to our partners or our users.

Under payment card rules and our contracts with our credit card processors, if there is a breach of payment card information that we store, process, or transmit, we could be subject to fines and be required to pay damages. We could also be liable to customers and vendors for costs of investigation, notification, remediation, and credit monitoring and for any damages to users under applicable laws or our customer and vendor contracts.

In addition, any noncompliance with privacy and security laws or a security breach involving the misappropriation, loss or other unauthorized access, use, or disclosure of payment information or personal information, or other significant disruption involving our information technology networks and systems, or those of our service providers (whether or not caused by a breach of our contractual obligations or our negligence), may lead to negative publicity, impair our ability to conduct our business, subject us to private litigation and government investigations and enforcement actions, and cause us to incur potentially significant liability, damages, or remediation costs. It may also cause the governments with whom we contract to lose confidence in us, any of which may cause the termination or modification of our government contracts and impair our ability to win future contracts. Actual or anticipated attacks and risks affecting our environment, our service providers' environments, or our government customers' environments may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, to train employees, and to engage third-party security experts and consultants. Our insurance coverage may be insufficient to cover or protect against the costs, liabilities, and other adverse effects arising from a security breach or system disruption. If we fail to reasonably maintain the security of confidential information, we may also suffer significant reputational and financial losses, and our results of operations, cash flows, financial condition, and liquidity may be adversely affected.

We may be unable to integrate new technologies and industry standards effectively, which may adversely affect our business and results of operations.

Our future success will depend on our ability to enhance and improve the responsiveness, functionality, and features of our services in accordance with industry standards and to address the increasingly sophisticated technological needs of our customers on a cost-effective and timely basis. Our ability to remain competitive will depend, in part, on our ability to:

- enhance and improve the responsiveness, functionality, and other features of the government services we offer;
- continue to develop our technical expertise;
- develop and introduce new services, applications, and technology to meet changing customer needs and preferences; and
- influence and respond to emerging industry standards and other technological changes in a timely and cost-effective manner.

We cannot ensure that we will be successful in responding to the above technological and industry challenges in a timely and cost-effective manner. If we are unable to integrate new technologies and industry standards effectively, our business could be harmed.

Public Sector-Related Risk Factors

Selling products and services into the public sector poses unique challenges.

We derive substantially all of our revenues from sales of SaaS and related services to state, county, and city governments; utilities; tribal governments; and other public entities. We expect that sales to public sector customers will continue to account for substantially all of our revenues in the future. We face many risks and challenges associated with selling to and contracting with governmental entities, including:

- long and complex sales cycles that vary significantly according to each government entity's policies and procedures;
- the potential need for governments to draft and adopt specific legislation before they can circulate a request for proposal or other solicitation to which we can respond or before they can otherwise award a contract or provide a new digital service;
- varying bid procedures and internal processes for bid acceptance;
- contract payments at times being subject to achieving implementation milestones, and

differences with customers as to whether milestones have been achieved;

- political resistance to government agencies contracting with third parties to receive or distribute public information, which governments traditionally have offered without charge;

- legislative changes that temporarily or permanently affect governments' authority to contract with third parties or receive or distribute public information or that increase our costs or result in a temporary or permanent suspension of our services;

- regulations that govern the fees governments collect for many of our services, limiting their control over the level of transaction-based fees governments are permitted to retain;

- various other political factors, including changes in governmental administrations and personnel that, among other things, could impact existing requests for proposals and other procurements, rebids, renewals, or extensions;

- challenges to contractual terms and conditions that are common in the private sector, including customary warranties, limitations on liability, and indemnification;

- government budget deficits and appropriation approval processes and periods, any of which could cause governments to curtail spending on services, including time- and materials-based fees for application development, fixed fees for portal management, and material reductions in tax revenue resulting from the COVID-19 pandemic; and

- resource limitations caused by budgetary constraints or non-appropriation of funds that may result in a termination of, or reduction in revenue from, executed contracts due to a lack of future funding.

Each of these risks is outside our control. If we fail to adequately adapt to these risks and uncertainties, our financial performance could be adversely affected.

A prolonged economic slowdown could harm our operations.

A prolonged economic slowdown or recession could reduce demand for our SaaS products and services. Local and state governments may face financial pressures caused by reduced tax revenue that could in turn affect our growth rate and profitability in the future, including as a result of the public health crises, epidemics, and pandemics such as the COVID-19 pandemic (for which state and local governments have not thus far received relief from the federal government). Local and state spending levels may be affected by declining or stagnant general economic conditions, and if budget shortfalls occur, they may negatively impact local and state information technology spending and could adversely affect our business.

The open bidding process creates uncertainty in predicting future contract awards.

Many governmental agencies purchase products and services through an open bidding process. Generally, a governmental entity will publish an established list of requirements requesting potential vendors to propose solutions for the established requirements. To respond successfully to these requests for proposals, we must accurately estimate their cost structure for servicing a proposed contract, the time required to establish operations for the proposed customer, and the likely terms of any other third-party proposals submitted. We cannot guarantee that we will win any bids in the future through the request for proposal process, or that any winning bids will ultimately result in contracts on favorable terms. Our failure to secure contracts through the open bidding process, or to secure such contracts on favorable terms, may adversely affect our revenue and gross margins.

We face significant competition from other vendors and potential new entrants into our markets.

We face competition from a variety of software and SaaS vendors that offer products and services similar to those offered by us, as well as from companies offering to develop custom software and SaaS. We compete based on a number of factors, including the following:

- the breadth, depth, and quality of our product and service offerings;

- the ability to modify our offerings to accommodate particular customers' needs;
- technological innovation; and
- name recognition, reputation, and references.

We believe the market is highly fragmented with a large number of competitors that vary in size, product platform, and product scope. Our competitors include consulting firms, publicly held companies that focus on selected segments of the public sector market, and a significant number of smaller, privately held companies. Certain competitors have greater technical, marketing, and financial resources than we do. We cannot assure you that such competitors will not develop products or offer services that are superior to our products or services or that achieve greater market acceptance.

We also compete with internal, centralized information technology departments of governmental entities, which requires us to persuade the end users to stop internal services and outsource to us. In addition, our customers and prospective customers could elect to provide information management services internally through new or existing departments, which could reduce the market for our services.

We could face additional competition as other established and emerging companies enter the public sector SaaS application market and new products and technologies are introduced. Increased competition could result in pricing pressure, fewer customer orders, reduced gross margins, and loss of market share. Current and potential competitors may make strategic acquisitions or establish cooperative relationships or business combinations among themselves or with third parties, thereby increasing the ability of their products and services to address the needs of our prospective customers. It is possible that new competitors or alliances may emerge and rapidly gain significant market share. We cannot assure you that we will be able to compete successfully against current and future competitors, and the failure to do so would have a material adverse effect upon our business.

Our ability to grow revenues may be limited by the number of governments and government agencies that choose to provide digital government solutions such as those we offer.

Our revenues are generated principally from contracts with state and local governments and government agencies to provide digital government solutions on behalf of those government entities to complete transactions and distribute public information digitally. The growth in our revenues largely will depend on government entities adopting solutions such as those offered by us. We cannot ensure that government entities will choose to provide digital government services or continue to provide digital government services at current levels, or that they will provide such services with private assistance or by adopting solutions such as those we offer. The failure to secure contracts with certain government agencies could result in revenue levels insufficient to support our operations on a self-sustained, profitable basis.

We are subject to independent audits as requested by our government customers. Deficiencies in our performance under a government contract could result in contract termination, reputational damage, or financial penalties.

Each government entity with which we contract for outsourced portal services may have the authority to require an independent audit of our performance and financial management of contracted operations. The scope of audits could include inspections of income statements, balance sheets, fee structures, collections practices, service levels, security practices, and our compliance with contract provisions and applicable laws, regulations, and standards. The expansion of our operations into new markets and services may further expose us to requirements and potential liabilities under additional statutes and rules that have previously not been relevant to our business. We cannot ensure that a future audit will not find any material performance deficiencies that would result in an adjustment to our revenues or result in financial penalties. Moreover, any consequent negative publicity could harm our reputation among other governments with which we would like to contract. These factors could harm our business, results of operations, cash flows, and financial condition.

General Risk Factors

Fluctuations in quarterly revenue could adversely impact our operating results and stock price.

Our revenues and operating results are difficult to predict and may fluctuate substantially from quarter to quarter for a variety of reasons, including:

- Prospective customers' contracting decisions are often made in the last few weeks of a quarter;
- The size of SaaS transactions can vary significantly;
- Customers may unexpectedly postpone or cancel procurement processes due to changes in strategic priorities, project objectives, budget, or personnel;

- Customer purchasing processes vary significantly and a customer's internal approval, expenditure authorization, and contract negotiation processes can be difficult and time consuming to complete, even after selection of a vendor;

- The number, timing, and significance of SaaS product enhancements and new SaaS product announcements by us and our competitors may affect purchase decisions;

- We may have to defer revenues under our revenue recognition policies; and

- Customers may elect subscription-based arrangements, which result in lower revenues in the initial year as compared to traditional, on-premise software license arrangements, but generate higher overall subscription-based revenues over the term of the contract.

In each fiscal quarter, our expense levels, operating costs, and hiring plans are based to some extent on projections of future revenues and are relatively fixed. If our actual revenues fall below expectations, we could experience a reduction in operating results. Also, if actual revenues or earnings for any given quarter fall below expectations, it may lead to a decline in our stock price.

Increases in service revenue as a percentage of total revenues could decrease overall margins.

We realize lower margins on service revenues than on revenue from SaaS subscription or software licenses. The majority of our contracts include both SaaS and professional services. Therefore, an increase in the percentage of professional service revenue compared to SaaS revenue could have a detrimental impact on our overall gross margins and could adversely affect operating results.

Our stock price may be volatile.

The market price of our common stock may be volatile. Examples of factors that may significantly impact our stock price include:

- actual or anticipated fluctuations in our operating results;

- announcements of technological innovations, new products, or new contracts by us or our competitors;

- developments with respect to patents, copyrights, or other proprietary rights;

- conditions and trends in the SaaS and other technology industries;

- adoption of new accounting standards affecting the SaaS industry;

- changes in financial estimates by securities analysts; and

- general market conditions and other factors.

In addition, the stock market historically has experienced significant price and volume fluctuations that have particularly affected the market prices of technology company stocks and may in the future adversely affect the market price of our stock. Sometimes, securities class action litigation is filed following periods of volatility in the market price of a particular company's securities. We cannot assure you that similar litigation will not occur in the future with respect to us. Such litigation could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on our financial performance.

Future sales of shares by existing stockholders could cause our stock price to decline.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of many shares of common stock intend to sell shares, could reduce the market price of our common stock. A significant number of our shares became free of resale restrictions on February 19, 2020, which was one year from the business combination. The presence of these additional shares of common stock trading in the public market may have an adverse effect on the market price of our securities.

Exercise of warrants for common stock would increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

As of December 31, 2020, we had warrants to purchase 27,093,334 shares of common stock outstanding. Each whole warrant is exercisable to purchase one share of common stock at $11.50 per share. While our stock price currently is substantially under the exercise price of the warrants – they are, in other words, underwater – to the extent such warrants are exercised, additional shares of common stock will be issued, which will result in dilution to the then-existing holders of common stock and increase the number of shares eligible for resale in the public market. Moreover, this warrant overhang may limit future increases in the price of our common stock if the trading price nears the exercise price of the warrants. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our common stock.

Our financial outlook may not be realized.

From time to time, in press releases and otherwise, we may publish forecasts or other forward-looking statements regarding our results, including estimated revenues or earnings. Any forecast of our future performance reflects various assumptions. These assumptions are subject to significant uncertainties, and as a matter of course, any number of them may prove to be incorrect. Further, the achievement of any forecast depends on numerous risks and other factors (including those described in this Risk Factors section), many of which are beyond our control. As a result, we cannot be certain that our performance will be consistent with any management forecasts or that the variation from such forecasts will not be material and adverse. Current and potential stockholders are cautioned not to base their entire analysis of our business and prospects upon isolated predictions but instead are encouraged to utilize our entire publicly available mix of historical and forward-looking information when evaluating our prospective results of operations.

Our quarterly results of operations may be volatile and difficult to predict. If our quarterly results of operations, future growth, profitability or dividends fail to meet the expectations of public market analysts or investors, the market price of our common stock may decline.

Our future revenues and results of operations may vary significantly from quarter to quarter due to a number of factors, many of which are outside of our control, and any of which may harm our business. These factors include:

- the commencement, completion, or termination of contracts during any quarter;
- the introduction of new services by us or our competitors;
- technical difficulties or system downtime affecting the operation of our services;
- the amount and timing of operating costs and capital expenditures relating to the expansion of our business operations and infrastructure;
- unexpected changes in federal, state and local legislation that increase our costs and/or result in a temporary or permanent decrease in our revenues;
- any federal government shutdown, such as the shutdown which commenced in December 2020, each of which impacts the ability of our customers to purchase our products and services;
- the seasonal use of some of our services, particularly the payment of real estate taxes;
- changes in economic conditions;

- the result of negative cash flows due to capital investments; and

- significant charges related to acquisitions.

Due to the factors noted above and the other factors described in this Risk Factors section, our financial performance in a quarter may be lower than we anticipate and if we are unable to reduce spending in that quarter, our results of operations for that quarter may be harmed. One should not rely on quarter-to-quarter comparisons of our results of operations as an indication of future performance. It is possible that in some future periods our results of operations may be below the expectations of public market analysts and investors. If this occurs, the price of our common stock may decline. In addition, if we fail to meet expectations related to future growth, profitability, dividends or other market expectations, the price of our common stock may decline.

Each operating subsidiary's management and our independent registered public accounting firm have previously identified internal control deficiencies, which such management and independent registered public accounting firm believe constitute material weaknesses. If we fail to establish and maintain effective internal control over financial reporting in the future, our ability to timely and accurately report our financial results could be adversely affected.

Each of our operating subsidiaries was previously a private company not subject to SEC rules implementing Section 404 of the Sarbanes-Oxley Act and, therefore, was not required to make a formal assessment of the effectiveness of its internal control over financial reporting. We are required to comply with the SEC's rules implementing parts of Sections 302 and 404 of the Sarbanes-Oxley Act (other than Section 302(c) and 404(b) until we cease to be an emerging growth company and a smaller reporting company), which require management to certify financial and other information in quarterly and annual reports and provide an annual management report on the effectiveness of internal control over financial reporting.

Although our operating subsidiaries have not made assessments of the effectiveness of their internal control over financial reporting and did not engage their independent registered public accounting firms to conduct audits of their internal control over financial reporting, in connection with the audits of the their financial statements included in this Annual Report on Form 10-K, each operating subsidiary's management and independent registered public accounting firm identified one or more material weaknesses relating to such subsidiary's internal control over financial reporting under standards established by the Public Company Accounting Oversight Board, or PCAOB. The PCAOB defines a material weakness as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a company's financial reporting.

The material weaknesses identified by the operating subsidiaries and their independent registered public accounting firm included: (i) deficiencies in Bonfire's period end financial statement close process, (ii) each of CityBase's, eCivis's, Open Counter's and Sherpa's limited segregation of duties with regard to financial reporting activities such as payroll entry and processing due to the size of their respective accounting departments and (iii) deficiencies in Questica's period end financial statement close process resulting from, among other things, the preparation of its financial statements included in this Annual Report on Form 10-K that have a different fiscal year end than its historical fiscal year end.

We believe that we have remediated these material weaknesses and improved the effectiveness of our internal control over financial reporting by implementing additional controls related thereto.

The remediation efforts management took to address the previously identified material weaknesses included, but were not limited to, the following:

- implementation of specific policies and procedures with detailed instructions to the operating subsidiaries in order to adequately communicate the requirements around processes and controls;
- implementation of controls over manual journal entries and account reconciliations, including improving controls and procedures related to the timeliness and effectiveness of

our review and approval procedures;

- expansion of our financial leadership team by adding employees and external consultants, each with the commensurate knowledge, experience, and training to properly support our financial reporting and accounting functions including overseeing that the first two items listed above are timely and adequately implemented; and

- adoption of formal accounting policies related to non-routine complex transactions, such accounting for business combinations, revenue recognition, equity classification, deferred income taxes and derivative accounting.

There is no assurance that any measures we may take in the future will be sufficient to remediate the material weaknesses described above or to avoid potential future material weaknesses. If management fails to establish and maintain effective internal control over financial reporting and disclosure controls and procedures, we may not be able to produce timely and accurate financial statements and meet our SEC reporting obligations, which could result in sanctions by Nasdaq or the SEC. This could result in a loss of investor confidence and could lead to a decline in our stock price.

The impact of a coronavirus outbreak, or similar global health concerns, could negatively impact our operations, supply chain, and customer base.

Our operations for certain of our products or services could be negatively impacted by the regional or global outbreak of illnesses, including the coronavirus disease known as COVID-19. Any quarantines, labor shortages or other disruptions to our operations, or those of our customers, may adversely impact our sales and operating results. The absence of funding for state and local governments, which constitute substantially all the Company's customers, in federal relief packages also may result in a reduction in revenue from, or cancellation of, the Company's contracts. That, too, may adversely impact our sales and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of Canada, another country in which we operate, resulting in an economic downturn that could affect demand for our products and services. We are unable to accurately predict the possible future effect on the Company of the continuing COVID-19 pandemic or if another coronavirus or other disease expands domestically or globally.

The JOBS Act permits "emerging growth companies" like us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies.

We qualify as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, which we refer to as the "JOBS Act." As such, we take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements, and (iii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result, our stockholders may not have access to certain information they deem important. We had revenues during the fiscal year ended December 31, 2020 of approximately $48.1 million. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year (a) following November 1, 2021, the fifth anniversary of the GTY Cayman initial public offering, (b) in which we have total annual gross revenue of at least $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our prior second fiscal quarter, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result, there may be a less active trading market for securities and our stock price may be more volatile.

We are a smaller reporting company (and may remain a smaller reporting company even after losing emerging growth company status), and any decision on our part to comply only with certain reduced or scaled reporting and disclosure requirements applicable to smaller companies could make our common stock less attractive to investors.

We are a "smaller reporting company" (as defined in Rule 12b-2 promulgated under the Exchange Act), and, for as long as we continue to be a smaller reporting company (which may be longer than we remain an emerging growth company), we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to smaller reporting companies, including but not limited to:

- not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act;

- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and

- providing only two years of audited financial statements or compensation-related disclosure in our periodic reports and proxy statements.

Item 2. Properties

The information regarding the Company's properties set forth in "Item 1. Business" above is incorporated by reference into this Item 2.

Item 3. Legal Proceedings

On November 19, 2018, the Company, Stephen J. Rohleder and Harry L. You commenced a lawsuit against OpenGov, Inc. ("OpenGov") in the United States District Court for the Southern District of New York captioned GTY Technology Holdings Inc. et al. v. OpenGov, Inc., No. 18-cv-10854 (the "New York Action"), and on November 20, 2018, OpenGov commenced a lawsuit against the Company, GTY Cayman, GTY Technology Merger Sub, Inc., GTY Investors, Mr. You, Mr. Rohleder and Does 1-50 in the Superior Court of the State of California in and for the County of San Mateo captioned OpenGov, Inc. v. GTY Technology Holdings Inc. et al., No. 18-cv-06264 (the "California Action"). On February 19, 2020, the parties to the New York Action and the California Action entered into a settlement agreement (the "Settlement Agreement") to resolve all the pending claims in the New York Action and the California Action, without any admission or concession of wrongdoing by the Company or other defendants. Pursuant to the Settlement Agreement, the Company paid OpenGov $3.3 million, net of amounts paid by the Company's insurers, in exchange for a full and complete release of all claims that were or could have been asserted in the New York Action and the California Action.

There is no material litigation, arbitration or governmental proceeding currently pending against us or any members of our management team in their capacity as such, and we and the members of our management team have not been subject to any such proceeding in the 12 months preceding the date of this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock trades on Nasdaq under the symbol "GTYH."

Holders of Record

At February 19, 2020, there were 138 holders of record of our common stock and 3 holders of record of our warrants. The number of record holders does not include beneficial holders who hold their shares in "street name," meaning that the shares are held for their accounts by a broker or other nominee. Accordingly, we believe the total number of beneficial holders is higher than the number of our shareholders of record.

Dividends

We have not paid any cash dividends on our common stock to date and GTY did not pay cash dividends prior to the consummation of the business combination. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition. The payment of any cash dividends will be within the discretion of our board of directors. In addition, our board of directors is not currently contemplating and does not anticipate declaring stock dividends in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

As of December 31, 2020, there were (i) 3,116,946 shares of common stock available for issuance pursuant to future awards under the GTY Technology Holdings Inc. 2019 Omnibus Incentive Plan (the "Incentive Plan"), (ii) 245,904 shares of common stock issuable upon exercise of outstanding stock options outstanding pursuant to the Incentive Plan at a weighted average exercise price of $2.26 per share and (iii) 3,280,290 unvested restricted stock units outstanding pursuant to the Incentive Plan with a weighted average grant price of $4.94.

Securities Authorized for Issuance as a Result of Exchanges

As of December 31, 2020, there were (i) 1,822,391 of shares of common stock available for issuance in exchange for shares of 1176363 B.C. Ltd. ("Bonfire ExchangeCo") and (ii) 4,150,388 of shares of common stock available for issuance in exchange for shares of 1176368 B.C. Ltd. ("Questica ExchangeCo"), as further described in Note 11 of our Financial Statements.

Recent Sales of Unregistered Securities

Except as previously disclosed in our Quarterly Reports on Form 10-Q or Current Reports on Form 8-K during 2020, we did not sell any securities that were not registered under the Securities Act during the period covered by this Annual Report on Form 10-K.

Item 6. Selected Financial Data.

The company qualifies as a smaller reporting company and is not required to provide the information required by this Item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

References to the "Company," "GTY", "our," "us" or "we" refer to GTY Technology Holdings Inc. The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting our current expectations, estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the sections entitled "Risk Factors" and "Forward-Looking Statements" appearing elsewhere in this Annual Report on Form 10-K.

Overview

We are a public-sector company that offers a cloud-based suite of solutions primarily for North American state and local governments. Our six wholly owned subsidiaries are Bonfire, CityBase, eCivis, Open Counter, Questica and Sherpa. Through our operating subsidiaries, we serve some of the fastest growing segments in the government technology sector, specifically procurement, payments, grants management, permitting, and budgeting.

We were formed on August 11, 2016 for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses (the "business combination"). Until the business combination, we did not engage in any operations nor generate any revenues. We recognized an opportunity to replace costly legacy on-premises software systems with scalable and efficient SaaS products. Our search led to the acquisition (the "Acquisition") of Bonfire, CityBase, eCivis, Open Counter, Questica, and Sherpa on February 19, 2019 (the "Closing Date").

Our customers are primarily located in the United States and Canada, including counties, municipalities, special districts, law enforcement agencies and public-school districts. We plan to increase our customer base by leveraging our comprehensive product portfolio with our existing customer base, investing in direct sales to new customers, and using relationships with complementary products and services.

The Acquisition was accounted for as a business combination under U.S. generally accepted accounting principles "GAAP" and resulted in a change in accounting basis as of the date of the Acquisition. As a result, our consolidated financial statements for the period beginning on February 19, 2019 are presented on a different basis than that for the periods before February 19, 2019, and therefore are not comparable. As a result of the application of the acquisition method of accounting, our consolidated financial statements and certain presentations are separated into two distinct periods to indicate the different ownership and accounting basis between the periods presented: (i) the period before the consummation of the Acquisition, which includes the period from January 1, 2019 to the Closing Date ("2019 Predecessor Period"), and (ii) the periods on and after the consummation of the acquisition, which includes the period including and after the Closing Date to December 31, 2019 ("2019 Successor Period") and the year ended December 31, 2020.

Expansion and Further Penetration of Our Customer Base.

We employ a strategy that focuses on acquiring new customers and growing our relationships with existing customers over time. We believe significant opportunity exists for us to acquire new customers as well as expand the use of our platforms by selling additional products and increasing the number of users within our current customers' organizations.

Investment in Growth.

We plan to continue to invest in our business so that we can capitalize on our market opportunity. We intend to continue to grow our sales and marketing team to acquire new customers and to increase sales to existing customers. We intend to continue to grow our research and development team to extend the functionality and range of our applications. We also intend to invest in new and improved information technology solutions to support our business. However, we expect our sales and marketing expenses and research and development expenses as a percentage of revenues to decrease over time as we grow our revenues and gain economies of scale by increasing our customer base and increase sales to our existing customer base. We believe that these investments will contribute to our long-term growth, although they may adversely affect our profitability in the near term.

Leveraging Relationships.

We plan to continue to strengthen and expand our relationships with technology vendors, professional services firms, and resellers. These relationships enable us to increase the speed of deployment and offer a wider range of integrated services to our customers. We intend to support these existing relationships, seek additional relationships and further expand our channel of resellers to help us increase our presence in existing markets and to expand into new markets. Our business and results of operations will be significantly affected by whether we succeed in leveraging and expanding these relationships.

Market Adoption of Our Platforms.

A key focus of our sales and marketing efforts is creating market awareness about the benefits of our cloud-based SaaS platforms. The market for SaaS solutions is less mature than the market for on-premises software applications, and potential customers may be slow or unwilling to migrate from their legacy solutions. Our business and operating results will be significantly affected by the degree to and speed with which organizations adopt our solutions.

Key Components of our Results of Operations

Revenues

Subscription, support and maintenance

We deliver SaaS that provides customers with access to SaaS-related support and updates during the term of the arrangement. Revenues are recognized ratably over the contract term as the customer simultaneously receives and consumes the benefits of the subscription service. Subscription fees for the first year are typically payable within 30 days after the execution of a contract, and thereafter upon renewal. We initially record subscription fees as contract liabilities and recognize revenues on a straight-line basis over the term of the agreement.

Our contracts may include variable consideration in the form of usage fees, which are included in the transaction price in the period in which the usage occurs and the fee is known.

Subscription, support and maintenance revenues also includes kiosk rentals and on-premises support or maintenance pertaining to license sales. Revenues from kiosk rentals and on-premises support are recognized on a straight-line basis over the support period.

Revenues from subscription, support and maintenance comprised approximately 74% of total revenues for the year ended December 31, 2020.

Professional services

Our professional services contracts generate revenues on a time-and-materials, fixed fee or subscription basis. Revenues are recognized as the services are rendered for time-and-materials contracts. Revenues are recognized when the milestones are achieved and accepted by the customer or on a proportional performance basis for fixed-fee contracts. Revenues are recognized ratably over the contract term for subscription contracts. The milestone method for revenue recognition is used when there is substantive uncertainty at the date the contract is entered into regarding whether the milestone will be achieved. Training revenues are recognized as the services are performed. Revenues from professional services comprised approximately 23% of total revenues for the year ended December 31, 2020.

License

Revenues from distinct licensed software are recognized upfront when that software is made available to the customer, which normally coincides with contract execution, as this is when the customer has the risks and rewards of the right to use the software. Revenues from licensed software comprised approximately 3% of total revenues for the year ended December 31, 2020.

Asset sales

Revenues from asset sales are recognized when the asset, typically a kiosk, has been received by the customer and is fully operational and ready to accept transactions, which is when the customer obtains control and has the risks and rewards of the asset. Revenues from asset sales comprised less than 1% of total revenues for the year ended December 31, 2020.

Cost of Revenues

Cost of revenues primarily consists of salaries and benefits of personnel relating to our hosting operations and support, implementation, and grants research. Cost of revenues includes data center costs such as depreciation of the Company's data center assets, third-party licensing costs, and consulting fees.

Operating Expenses

Sales and marketing

Sales and marketing expenses consist primarily of personnel costs of our sales and marketing employees, including salaries, sales commissions and incentives and benefits, travel and related costs, outside consulting fees, marketing programs, including lead generation, and costs of advertising and trade shows. We defer sales commissions and amortize them ratably over the expected customer life. We expect sales and marketing expenses will increase as we expand our direct sales teams and increase sales through our strategic relationships and resellers.

Research and development

Research and development expenses consist primarily of salaries and benefits associated with our engineering, product and quality assurance personnel. Research and development expenses also include the cost of third-party contractors. Other than internal-use software development costs that qualify for capitalization, research and development costs are expensed as incurred. We expect research and development costs to increase as we develop new solutions and make improvements to our existing platforms.

General and administrative

General and administrative expenses consist primarily of salaries and benefits with our executive, finance, legal, human resources, compliance and other administrative personnel, accounting, auditing and legal professional services fees, recruitment costs, and other corporate-related expenses. We expect that general and administrative expenses will increase as we scale our business, but at a lower rate over time.

Results of Operations

We accounted for the Acquisition as a business combination, which resulted in a new basis of accounting. Refer to Note 3 of the notes to our consolidated financial statements for additional information. As a result of the Acquisition, our consolidated financial statements for the period after February 19, 2019 are presented on a different basis than that for the periods before February 19, 2019 due to the application of purchase accounting as of February 19, 2019 and, therefore, are not comparable.

The Acquisition resulted in the following principal impacts for the period subsequent to the Acquisition date:

- A reduction in revenues in the 2019 Successor Period and the year ended December 31, 2020 as a result of the contract liabilities at the Acquisition date being recorded at fair value, an amount less than its then carrying value;

- Increased amortization expense resulting from recording of intangible assets at fair value. We record amortization of acquired developed technology in cost of revenues, amortization of customer relationships in sales and marketing expenses, and amortization of covenants not to compete and tradename intangible assets in general and administrative expenses;

- Contingent consideration issued as part of the Acquisition was recorded at fair value each period with changes in fair value recorded in general and administrative costs; and

- Transaction costs were expensed as incurred as a separate line item in our consolidated statement of operations;

We believe reviewing our operating results for the year ended December 31, 2019 by combining the results of the 2019 Predecessor Period and 2019 Successor Period ("S/P Combined Period") is more useful in discussing our overall operating performance when compared to the year ended December 31, 2020.

Year Ended December 31, 2020 Compared to the 2019 Successor/Predecessor ("S/P") Combined Period

Total revenues

Our total revenues for the year ended December 31, 2020 increased on a year-over-year basis. This increase was driven by an increase in the number of customers, an increase in the number of users added by existing customers and an increase in the number of products purchased by existing customers. Our revenues for the year ended December 31, 2020 were $48.1 million. Excluding the $0.7 million impact of purchase accounting, our total non-GAAP adjusted revenues for the year ended December 31, 2020 would have been $48.8 million compared to $40.5 million for the 2019 S/P Combined Period, representing a 20% increase. Revenues for each operating segment is comprised of the following (in thousands, except percentages):

	Generally Accepted Accounting Principles ("GAAP")						Non-GAAP			
	Total Revenues 2020	February 19, 2019 through December 31, 2019	January 01, 2019 through February 18, 2019	Total Revenues 2019	Increase / (Decrease) in Dollars	Increase / (Decrease) in %	Total Revenues 2020	Total Revenues 2019	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Bonfire	$ 7,806	$ 3,863	$ 593	$ 4,456	$ 3,350	75 %	$ 7,829	$ 5,043	$ 2,786	55 %
CityBase	8,863	7,122	820	7,942	921	12 %	9,384	8,459	925	11 %
eCivis	6,693	4,742	673	5,415	1,278	24 %	6,713	6,258	455	7 %
Open Counter	2,645	1,408	298	1,706	939	55 %	2,645	2,154	491	23 %
Questica	16,527	10,005	1,913	11,918	4,609	39 %	16,678	13,571	3,107	23 %
Sherpa	5,594	4,375	631	5,006	588	12 %	5,594	5,062	532	11 %
Total	$ 48,128	$ 31,515	$ 4,928	$ 36,443	$ 11,685	32 %	$ 48,843	$ 40,547	$ 8,296	20 %

Bonfire's and eCivis revenues (GAAP and non-GAAP) increased primarily due to an increase in subscription, support and maintenance revenues resulting from an increase in customers from the prior year. CityBase's revenues increased primarily due to an increase in transaction volume. Open Counter's, Questica's and Sherpa's revenues increased due primarily due to an increase in subscription, support and maintenance revenues as well as an increase in professional services.

Total cost of revenues

Our total cost of revenues for the year ended December 31, 2020 has increased on a year-over-year basis. The increase was driven primarily by share-based compensation expense due to the issuance of restricted stock units. Cost of revenues also increased due to increases in headcount, hosting operations and professional services to support our revenue growth. Cost of revenues for each operating segment is comprised of the following (in thousands, except percentages):

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	Total Cost of Revenues 2020	February 19, 2019 through December 31, 2019	January 01, 2019 through February 18, 2019	Total Cost of Revenues 2019	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Bonfire	$ 1,520	$ 1,003	$ 124	$ 1,127	$ 393	35 %
CityBase	6,682	5,063	746	5,809	873	15 %
eCivis	3,030	1,744	267	2,011	1,019	51 %
Open Counter	563	367	51	418	145	35 %
Questica	3,446	2,375	296	2,671	775	29 %
Sherpa	3,227	1,376	130	1,506	1,721	114 %

Total	$ 18,468	$ 11,928	$ 1,614	$ 13,542	$ 4,926	36 %

Bonfire

Bonfire's total cost of revenues increased by $0.4 million or 35% primarily due to a $0.3 million or 45% increase in salaries and benefits driven by an increase in average headcount from December 31, 2019 to December 31, 2020. The remaining increase was primarily from a $0.1 million increase in share-based compensation expense due to the issuance of restricted stock units.

CityBase

CityBase's total cost of revenues increased by $0.9 million or 15% primarily due to a $0.4 million or 14% increase in bank fees associated with its expansion in usage fee revenues, a $0.3 million or 21% increase in salaries and wages driven by an increase in average headcount from December 31, 2019 to December 31, 2020 and a $0.1 million increase in share-based compensation expense due to the issuance of restricted stock units.

eCivis

eCivis' total cost of revenues increased by $1.0 million or 51% primarily due to a $0.8 million or 62% increase in salaries and wages driven by an increase in average headcount from December 31, 2019 to December 31, 2020 and a $0.3 million or 182% increase in expenses incurred by third-party contractors. These increases were partially offset by a $0.1 million decrease in travel due to the Covid-19 pandemic.

Open Counter

Open Counter's total cost of revenues increased by $0.1 million or 35% primarily due to a $0.1 million or 59% increase in salaries and wages driven by an increase in average headcount from December 31, 2019 to December 31, 2020.

Questica

Questica's total cost of revenues increased by $0.8 million or 29% primarily due to a $0.3 million increase in third-party royalties, a $0.2 million or 11% increase in salaries and wages driven by an increase in average headcount from December 31, 2019 to December 31, 2020 and a $0.2 million increase in share-based compensation expense due to the issuance of restricted stock units.

Sherpa

Sherpa's total cost of revenues increased by $1.7 million or 114% primarily due to a $0.8 million increase in salaries and wages, a $0.7 million increase in third-party royalties and a $0.2 million increase in share-based compensation expense due to the issuance of restricted stock units.

Operating expenses

Our total selling and marketing, general and administrative and research and development components of operating expenses for the year ended December 31, 2020 have decreased primarily due to our March 2020 restructuring, resulting in decreases in headcount in sales and marketing, general and administrative, and research and development. Operating expenses excluding amortization of intangible assets, acquisition costs, goodwill impairment, restructuring charges, and change in fair value of contingent consideration for each operating segment is comprised of the following (in thousands, except percentages):

	Operating Expenses 2020	February 19, 2019 through December 31, 2019	January 01, 2019 through February 18, 2019	Operating Expenses 2019	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Bonfire	$ 8,218	$ 10,249	$ 1,178	$ 11,427	$ (3,209)	(28)%
CityBase	14,387	13,127	1,518	14,645	(258)	(2)%
eCivis	6,344	4,752	575	5,327	1,017	19 %
Open Counter	2,972	2,162	202	2,364	608	26 %

Questica	8,658	6,761	1,103	7,864	794	10 %
Sherpa	1,857	1,604	147	1,751	106	6 %
Corporate	7,615	8,989	—	8,989	(1,374)	(15)%
Total	$ 50,051	$ 47,644	$ 4,723	$ 52,367	$ (2,316)	(4)%

Bonfire

Bonfire's total operating expense decreased by $3.2 million or 28% due to a $1.8 million or 29% decrease in sales and marketing, a $1.0 million or 32% decrease in general and administrative costs and a $0.4 million or 20% decrease in research and development. The decrease in sales and marketing was primarily due to a $1.2 million or 62% decrease in share-based compensation expense, a $0.2 million decrease in marketing spend, a $0.2 million decrease in travel and related and a $0.1 million or 4% decrease in salaries and benefits driven by a decrease in average headcount from December 31, 2019 to December 31, 2020. The decrease in general and administrative expenses was primarily due to a $0.7 million decrease in share-based compensation expense, a $0.1 million decrease in travel and related costs, a $0.1 million decrease in third-party accounting and consulting fees, and a $0.1 million decrease in recruiting costs. The decrease in research and development expenses was primarily driven by a $0.3 million increase in capitalization of internal-use software associated with the development of new products and a $0.1 million decrease third-party consulting fees.

CityBase

CityBase's total operating expense decreased by $0.3 million or 2% due to a $1.5 million or 21% decrease in research and development and offset by a $1.2 million or 53% increase in sales and marketing. The decrease in research and development was primarily due to a $0.9 million or 16% decrease in salaries and wages driven by a decrease in average headcount from December 31, 2019 to December 31, 2020, and a $0.4 million decrease in third-party contractors. The increase in sales and marketing was primarily due to a $0.7 million increase in share-based compensation expense due to the issuance of restricted stock units and a $0.6 million or 34% increase in salaries and wages driven by a 18% increase in average headcount from December 31, 2019 to December 31, 2020.

eCivis

eCivis' total operating expense increased by $1.0 million or 19% due to a $0.7 million or 40% increase in general and administrative costs and a $0.3 million or 23% increase in research and development. The increase in general and administrative costs was driven by a $0.5 million increase in share-based compensation expense driven by the issuance of restricted stock units and a $0.3 million or 48% increase in salaries and wages driven by an increase in average headcount from December 31, 2019 to December 31, 2020. These increases were partially offset by a $0.1 million decrease in travel due to the COVID-19 Pandemic. The increase in research and development was primarily due to a $0.1 million or 6% increase in salaries and wages driven by an increase in average headcount from December 31, 2019 to December 31, 2020, a $0.1 million increase in contractors and a $0.1 million increase in share-based compensation expense due to the issuance of restricted stock units.

Open Counter

Open Counter's total operating expense increased by $0.6 million or 26% due primarily to a $0.2 million increase in share-based compensation expense due to the issuance of restricted stock units, a $0.2 million increase in third-party operating expenses and a $0.1 million increase in advertising and related expenses.

Questica

Questica's total operating expense increased by $0.8 million or 10% due to a $0.4 million or 16% increase in general and administrative costs and a $0.4 million or 11% increase in sales and marketing. The increase in general and administrative costs and sales and marketing were due primarily to a $0.6 million increase in share-based compensation expense due to the issuance of restricted stock units.

Sherpa

Sherpa's total operating expenses increased by $0.1 million primarily due to an increase in share-based compensation expense driven by the issuance of restricted stock units.

Corporate

Corporate expenses decreased by $1.4 million primarily due to a $0.4 million decrease in legal fees, a $0.4 million decrease in accounting and related fees, a $0.4 million or 22% decrease in salaries and wages driven by a decrease in headcount, and a $0.2 million decrease in share-based compensation expenses. The decreases in legal and accounting fees were due to increased efficiencies operating as a public company following the Acquisition and the decreases in salaries, wages and share-based compensation expense were largely due to the March 2020 Restructuring.

Other operating expenses

Acquisition costs consist primarily of Acquisition transaction costs, capital market advisory fees, and bonuses incurred as a result of the transaction or a change in control. Amortization of intangible assets consists of the amortization of finite lived intangibles resulting from the Acquisition as described in Note 3 of the notes to our consolidated financial statements included in this Annual Report on Form 10-K. Goodwill impairment expense includes any reduction in the fair value of Goodwill relative to its carrying value. The restructuring charges resulted from the Company's March 2020 Restructuring. The change in fair value of contingent consideration consists of any adjustments to the contingent consideration liability since the Acquisition.

Other income (expense)

Other income (expense) consists primarily of interest expense associated with the Company's February 2020 and November 2020 credit facilities, gains (losses) from the issuance of shares, and gains (losses) resulting from transactions denominated in foreign currencies.

Reconciliation of Non-GAAP Revenues

To supplement our consolidated financial statements, which are prepared in accordance with U.S. generally accepted accounting principles, or GAAP, we have provided certain financial measures that have not been prepared in accordance with GAAP defined as "non-GAAP financial measures," which include (i) non-GAAP revenues, (ii) non-GAAP gross profit and non-GAAP gross margin, (iii) and non-GAAP loss from operations.

We use these non-GAAP financial measures internally in analyzing our financial results and believe these metrics are useful to investors, as a supplement to the corresponding GAAP measure, in evaluating our ongoing operational performance and trends. However, it is important to note that particular items we exclude from, or include in, our non-GAAP financial measures may differ from the items excluded from, or included in, similar non-GAAP financial measures used by other companies in the same industry. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

Non-GAAP Revenues

Non-GAAP revenues are defined as GAAP revenues adjusted for the impact of purchase accounting resulting from our business combination which reduced our acquired contract liabilities to fair value. We believe that presenting non-GAAP revenues is useful to investors as it eliminates the impact of the purchase accounting adjustments to revenues to allow for a direct comparison between current and future periods.

Non-GAAP Gross Profit and Non-GAAP Gross Margin

Non-GAAP gross profit is defined as GAAP gross profit adjusted for the impact of purchase accounting resulting from the business combination. Non-GAAP gross margin is defined as non-GAAP gross profit divided by non-GAAP revenues. We believe that presenting non-GAAP gross profit and margin is useful to investors as it eliminates the impact of the purchase accounting adjustments to allow for a direct comparison between periods.

Non-GAAP Loss From Operations

Non-GAAP loss from operations is defined as GAAP loss from operations adjusted for the impact of purchase accounting to revenues resulting from our business combination, the amortization of acquired intangible assets, share-based compensation, acquisition related costs, goodwill impairment expense, and the change in fair value of contingent consideration. We believe that presenting non-GAAP loss from operations is useful to investors as it eliminates the impact of certain non-cash and acquisition related expenses to allow a direct comparison of loss from operations between all periods presented.

Below is a reconciliation of non-GAAP revenues, Non-GAAP gross profit and Non-GAAP gross margin and Non-GAAP loss from operations to their most directly comparable GAAP financial measures (in thousands, except percentages):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenues - Successor Period	$ 48,128	$ 31,515
Revenues - Predecessor Period	—	4,928
Pro forma as Adjusted Revenues	48,128	36,443
Purchase accounting adjustment to revenue	715	4,104
Non-GAAP Pro forma as Adjusted Revenues	**$ 48,843**	**$ 40,547**
Gross Profit - Successor Period	$ 29,660	$ 19,587
Gross Profit - Predecessor Period	—	3,314
Pro forma as Adjusted Gross Profit	29,660	22,901
Purchase accounting adjustment to revenue	715	4,104
Share-based compensation	811	229
Non-GAAP Pro forma as Adjusted Gross Profit	**$ 31,186**	**$ 27,234**
Gross Margin - Successor Period	62 %	62 %
Gross Margin - Predecessor Period	N/A %	67 %
Pro forma as Adjusted Gross Margin	62 %	63 %
Non-GAAP Pro forma as Adjusted Gross Margin	**64 %**	**67 %**
Loss from operations - Successor Period	$ (42,718)	$ (103,917)
Loss from operations - Predecessor Period	—	(1,555)
Pro forma as Adjusted Loss from operations	(42,718)	(105,472)
Purchase accounting adjustment to revenue	715	4,104
Amortization of intangibles	14,681	12,841
Share-based compensation	8,621	5,490
Acquisition costs	—	37,139
Goodwill impairment expense	2,000	32,198
Restructuring charges	3,666	—
Change in fair value of contingent consideration	1,980	(6,172)
Non-GAAP Pro forma as Adjusted Loss from operations	**$ (11,055)**	**$ (19,872)**

Below is a reconciliation of non-GAAP revenues to revenues by operating segment (in thousands, except percentages):

	Year Ended December 31, Bonfire	CityBase	eCivis	Open Counter	Questica	Sherpa	Total Revenues
Successor Revenues 2020	$7,806	$8,863	$6,693	$2,645	$16,527	$5,594	$48,128
Purchase accounting adjustment to revenues	23	521	20	—	151	—	715
Non-GAAP Revenues 2020	$7,829	$9,384	$6,713	$2,645	$16,678	$5,594	$48,843
Pro forma Revenues - S/P Combined Period 2019	$4,456	$7,942	$5,415	$1,706	$11,918	$5,006	$36,443
Purchase accounting adjustment to revenues	587	517	843	448	1,653	56	4,104
Non-GAAP Pro forma as	$	$	$	$	$	$	$

Adjusted Revenues 2019	5,043	8,459	6,258	2,154	13,571	5,062	40,547
% change	*55 %*	*11 %*	*7 %*	*23 %*	*23 %*	*11 %*	*20 %*

Liquidity and Capital Resources

As of December 31, 2020, we had a cash balance of approximately $22.8 million. Through December 31, 2020, our liquidity needs were satisfied through proceeds from our initial public offering and funds held in the Trust Account, proceeds from the PIPE Transaction (as defined below), our June 2019 and December 2020 registered direct offering, loans under the Paycheck Protection Program, and our February 2020 and November 2020 Credit Facilities.

On November 13, 2020, we entered into a loan and security agreement that provides for term loans in an aggregate principal amount of $25.0 million. The loan and security agreement is supported by a security interest in our assets and related guaranty agreements. On the closing date, we fully drew on the credit facility and the current outstanding balance is $25.0 million. As such, no additional amounts are available from it. The credit facility replaced our prior $12.0 million unsecured credit facility.

On November 17, 2020, we filed a Form S-3 Registration Statement under which the Company may sell a combination of securities up to a total dollar amount of $40.0 million. On November 25, 2020, the Company entered into an At Market Issuance Sales Agreement with B. Riley Securities, Inc. (“B. Riley”) and Needham & Company (“Needham”) with respect to an at-the-market offering program under which the Company may offer and sell shares of its common stock, par value $0.0001 per share having an aggregate offering price of up to $10.0 million through B. Riley and Needham as its sales agents.

Our consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

Our future capital requirements will depend on many factors, including our growth rate, the expansion of our direct sales force, strategic relationships and international operations, the timing and extent of spending to support research and development efforts and the continuing market acceptance of our solutions. We currently anticipate that our cash on hand, together with revenue from operations, will be sufficient to satisfy our anticipated capital requirements during 2021. However, if our projections of revenue or expenditures are inaccurate, we may require additional equity or debt financing during 2021. Sales of additional equity, including under the At Market Sales Agreement, could result in dilution to our stockholders. If we borrow additional funds, the terms of those financing arrangements, if available, may include negative covenants or other restrictions on our business that could impair our operating flexibility. We can provide no assurance that financing will be available at all or, if available, that we would be able to obtain financing on terms favorable to us. If we are unable to raise additional capital when needed, we would be required to curtail our operating activities and capital expenditures, and our business operating results and financial condition would be adversely affected.

PIPE Transaction

Immediately prior to the closing of the business combination (the “Closing”), pursuant to subscription agreements (the “Subscription Agreements”), dated as of various dates from January 9, 2019 through February 12, 2019, by and among GTY Cayman and certain institutional and accredited investors party thereto (the “Subscribed Investors”), GTY Cayman issued to the Subscribed Investors an aggregate of 12,853,098 Class A ordinary shares of GTY for $10.00 per share, for an aggregate cash purchase price of approximately $126.3 million, including three such Subscription Agreements with certain CityBase holders (including Michael Duffy, the chief executive officer of CityBase) for an aggregate of 380,937 Class A ordinary shares of GTY Cayman at a price of $10.00 per share, for an aggregate cash purchase price of approximately $3.8 million (the “PIPE Transaction”). The Class A ordinary shares of GTY Cayman issued to the Subscribed Investors were cancelled and exchanged on a one-for-one basis for shares of Company common stock at the Closing.

Historical Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated (amounts in thousands):

	Successor		Predecessor
	Year Ended December 31, 2020	February 19, 2019 through December 31, 2019	January 1, 2019 through February 18, 2019
Net cash (used in) provided by operating activities	$ (12,974)	$ (57,230)	$ 284
Net cash (used in) provided by investing activities	$ (3,023)	$ 36,787	$ 1,516
Net cash provided by (used in) financing activities	$ 30,510	$ 28,561	$ (539)

Net Cash (Used in) Provided by Activities

Our net loss and cash flows from operating activities are significantly influenced by the Acquisition and our investments in headcount and infrastructure to support anticipated growth.

For the year ended December 31, 2020, net cash used in operations was $13.0 million resulting from our net loss of $44.0 million and offset by net non-cash expenses of $30.4 million and changes in operating assets and liabilities of $0.7 million. The $30.4 million of non-cash expenses was primarily comprised of $14.7 million of amortization of intangible assets acquired as a result of the Acquisition, $8.6 million from share-based compensation expense associated with the issuance of restricted stock units, a $2.1 million loss on issuance of shares, $2.0 million of amortization of right of use assets associated with our operating and finance leases, $2.0 million of goodwill impairment expense, a $2.0 change in fair value of contingent consideration, and $0.9 million of depreciation expense. These non-cash expenses were partially offset by $2.8 million of deferred tax benefits related to the tax and book basis difference on the amortization of intangible assets. The $0.7 million of net cash flows provided as a result of changes in our operating assets and liabilities was due to a $6.3 million increase in deferred revenue and partially offset by a $2.0 million decrease in accounts payable and accrued liabilities, a $2.1 million decrease in operating lease liabilities, a $0.8 million increase in accounts receivable, and a $0.7 million increase in prepaid expenses.

For the Successor Period, net cash used in operations was $57.2 million resulting from our net loss of $95.7 million and offset by changes in operating assets and liabilities of $1.0 million and net non-cash expenses of $37.4 million. The $37.4 million of non-cash expenses was comprised of a $32.2 million goodwill impairment charge, $12.8 million of amortization of intangible assets acquired as a result of the Acquisition and $5.4 million from share-based compensation offset by $8.5 million of deferred tax benefits related to the tax and book basis difference on the amortization of intangible assets and $6.1 million benefit from the change in fair value of contingent consideration.

For the Predecessor Period, net cash provided by operations was $0.3 million resulting from our changes in operating assets and liabilities of $1.6 million and net non-cash expenses of $0.4 million offset by our net loss of $1.7 million. The $1.6 million of net cash flows provided as a result of changes in our operating assets and liabilities was primarily due to a $2.2 million decrease in accounts receivable resulting from seasonality in billings and offset by a $0.7 million decrease in contract and other long-term liabilities. The $0.4 million of non-cash expenses was primarily comprised of $0.2 million of depreciation of property and equipment.

Net Cash (Used in) Provided by Investing Activities

Our primary investing activities have consisted of investments in marketable securities and capital expenditures. In February 2019, we completed our Acquisition and the resulting cash flow impact is described below in the Successor Period.

For the year ended December 31, 2020, cash used in investing activities was $3.0 million due primarily to $2.7 million of capital expenditures resulting largely from the lease improvements and furniture purchases at Questica's new facility.

For the Successor Period, cash provided by investing activities was $36.8 million resulting from $217.6 million of proceeds from cash held in a trust and offset primarily due to the Acquisition which had a cash purchase price of $179.4 million net of cash acquired and $1.4 million of capital expenditures and capitalization of internal-use software.

For the Predecessor Period, cash provided by investing activities was $1.5 million due to a $1.5 million sale of marketable securities by Questica.

Net Cash Provided By (Used in) Financing Activities

For the year ended December 31, 2020, cash provided by financing activities was $30.5 million due primarily to $37.8 million of proceeds from borrowings, net of issuance costs resulting from our February 2020 and November 2020 Credit Facilities and loans provided under the Paycheck Protection Program and $7.0 million in proceeds received from the issuance of common stock. These proceeds were partially offset by $12 million of repayment of borrowings and $1.3 million of contingent consideration payments.

For the Successor Period, cash provided by financing activities was $28.6 million primarily as a result of the private placement of Class A shares of $125.3 million and proceeds received from the successful registered direct offering of common stock of $25.5 million, net of costs and offset primarily by the redemption of shares in the amount of $114.0 million and $4.2 million of common stock repurchases.

For the Predecessor Period, cash used in financing activities was $0.5 million primarily as a result of member distributions of $0.5 million.

Critical Accounting Policies and Use of Estimates

See Note 3 of the notes to our consolidated financial statements.

Recent Accounting Pronouncements

The impact of recently issued accounting standards is set forth in Note 2, Summary of Significant Accounting Policies, of the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet transactions. Other than the guarantees described in Note 10, we have no guarantees or obligations other than those which arise out of normal business operations.

Contractual Obligations

Our principal commitments consist primarily of obligations under operating and financing leases, which include among others, our offices and leased kiosks. The following table summarizes our commitments to settle contractual obligations in cash as of December 31, 2020:

		Payment Due by Period					
	Total	**2021**	**2022**	**2023**	**2024**	**2025**	**Thereafter**
Operating lease obligations	$ 5,213	$1,344	$ 662	$ 361	$346	$413	$ 2,087
Finance lease obligations	778	581	197	—	—	—	—
Term loans	28,210	—	3,210	25,000	—	—	—

As of December 31, 2020, we also had contingent obligations in the form of potential earnout payments to individuals associated with each of CityBase and eCivis. See Note 3 of the Financial Statements for additional information regarding the accounting treatment of such contingent obligations.

Individuals associated with CityBase may receive, upon CityBase's trailing twelve-month net revenue exceeding $37.0 million, or the CityBase threshold, on or prior to December 31, 2048, an earnout payment equal to a number of shares (or, in the case of certain individuals associated with CityBase who are not accredited investors, the cash value thereof) of our common stock calculated by dividing $54.5 million by:

(i) $10.00 if the CityBase threshold is met on or prior to December 31, 2021 or (ii) the greater of (x) $10.00 or (y) the volume-weighted average closing price for the shares of our common stock for the 30 trading days immediately preceding the payment date if the CityBase threshold is met after December 31, 2021.

Pursuant to the terms of a 2018 asset purchase agreement by eCivis, shareholders associated with the purchase may receive cash consideration equal to 7.5% of new revenue between $500,000 and 999,999.99, 10% of new revenue above

$1,000,000, 2% of renewal revenue up to 249,999.99 3% of renewal revenue between $250,000.00 to $749,999.99 and 5% above $750,000.00 in each earn-out year beginning in 2018 and ending in 2022. Only revenue derived from the acquired assets is eligible. The potential undiscounted amount of all future payments that the Company could be required to make is unlimited.

In accordance with an asset purchase agreement by Questica, shareholders associated with the purchase may receive 50% of the net maintenance and subscription revenue derived from the assets purchased under the agreement less the value of any annual loss in each earn-out year beginning in 2018 and ending in 2021. The potential undiscounted amount of all future payments tha the Company could be required to make is unlimited.

Off-Balance Sheet Arrangements

As of December 31, 2020 and 2019, the Company did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K and did not have any commitments or contractual obligations

JOBS Act

On April 5, 2012, the Jumpstart GTY's Business Startups Act of 2012 (the "JOBS Act") was signed into law. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for qualifying public companies. We qualify as an "emerging growth company" and under the JOBS Act are allowed to comply with new or revised accounting pronouncements based on the effective date for private (not publicly traded) companies. We are electing to delay the adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As such, GTY's consolidated financial statements may not be comparable to companies that comply with public company effective dates. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year (a) following November 1, 2021, the fifth anniversary of the GTY Cayman IPO, (b) in which we have total annual gross revenue of at least $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our prior second fiscal quarter, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The company qualifies as a smaller reporting company and is not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
GTY Technology Holdings Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of GTY Technology Holdings, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in shareholders' equity and cash flows for the year ended December 31, 2020, the successor period February 19, 2019 through December 31, 2019, and the predecessor period January 1, 2019 through February 18, 2019, and the related consolidated notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its consolidated operations and its cash flows for the year ended December 31, 2020, the successor period February 19, 2019 through December 31, 2019, and the predecessor period January 1, 2019 through February 18, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we were required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ WithumSmith+Brown, PC

We have served as the Company's auditor since 2016

Whippany, New Jersey
February 19, 2021

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 22,800	$ 8,374
Accounts receivable, net	9,994	9,184
Prepaid expenses and other current assets	2,583	3,047
Total current assets	35,377	20,605
Property and equipment, net	3,891	1,697
Finance lease right of use assets	1,355	1,488
Operating lease right of use assets	2,610	5,876
Intangible assets, net	101,107	115,788
Goodwill	284,635	286,635
Other assets	3,472	2,304
Total assets	$ 432,447	$ 434,393
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 6,366	$ 8,443
Deferred revenue - current portion	22,304	17,346
Finance lease liability - current portion	581	555
Operating lease liability - current portion	1,316	1,851
Contingent consideration - current portion	743	12,680
Total current liabilities	31,310	40,875
Deferred revenue - less current portion	1,602	1,264
Deferred tax liability	17,494	20,276
Contingent consideration - less current portion	42,530	41,233
Term loans, net	26,632	—
Finance lease liability - less current portion	147	811
Operating lease liability - less current portion	2,927	4,311
Total liabilities	122,642	108,770
Commitments and contingencies		
Shareholders' equity:		
Common stock, par value $0.0001; 400,000,000 authorized; 56,667,035 shares issued and 55,570,282 shares outstanding as of December 31, 2020 and 52,920,228 shares issued and 52,303,862 shares outstanding as of December 31, 2019, net of treasury stock	6	5
Exchangeable shares, no par value, 5,972,779 shares issued and outstanding as of December 31, 2020 and 5,568,096 shares issued and outstanding as of December 31, 2019	54,224	45,681
Additional paid in capital	390,232	369,756
Accumulated other comprehensive income	6	370
Treasury stock, at cost, 1,096,753 shares as of December 31, 2020 and 616,366 shares as of December 31, 2019	(5,633)	(5,174)
Accumulated deficit	(129,030)	(85,015)
Total shareholders' equity	309,805	325,623
Total liabilities and shareholders' equity	$ 432,447	$ 434,393

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share amounts)

	Successor		Predecessor
	Year Ended December 31, 2020	February 19, 2019 through December 31, 2019	January 1, 2019 through February 18, 2019
Revenues	$ 48,128	$ 31,515	$ 4,928
Cost of revenues	18,468	11,928	1,614
Gross Profit	29,660	19,587	3,314
Operating expenses			
Sales and marketing	16,150	13,088	1,394
General and administrative	21,743	23,010	1,749
Research and development	12,158	11,546	1,580
Amortization of intangible assets	14,681	12,809	32
Acquisition costs	—	36,988	151
Goodwill impairment	2,000	32,198	—
Restructuring charges	3,666	—	—
Change in fair value of contingent consideration	1,980	(6,135)	(37)
Total operating expenses	72,378	123,504	4,869
Loss from operations	(42,718)	(103,917)	(1,555)
Other income (expense)			
Interest income (expense), net	(1,758)	225	(170)
Loss from repurchase/issuance of shares	(2,056)	(1,032)	—
Other income, net	78	472	12
Total other income (expense), net	(3,736)	(335)	(158)
Loss before income taxes	(46,454)	(104,252)	(1,713)
Benefit from income taxes	2,439	8,595	—
Net loss	(44,015)	(95,657)	(1,713)
Deemed dividend for Exchangeable Shares - Series C	—	(183)	—
Net loss applicable to common shareholders	$ (44,015)	$ (95,840)	$ (1,713)
Net loss per share, basic and diluted	$ (0.82)	$ (1.88)	
Weighted average common shares outstanding, basic and diluted	53,450	50,867	
Net loss	$ (44,015)	$ (95,657)	$ (1,713)
Other comprehensive loss:			
Foreign currency translation gain (loss)	(364)	370	—
Total other comprehensive gain (loss)	(364)	370	—
Comprehensive loss	$ (44,379)	$ (95,287)	$ (1,713)

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands, except share and per share amounts)

Year Ended December 31, 2020

	Common Stock		Exchangeable Shares		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Successor	**Shares**	**Amount**	**Shares**	**Amount**					
Balance - December 31, 2019	**52,303,862**	**$ 5**	**5,568,096**	**$ 45,681**	**$ 369,756**	**$ (5,174)**	**$ (85,015)**	**$ 370**	**$ 325,623**
Net loss	—	—	—	—	—	—	(44,015)	—	**(44,015)**
Foreign currency translation loss	—	—	—	—	—	—	—	(364)	**(364)**
Share-based compensation	—	—	—	—	8,621	—	—	—	**8,621**
Issuance of common stock	2,000,000	1	—	—	6,999	—	—	—	**7,000**
Share repurchases under equity program	(127,712)	—	—	—	—	(459)	—	—	**(459)**
Share Redemption (Incremental Shares Issued)	334,254	—	—	—	2,056	—	—	—	**2,056**
Shares issued for contingent consideration	336,965	—	550,388	10,000	1,334	—	—	—	**11,334**
Vested and issued restricted stock units	569,128	—	—	—	—	—	—	—	**—**
Stock option exercises	8,080	—	—	—	9	—	—	—	**9**
Common stock issued for exchangeable shares	145,705	—	(145,705)	(1,457)	1,457	—	—	—	**—**
Balance - December 31, 2020	**55,570,282**	**$ 6**	**5,972,779**	**$ 54,224**	**$ 390,232**	**$ (5,633)**	**$ (129,030)**	**$ 6**	**$ 309,805**

	Common Stock		Class A		Class B		Exchangeable Shares		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Successor	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**					
Balance - February 19, 2019	**—**	**$ —**	**898,984**	**$ —**	**13,568,821**	**$ 1**	**—**	**$ —**	**$ —**	**$ —**	**$ 9,920**	**$ —**	**$ 9,921**
Net loss	—	—	—	—	—	—	—	—	—	—	(95,657)	—	**(95,657)**
Ordinary shares no longer subject to possible redemption	—	—	9,216,438	1	—	—	—	—	88,190	—	722	—	**88,913**
Private placement of Class A shares, net of costs	—	—	12,863,098	2	—	—	—	—	125,256	—	—	—	**125,258**
Exchange of shares in GTY Merger	36,547,341	4	(22,978,520)	(3)	(13,568,821)	(1)	—	—	—	—	—	—	**—**
Common Stock issued for acquisitions	11,969,004	1	—	—	—	—	—	—	119,688	—	—	—	**119,689**
Shares convertible into Common Stock issued for acquisitions	—	—	—	—	—	—	5,761,741	47,617	—	—	—	—	**47,617**
Common stock issued for exchangeable shares	500,000	—	—	—	—	—	—	—	3,860	—	—	—	**3,860**
Share-based compensation	—	—	—	—	—	—	—	—	5,429	—	—	—	**5,429**
Private placement of common stock, net of costs	3,500,000	—	—	—	—	—	—	—	25,450	—	—	—	**25,450**
Common stock repurchases	(616,366)	—	—	—	—	—	—	—	—	(5,174)	—	—	**(5,174)**
Vested and issued restricted stock units	97,595	—	—	—	—	—	—	—	—	—	—	—	**—**
Stock option exercises	112,643	—	—	—	—	—	—	—	130	—	—	—	**130**
Exchangeable shares converted to Common Stock	193,645	—	—	—	—	—	(193,645)	(1,936)	1,936	—	—	—	**—**
Foreign currency translation gain	—	—	—	—	—	—	—	—	—	—	—	370	**370**
Deemed dividend for exchangeable shares	—	—	—	—	—	—	—	—	(183)	—	—	—	**(183)**
Balance - December 31, 2019	**52,303,862**	**$ 5**	**—**	**$ —**	**—**	**$ —**	**5,568,096**	**$ 45,681**	**$ 369,756**	**$ (5,174)**	**$ (85,015)**	**$ 370**	**$ 325,623**

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY – CONTINUED
(Amounts in thousands, except share and per share amounts)

Predecessor from December 31, 2018 to February 18, 2019

		Predecessor
Balance as of December 31, 2018	**$**	**(37,142)**
Net loss		(1,713)
Share-based compensation		61
Stock option exercises		13
Shareholders'/Members' equity activity		5,629
Balance as of February 18, 2019	**$**	**(33,152)**

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Successor		Predecessor
	Year Ended December 31, 2020	February 19, 2019 through December 31, 2019	January 01, 2019 through February 18, 2019
Cash flows from operating activities:			
Net loss	$ (44,015)	$ (95,657)	$ (1,713)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation of property and equipment	863	355	148
Amortization of intangible assets	14,681	12,809	32
Amortization of right of use assets	2,034	1,298	194
Share-based compensation	8,621	5,429	61
Deferred income tax benefit	(2,781)	(8,542)	—
Loss on issuance of shares	2,056	—	—
Amortization of deferred debt issuance costs	759	—	—
Accrual of paid in kind interest	69	—	—
Bad debt expense (recovery)	90	(49)	6
Loss on disposal of fixed assets	6	2	—
Foreign exchange loss on payment of vested options	—	21	—
Goodwill impairment	2,000	32,198	—
Change in fair value of contingent consideration	1,980	(6,135)	(37)
Change in fair value of warrant liability	—	—	(18)
Changes in operating assets and liabilities:			
Accounts receivable	(818)	(5,276)	2,190
Prepaid expenses and other assets	(725)	(1,536)	202
Accounts payable and accrued liabilities	(2,030)	(1,053)	(781)
Deferred revenue and other liabilities	6,335	9,985	—
Operating lease liabilities	(2,099)	(1,079)	—
Net cash (used in) provided by operating activities	(12,974)	(57,230)	284
Cash flows from investing activities:			
Proceeds from cash held in trust	—	217,642	—
Sale of marketable securities	—	—	1,531
Acquisitions, net of cash acquired	—	(179,423)	—
Capitalization of internal-use software	(311)	(793)	—
Capital expenditures	(2,712)	(639)	(15)
Net cash (used in) provided by investing activities	(3,023)	36,787	1,516
Cash flows from financing activities:			
Proceeds from borrowings, net of issuance costs	37,803	—	35
Repayments of borrowings	(12,000)	(486)	(69)
Contingent consideration payments	(1,286)	(920)	—
Stock options exercises	9	130	13
Member distribution	—	—	(500)
Common stock repurchases	(459)	(4,174)	—
Note repayment for common stock repurchases	—	(1,000)	—
Redemption of Class A Ordinary Shares	—	(113,982)	—
Redemption of Exchangeable Shares - Class C	—	(1,323)	—
Proceeds received from private placement of Class A shares, net of costs	—	125,258	—
Proceeds received from private placement of Common Stock, net of costs	7,000	25,450	—
Proceeds from disposal of fixed assets	30	—	1
Repayments of finance lease liabilities	(587)	(392)	(19)
Net cash provided by (used in) financing activities	30,510	28,561	(539)
Effect of foreign currency on cash	(87)	204	(721)
Net change in cash and cash equivalents	14,426	8,322	540
Cash and cash equivalents, beginning of period	8,374	52	13,929
Cash and cash equivalents, end of period	**$ 22,800**	**$ 8,374**	**$ 14,469**

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Successor		Predecessor
	Year Ended December 31, 2020	February 19, 2019 through December 31, 2019	January 01, 2019 through February 18, 2019
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 883	$ —	$ —
Cash paid for income taxes	$ 42	$ —	$ —
Noncash Investing and Financing Activities:			
Common shares issued for contingent consideration	$ 1,334	$ —	$ —
Exchangeable shares issued for contingent consideration	$ 10,000	$ —	$ —
Share Redemption (Incremental Shares Issued)	$ 2,056	$ —	$ —
Purchases of property and equipment included in accounts payable	$ 3	$ —	$ —
Common Stock issued for Exchangeable Shares - Class C	$ —	$ 3,860	$ —
Deemed dividend for Exchangeable Shares - Class C	$ —	$ 183	$ —
Note payable issuance for common stock repurchases	$ —	$ 1,000	$ —
Shares issued for the Acquisition	$ —	$ 172,307	$ —
Reduction in convertible note liability	$ —	$ 1,000	$ —
Exchangeable shares converted to Common Stock	$ 1,457	$ 1,936	$ —
Leased assets obtained in exchange for new finance lease liabilities	$ —	$ 2,714	$ —

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except share and per share amounts)

Note 1. Organization and Business Operations

GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.), a Massachusetts corporation ("GTY", the "Company" or "Successor"), is headquartered in Las Vegas, Nevada.

On February 19, 2019 (the "Closing Date"), the Company consummated several acquisitions (collectively, the "Acquisition"), pursuant to which it (i) acquired each of Bonfire Interactive Ltd., a Canadian company, and Bonfire Interactive US Ltd., its U.S. subsidiary (together, "Bonfire"), CityBase, Inc. ("CityBase"), eCivis Inc. ("eCivis"), Open Counter Enterprises Inc. ("Open Counter"), Questica Software Inc. and Questica USCDN Inc., Canadian companies, and Questica Ltd., a U.S. subsidiary (collectively, "Questica") and Sherpa Government Solutions LLC ("Sherpa" and together with Bonfire, CityBase, eCivis, Open Counter and Questica, the "Acquired Companies") and (ii) became the parent company of its predecessor entity, GTY Technology Holdings Inc., a blank check company incorporated in the Cayman Islands ("GTY Cayman"). Until the Acquisition, GTY Cayman did not engage in any operations nor generate any revenues. GTY Cayman was dissolved during the year ended December 31, 2020.

In connection with the closing of the Acquisition, the Company changed its name from GTY Govtech, Inc. to GTY Technology Holdings Inc. and became a successor issuer to GTY Cayman and continued the listing of its common stock and warrants on the Nasdaq Capital Market ("NASDAQ") under the symbols "GTYH" and "GTYHW," respectively. As of June 2019, the Company's warrants are no longer listed on any exchange.

GTY is a public sector SAAS company that offers a cloud-based suite of solutions primarily for North American state and local governments. GTY's cloud-based suite of solutions for state and local governments addresses functions in procurement, payments, grant management, budgeting and permitting. The following is a brief description of each of the Acquired Companies.

Bonfire

Bonfire Interactive Ltd., was incorporated on March 5, 2012 under the laws of the Province of Ontario, and its wholly-owned subsidiary, Bonfire Interactive US Ltd. (dissolved), was incorporated in the United States on January 8, 2018. Bonfire is a provider of strategic sourcing and procurement SaaS, serving customers in government, the broader public sector, and various highly-regulated commercial vertical markets.

Bonfire offers customers and their sourcing professionals a modern SaaS application that helps find, engage, evaluate, negotiate and award vendor and supplier contracts. Bonfire delivers workflow automation, data collection and analysis, and collaboration to drive cost savings, compliance, and strategic outcomes. All of Bonfire's applications are delivered as a SaaS offering, and Bonfire offers implementation and premium support services.

CityBase

CityBase, a Delaware corporation headquartered in Chicago, provides dynamic content, digital services, and integrated payments via a SaaS platform that includes technological functionality accessible via web and mobile, kiosk, point-of-sale, and other channels. CityBase SaaS integrates its platform to underlying systems of record, billing, and other source systems, and configures payments and digital services to meet the requirements of its customers, which include government agencies and utility companies.

eCivis

eCivis, a Delaware corporation headquartered in Los Angeles, California, is a leading SaaS provider of grants management and indirect cost reimbursement solutions that enable its customers to standardize and streamline complex grant processes in a fully integrated platform. The eCivis platform consists of four core cloud-based products including grants research, grants management, sub-recipient management, and cost allocation and recovery. To assist its customers in the implementation of its cloud-based products, eCivis offers one-time implementation services, including data integration, grants migration and change management. Additionally, eCivis provides ongoing grants management training, cost allocation plan consulting and cost recovery services.

Open Counter

Open Counter, a Delaware corporation headquartered in Boston, Massachussetts, is a developer and provider of SaaS tools for cities to streamline permitting and licensing services for municipal governments. Open Counter provides customers with SaaS through a hosted platform and also provides professional services related to SaaS implementation.

Questica

Questica designs and develop budgeting SaaS that supports the unique requirements of the public sector. The Questica suite of products are part of a comprehensive web-based budgeting preparation, performance, management and data visualization solution that enables public sector and non-profit organizations to improve and shorten their budgeting cycles.

Questica Software Inc. was organized in 1998 as an Ontario corporation, maintains two offices located in Burlington, Ontario, Canada and serves the healthcare, K-12, higher education and local government verticals primarily in North America. Questica USCDN was organized in 2017 as an Ontario corporation and Questica Ltd. was incorporated in 2017 in the United States as a Delaware corporation. Questica Ltd. is located in Huntington Beach, California, primarily serving the non-profit market and services a limited number of customers in the public and private sector. The majority of the Questica Ltd.'s customers are located in the United States and Canada, and as well as some international customers, primarily located in the United Kingdom and Africa.

Sherpa

Sherpa is a Colorado limited liability company headquartered in Denver, Colorado, established in 2004. Sherpa is a leading provider of public sector budgeting software and consulting services that help state and local governments create and manage budgets and performance. Customers purchase Sherpa's software and then engage its consulting services to configure the software and receive training on how to manage the software going forward. Following implementation, customers continue to use the software in exchange for maintenance or subscription fees.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the SEC.

The Acquisition was accounted for as a business combination using the acquisition method of accounting. The Company's financial statement presentation distinguishes the results of operations into two distinct periods: (i) the period before the consummation of the Acquisition, which includes the period from January 1, 2019 to the Closing Date (the "2019 Predecessor Period") and (ii) the period after consummation of the Acquisition which includes the period after the Closing Date to December 31, 2019 ("2019 Successor Period"), and the year ended December 31, 2020. The accompanying consolidated financial statements include a black line division which indicates that the Acquired Companies and the Company's financial information are presented on a different basis and are therefore, not comparable.

Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions. See Note 3 – Business Combination for a discussion of the estimated fair values of assets and liabilities recorded in connection with the Acquisition.

GTY TECHNOLOGY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except share and per share amounts)

The historical financial information of GTY Cayman prior to the Acquisition is not being reflected in the Predecessor financial statements as these historical amounts have been determined not to be useful to a user of the financial statements. GTY Cayman's operations prior to the Acquisition, other than income from the Trust Account (as defined in Note 11. Shareholders' Equity) investments and transaction expenses, were nominal.

Principles of Consolidation

The Successor Period consolidated financial statements include all accounts of the Company and its subsidiaries. The Predecessor Period consolidated financial statements include all accounts of the Acquired Companies and the Acquired Companies' subsidiaries and does not represent a single legal entity. All material intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

Reclassification

Certain prior period balance sheet and statement of operations amounts have been reclassified to conform to the current presentation. These reclassifications did not significantly impact any prior amounts of reported total assets or total liabilities, and did not impact stockholders' equity or cash flows.

Liquidity

As reflected in the accompanying consolidated financial statements, the Company reported a net loss of $44.0 million and $95.7 million for the year ended December 31, 2020 and the Successor Period 2019, respectively, and had an accumulated deficit of $129.0 million as of December 31, 2020. The Company's net cash used in operations was $13.0 million for the year ended December 31, 2020.

In April and May 2020, the Company received $3.2 million in proceeds from loans under the Paycheck Protection Program. In November 2020, the Company entered into a senior secured term loan facility that provides for borrowing of term loans in an aggregate principal amount of $25.0 million. In December 2020, the Company issued 2.0 million shares of common stock in a registered direct offering for $7.0 million at a price of $3.50 per share.

As of December 31, 2020, the Company had $22.8 million in cash and cash equivalents, largely from the above financing sources. Based on the Company's current expectations of revenues and expenses, the Company expects that its current cash and cash equivalents is sufficient to meet its liquidity needs for twelve months after the issuance of these financial statements. If the Company's revenues do not grow as expected and if the Company is unable to manage expenses sufficiently, the Company may be required to obtain additional equity or debt financing. Although the Company has been previously able to attract financing as needed, such financing may not continue to be available at all, or if available, on reasonable terms as required. Further, the terms of such financing may be dilutive to existing shareholders or otherwise on terms not favorable to the Company or existing shareholders. If the Company is unable to secure additional financing, as circumstances require, or does not succeed in meeting its sales objectives, it may not be able to continue its operations.

Segments

The Company has six operating segments. The Company's Chief Executive Officer and Chief Financial Officer, who jointly are the Company's chief operating decision maker, review financial information for each of the Acquired Companies, together with certain consolidated operating metrics, to make decisions about how to allocate resources and to measure the Company's performance. See Note 12.

Emerging Growth Company

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies

GTY TECHNOLOGY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except share and per share amounts)

including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Further, section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable.

The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's consolidated financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accountant standards used.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash includes cash held in checking and savings accounts. Cash equivalents are comprised of investments in money market mutual funds. Cash and cash equivalents are recorded at cost, which approximates fair value.

Accounts Receivable

Accounts receivable consists of amounts due from our customers, which are primarily located throughout the United States and Canada. Accounts receivable are recorded at the invoiced amount, do not require collateral, and do not bear interest.

The Company estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the Company's customers may have an inability to meet financial obligations, such as bankruptcy and significantly aged receivables outstanding. Uncollectible receivables are written-off in the period management believes it has exhausted every opportunity to collect payment from the customer. Bad debt expense is recorded when events or circumstances indicate an additional allowance is required based on the Company's specific identification approach.

The allowance for doubtful accounts as of December 31, 2020 and 2019 was immaterial. Bad debt expense for all periods presented was immaterial.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents, and accounts receivable. Cash accounts in a financial institution at times may exceed the Federal depository insurance coverage of $250,000. As of December 31, 2020 and 2019, the Company had not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts. Additionally, all Canadian Dollars ("CDN") institution amounts are covered by Canada Deposit Insurance Corporation, or CDIC insurance.

GTY TECHNOLOGY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except share and per share amounts)

Use of Estimates

The preparation of the consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheets and the reported amounts of revenue and expenses during the reporting periods.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the consolidated financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause further customer slowdowns or shutdowns, depress demand, and adversely impact results of operations. During the year ended December 31, 2020, the Company faced significant uncertainties and continues to expect uncertainties around its key accounting estimates to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. Estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in the consolidated financial statements.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred, and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of operations in the period realized. Property, plant and equipment is depreciated using the straight-line method over five (5) to fifteen (15) years. Internal-use software is amortized on a straight-line basis over its estimated useful life of three (3) to five (5) years.

Leasehold improvements are amortized over the shorter of the useful lives or the term of the respective leases.

Capitalized Software Costs

The Company capitalizes costs incurred during the application development stage related to the development of internal-use software and enterprise cloud computing services. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. For the year ended December 31, 2020 and 2019 Successor Period, the Company capitalized $0.3 million and $0.8 million for internal use software, respectively.

Intangible Assets

Intangible assets consist of acquired customer relationships, acquired developed technology, trade names and non-compete agreements which were acquired as part of the Acquisition. The Company determines the appropriate useful life of its intangible assets by performing an analysis of expected cash flows of the acquired assets. Intangible assets are amortized over their estimated useful lives using the straight-line method, which approximates the pattern in which the economic benefits are consumed.

Goodwill

Goodwill represents the excess of the purchase price of an entity over the estimated fair value of the assets acquired and liabilities assumed. Under ASC 350, *Intangibles – Goodwill and Other* ("ASC 350"), goodwill is not amortized but is subject to periodic impairment testing. ASC 350 requires that an entity assign its goodwill to reporting units and test each reporting unit's goodwill for impairment at least on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. In our evaluation of goodwill for impairment, which is performed annually during the fourth quarter, we first assess qualitative factors to determine whether the existence of events or circumstances led to a determination that it was more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company is required to perform the quantitative goodwill impairment test. As a result of the Acquisition, the Company acquired goodwill during the Successor Period. There was minimal goodwill prior to the Acquisition. As a result of our annual goodwill impairment assessment, the Company recorded a goodwill impairment expense of $2.0 million of its eCivis segment for the year ended December 31, 2020 and $18.0 million, $12.9 million and $1.3 million of its CityBase, Bonfire and eCivis segments, respectively, for the 2019 Successor Period.

Business Combinations (Successor)

The Company accounts for business acquisitions using the acquisition method of accounting based on Accounting Standards Codification ("ASC") 805 — Business Combinations, which requires recognition and measurement of all identifiable assets acquired and liabilities assumed at their fair value as of the date control is obtained. The Company determines the fair value of assets acquired and liabilities assumed based upon its best estimates of the acquisition-date fair value of assets acquired and liabilities assumed in the acquisition. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. Subsequent adjustments to the fair value of any contingent consideration are recorded in the Company's consolidated statements of operations.

Based on the acquisition date and the complexity of the underlying valuation work, certain amounts included in the Company's consolidated financial statements may be provisional and thus subject to further adjustments within the permitted measurement period (a year from the date of acquisition), as defined in ASC 805. During the Successor Period ended December 31, 2019, adjustments were made within the permitted measurement period that resulted in (i) an increase in the aggregate consideration of the Acquisition of $0.4 million relating to the settlement of the working capital adjustments, (ii) the conversion of $0.04 million stock consideration to cash consideration for the correction of an investor's status to a non-accredited investor, (iii) a decrease in intangible assets of $4.4 million, (iv) a decrease in contingent consideration as a result of the Acquisition of $7.5 million and (v) a decrease in the related deferred tax liability of $11.0 million due to updated information regarding facts and circumstances which existed as of the date of the business combination (the "Measurement Period Adjustments). These Measurement Period Adjustments have been reflected as current period adjustments in the Successor Period ended December 31, 2019 in accordance with the guidance in ASU 2015-16 "Business Combinations." The Measurement Period Adjustments primarily impacted goodwill, with no effect on earnings or cash in the current period. See Note 4.

Impairment of long-lived assets

The Company reviews long-lived assets, including property and equipment and intangible assets and goodwill for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss is recognized when the asset's carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Leases

Effective January 1, 2019, the Company accounts for its leases under ASC 842, Leases. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases, and are recorded on the consolidated balance sheet as both a right of use asset and a lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right of use asset results in straight-line rent expense over the lease term. Variable lease expenses are recorded when incurred.

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In calculating the right of use asset and lease liability, the Company elects to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election, and recognizes rent expense on a straight-line basis over the lease term.

The Company accounted for leases prior to January 1, 2019 under ASC Topic 840.

Fair Value

The fair value of an asset or liability is the price that would be received to sell an asset or transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value and defines three levels of inputs that may be used to measure fair value.

- Level 1 — uses quoted prices in active markets for identical assets or liabilities.
- Level 2 — uses observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — uses one or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment.

The Company's only material financial instruments carried at fair value as of December 31, 2020 and 2019, with changes in fair value flowing through current earnings, consist of contingent consideration liabilities recorded in conjunction with business combinations and are as follows:

		Fair Value Measurement at Reporting Date Using		
	Balance as of December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contingent consideration – current	$ 743	$ —	$ —	$ 743
Contingent consideration – long term	42,530	—	—	42,530
Total liabilities measured at fair value	$ 43,273	$ —	$ —	$ 43,273

		Fair Value Measurement at Reporting Date Using		
	Balance as of December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contingent consideration – current	$ 12,680	$ —	$ —	$ 12,680
Contingent consideration – long term	41,233	—	—	41,233
Total liabilities measured at fair value	$ 53,913	$ —	$ —	$ 53,913

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There were no transfers made among the three levels in the fair value hierarchy during the period after consummation of the Acquisition, which includes the 2019 Successor Period and the year ended December 31, 2020.

The following table presents additional information about Level 3 liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealized gains and losses for liabilities within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

Changes in Level 3 liabilities measured at fair value from December 31, 2019 to December 31, 2020 were as follows:

Contingent consideration – December 31, 2019	$ 53,913
Change in fair value of contingent consideration	1,980
Issuance of exchangeable shares for contingent consideration	(10,000)
Issuance of common stock for contingent consideration	(1,334)
Payments of contingent consideration	(1,286)
Contingent consideration – December 31, 2020	$ 43,273

The fair value of the Company's contingent consideration liabilities recorded as part of the Acquisition has been classified within Level 3 in the fair value hierarchy. The contingent consideration represents the estimated fair value of future payments due to the sellers based on each company's achievement of annual earnings targets in certain years and other events considered in certain transaction documents. The fair values of the contingent consideration are calculated through the use of either Monte Carlo simulation or modified Black-Scholes analyses based on earnings projections for the respective earn-out periods, corresponding earnings thresholds, and approximate timing of payments as outlined in the purchase agreements for each of the Acquired Companies. The analyses utilized the following assumptions: (i) expected term; (ii) risk-adjusted net sales or earnings; (iii) risk-free interest rate; and (iv) expected volatility of earnings. Estimated payments, as determined through the respective models, were further discounted by a credit spread assumption to account for credit risk. The contingent consideration is revalued to fair value each period, and any increase or decrease is recorded in operating income (loss). The fair value of the contingent consideration may be impacted by certain unobservable inputs, most significantly with regard to discount rates, expected volatility and historical and projected performance. Significant changes to these inputs in isolation could result in a significantly different fair value measurement.

As of December 31, 2020, the contingent consideration liability consists of consideration due to former shareholders of CityBase, shareholders associated with an asset purchase by eCivis prior to the Acquisition and shareholders associated with an asset purchase by Questica prior to the Acquisition.

Shareholders associated with CityBase may receive, upon CityBase's trailing twelve-month net revenue exceeding $37.0 million, or the CityBase threshold, on or prior to December 31, 2048, an earnout payment equal to a number of shares (or, in the case of certain individuals associated with CityBase who are not accredited investors, the cash value thereof) of our common stock calculated by dividing $54.5 million by: (i) $10.00 if the CityBase threshold is met on or prior to December 31, 2021 or (ii) the greater of (x) $10.00 or (y) the volume-weighted average closing price for the shares of our common stock for the 30 trading days immediately preceding the payment date if the CityBase threshold is met after December 31, 2021. The fair value of contingent consideration as of December 31, 2020 is $42.0 million. The valuation of contingent consideration as of December 31, 2020 was derived from a Monte Carlo simulation of payout patterns from revenue estimates provided by the Company.

Pursuant to the terms of a 2018 asset purchase agreement by eCivis, shareholders associated with the purchase may receive cash consideration equal to 7.5% of new revenue between $500,000 and 999,999.99, 10% of new revenue above $1,000,000, 2% of renewal revenue up to 249,999.99 3% of renewal revenue between $250,000.00 to $749,999.99 and 5% above $750,000.00 in each earn-out year beginning in 2018 and ending in 2022. Only revenue derived from the

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acquired assets is eligible. The potential undiscounted amount of all future payments that the Company could be required to make is unlimited.
The total fair value of the associated contingent liability as of December 31, 2020 is approximately $0.9 million. The valuation of contingent consideration as of December 31, 2020 was derived from a discounted cash flow model based on expected payment amounts estimated by the Company.

In accordance with an asset purchase agreement by Questica, shareholders associated with the purchase may receive 50% of the net maintenance and subscription revenue derived from the assets purchased under the agreement less the value of any annual loss in each earn-out year beginning in 2018 and ending in 2021. The potential undiscounted amount of all future payments tha the Company could be required to make is unlimited. The fair value of the associated contingent liability as of December 31, 2020 was approximately $0.4 million and is based on the Company's internal forecasts.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates fair value because of the short-term nature of these instruments.

The Company measures certain assets at fair value on a non-recurring basis, generally annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include goodwill and other intangible assets.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As a result of our annual goodwill impairment assessment, the Company recorded a goodwill impairment expense of $2.0 million of its eCivis segment and $18.0 million, $12.9 million and $1.3 million of its CityBase, Bonfire and eCivis segments, respectively, for the year ended December 31, 2020 and 2019 Successor Period, respectively. This measurement was performed on a non-recurring basis using significant unobservable inputs (Level 3).

Foreign Currency Translation and Transactions

The assets, liabilities and results of operations of certain consolidated entities are measured using their functional currency, which is the currency of the primary foreign economic environment in which they operate. Upon consolidating these entities with the Company, their assets and liabilities are translated to U.S. dollars at currency exchange rates as of the consolidated balance sheet date and their revenues and expenses are translated at the weighted average currency exchange rates during the applicable reporting periods. Translation adjustments resulting from the process of translating these entities' consolidated financial statements are reported in accumulated other comprehensive income (loss) in the consolidated balance sheets and total other comprehensive loss on the consolidated statements of operations.

Revenue Recognition

The Company adopted the Financial Accounting Standards Board ("FASB") revenue recognition framework, ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), on January 1, 2017 using the full retrospective approach. The adoption of this standard did not have a material impact on prior revenue recognition or on opening equity, as the timing and measurement of revenue recognition for the Company is materially the same under ASC 606 as it was under the prior relevant guidance.

With the adoption of Topic 606, revenues are recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. If the consideration promised in a contract includes a variable amount, the Company includes an estimate of the amount it expects to receive for the total transaction price if it is probable that a significant reversal of cumulative revenues recognized will not occur.

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The Company determines the amount of revenues to be recognized through application of the following steps:

- Identification of the contract, or contracts with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenues when or as the Company satisfies the performance obligations.

For contracts where the period between when the Company transfers a promised service to the customer and when the customer pays is one year or less, the Company has elected the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component.

The Company has made a policy election to exclude from the measurement of the transaction price all taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue producing transaction and collected by the Company from a customer. Such taxes may include but are not limited to sales, use, value added and certain excise taxes.

Disaggregation of Revenues

	Successor		Predecessor
	Year Ended December 31, 2020	February 19, 2019 through December 31, 2019	January 1, 2019 through February 18, 2019
Subscriptions, support and maintenance	$ 35,477	$ 21,207	$ 3,253
Professional services	11,109	8,326	1,269
License	1,315	1,930	383
Asset sales	227	52	23
Total revenues	$ 48,128	$ 31,515	$ 4,928

Revenues

Subscription, support and maintenance. The Company delivers SaaS that provide customers with access to SaaS related support and updates during the term of the arrangement. Revenues are recognized ratably over the contract term as the customer simultaneously receives and consumes the benefits of the subscription service, as the service is made available by the Company. Subscription fees for the first year are typically payable within 30 days after the execution of a contract, and thereafter upon renewal. The Company initially records subscription fees as contract liabilities and recognizes revenues on a straight-line basis over the term of the agreement.

Our contracts may include variable consideration in the form of usage fees, which are constrained and recognized once the uncertainties associated with the constraint are resolved, which is when usage occurs and the fee is known.

Subscription, support and maintenance revenues also includes kiosk rentals and support or maintenance for on-premises software pertaining to license sales. Revenues from kiosk rentals and that support are recognized on a straight-line basis over the support period.

Revenues from subscription, support and maintenance comprised approximately 74%, 67% and 66% of total revenues for the year ended December 31, 2020, the 2019 Successor Period, and the 2019 Predecessor Period, respectively.

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Professional services. The Company's professional services contracts generate revenues on a time and materials, fixed fee or subscription basis. Revenues are recognized as the services are rendered for time and materials contracts. Revenues are recognized when the milestones are achieved and accepted by the customer or on a proportional performance basis for fixed fee contracts. Revenues are recognized ratably over the contract term for subscription contracts. Training revenues are recognized as the services are performed. Revenues from professional services comprised approximately 23%, 26% and 26% of total revenues for the year ended December 31, 2020, the 2019 Successor Period and the 2019 Predecessor Period, respectively.

License. Revenues from distinct licenses are recognized upfront when the software is made available to the customer, which normally coincides with contract execution, as this is when the customer has the risks and rewards of the right to use the software. Revenues from licenses comprised approximately 3%, 6% and 8% of total revenues for the year ended December 31, 2020, the 2019 Successor Period and the 2019 Predecessor Period, respectively.

Asset sales. Revenues from asset sales are recognized when the asset, typically a kiosk, has been received by the customer and is fully operational and ready to accept transactions, which is when the customer obtains control and has the risks and rewards of the asset. Asset sales were less than 1% of total revenues for the year ended December 31, 2020, the 2019 Successor Period and the 2019 Predecessor Period.

Significant judgments

The Company enters into contracts with its customers that may include access to SaaS, professional services, software licenses, and sales of hardware. A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment.

Deferred revenue

Deferred revenue primarily consists of amounts that have been billed to or received from customers in advance of revenue recognition and prepayments received from customers in advance for subscription services to the Company's SaaS offerings and related implementation and training. The Company recognizes deferred revenue as revenues when the services are performed, and the corresponding revenue recognition criteria are met. The Company receives payments both upfront and over time as services are performed. Customer prepayments are generally applied against invoices issued to customers when services are performed and billed. Deferred revenue is reduced as services are provided and the revenue recognition criteria are met. Deferred revenue that is expected to be recognized as revenues during the succeeding twelve-month period are recorded in current liabilities as deferred revenue – current portion, and the remaining portion is recorded in long-term liabilities as deferred revenue – less current portion. Revenues of approximately $17.3 million, $8.6 million, and $2.2 million were recognized for the year ended December 31, 2020, 2019 Successor Period, the 2019 Predecessor Period, respectively, that were included in deferred revenue at the beginning of the respective periods. The change in deferred revenue was as follows:

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	Successor		Predecessor
	Year Ended December 31, 2020	February 19, 2019 through December 31, 2019	January 1, 2019 through February 18, 2019
Deferred revenue, beginning	$ 18,610	$ 8,691	$ 14,947
Billings, net	53,424	41,434	4,229
Purchase accounting adjustment to deferred revenue	—	—	(5,557)
Revenue recognized ratably over time	(29,829)	(16,230)	(2,782)
Revenue recognized over time as delivered	(11,109)	(8,326)	(1,269)
Revenue recognized at a point in time	(7,190)	(6,959)	(877)
Deferred revenue, ending	$ 23,906	$ 18,610	$ 8,691

Cost of revenues

Cost of revenues primarily consists of salaries and benefits of personnel relating to our hosting operations and support, implementation, and grants research. Cost of revenues includes data center costs including depreciation of the Company's data center assets, third-party licensing costs, consulting fees, and the amortization of acquired technology from recent acquisitions.

Share-based Compensation

The Company expenses share-based compensation over the requisite service period based on the estimated grant-date fair value of the awards. Share-based awards with graded-vesting schedules are recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award.

The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model. The assumptions used in calculating the fair value of share-based awards represent management's best estimates, involve inherent uncertainties and the application of management's judgment.

Expected Term — The expected term of options represents the period that the Company's share-based awards are expected to be outstanding based on the simplified method, which is the half-life from vesting to the end of its contractual term.

Expected Volatility — The Company computes share price volatility over expected terms based on comparable companies' historical common stock trading prices.

Risk-Free Interest Rate — The Company bases the risk-free interest rate on the U.S. Treasuries implied yield with an equivalent remaining term.

Expected Dividend — The Company has never declared or paid any cash dividends on common shares and does not plan to pay cash dividends in the foreseeable future, and, therefore, uses an expected dividend yield of zero in valuation models.

The following are the assumptions used for the stock option grant on February 19, 2019:

Exercise price	$ 1.82
Expected term (years)	5.1
Expected stock price volatility	73.5 %
Risk-free rate of interest	2.5 %

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In accordance with ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting,* the Company records forfeitures as they occur.

Net Loss per Share

Net loss per common share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per common share is computed similar to basic net income per common share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. Due to the net loss for the Successor Period, diluted and basic loss per share are the same.

Securities that could potentially dilute loss per share in the future that were not included in the computation of diluted loss per share at December 31, 2020 and 2019 are as follows:

	2020	2019
Warrants to purchase common stock	27,093,334	27,093,334
Unvested restricted stock units	3,280,290	3,278,324
Options to purchase common stock	245,904	274,559
Total	30,619,528	30,646,217

Income Taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns using the asset and liability method. In estimating future tax consequences, all expected future events other than changes in the tax laws or rates are considered. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years and for tax carryforwards if, in the opinion of management, it is more likely than not that the deferred tax assets will be realized.

The Company has recorded a valuation allowance to reduce their deferred tax assets to the net amount that they believe is more likely than not to be realized. The Company considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing tax planning strategies in assessing the need for a valuation allowance.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company recognizes interest and penalties related to income tax matters in income tax expense.

As a result of the Acquisition, a temporary difference between the book fair value and tax basis for the assets acquired of $39.9 million was created, resulting in a deferred tax liability and additional goodwill. During the 2019 Successor Period, the Company recorded a measurement period adjustment decreasing the deferred tax liability and goodwill by $11.0 million due to a decrease in intangible assets and updated information regarding facts and circumstances which existed as of the date of the business combination. See Note 3 and 9.

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Recently Adopted Accounting Pronouncements

On January 1, 2020, we adopted Accounting Standards Update ("ASU") No. 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements (Topic 820),* which improved the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements. The adoption of this new standard did not have a material impact on our consolidated financial statements.

On January 1, 2020, we adopted ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40) – Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 aligns the accounting for implementation costs incurred in a hosting arrangement that is a service contract with the accounting for implementation costs incurred to develop or obtain internal-use software under Accounting Standards Codification ("ASC") 350-40 – Internal Use Software, in order to determine which costs to capitalize and recognize as an asset and which costs to expense. The adoption of this new standard did not have a material impact on our consolidated financial statements.

In February 2017, the FASB issued guidance which simplifies the subsequent measurement of goodwill by no longer requiring an entity to determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Under this new guidance, an entity would perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity would consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. Under the new guidance, an entity continues to have the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. This guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those years. The Company adopted this standard effective January 1, 2020, and the adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) in order to increase transparency and comparability among organizations by, among other provisions, recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. For public companies, ASU 2016-02 was effective for fiscal years beginning after December 15, 2018 (including interim periods within those periods) using a modified retrospective approach and early adoption is permitted. In transition, entities may also elect a package of practical expedients that must be applied in its entirety to all leases commencing before the adoption date, unless the lease is modified, and permits entities to not reassess (a) the existence of a lease, (b) lease classification or (c) determination of initial direct costs, as of the adoption date, which effectively allows entities to carryforward accounting conclusions under previous GAAP. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides entities an optional transition method to apply the guidance under Topic 842 as of the adoption date, rather than as of the earliest period presented. The Company adopted Topic 842 on January 1, 2019, using the optional transition method to apply the new guidance as of January 1, 2019, rather than as of the earliest period presented, and elected the package of practical expedients described above. Based on the analysis, on January 1, 2019, the Company recorded right of use assets of approximately $3.9 million and a related lease liability of approximately $4.0 million.

Recently Issued Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740), *Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021 and interim periods beginning

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after December 15, 2022. Early adoption is permitted, including adoption in an interim period. The Company does not expect that the impact of this guidance will have a material impact on its financial statements.

In June 2020, the FASB issued ASU No. 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)*. This standard eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS computation. ASU No. 2020-06 is effective for fiscal years beginning after December 15, 2021 and interim periods beginning after December 15, 2022 using the fully retrospective or modified retrospective method. Early adoption is permitted but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the potential impact of this standard on its condensed consolidated financial statements.

Note 3. Business Combination

Business Combination

On February 19, 2019, the Company consummated the Business Combination, pursuant to which it acquired each of Bonfire, CityBase, eCivis, Open Counter, Questica, and Sherpa. In connection with the closing of the Business Combination (the "Closing"), pursuant to the GTY Agreement among the Company, GTY Cayman, and GTY Technology Merger Sub, Inc. ("GTY Merger Sub"), merged with and into GTY Cayman, with GTY Cayman surviving the merger as a direct, wholly-owned subsidiary of the Company, and in connection therewith the Company changed its name from GTY Govtech, Inc. to GTY Technology Holdings Inc. The acquisition qualifies as a business combination under ASC 805. Accordingly, the Company recorded all assets acquired and liabilities assumed at their acquisition-date fair values, with any excess recognized as goodwill.

Bonfire Acquisition

Under the Bonfire agreement, at Closing, the Company acquired Bonfire for aggregate consideration of approximately $48.0 million in cash and 2,156,014 shares of Company common stock valued at $10.00 per share and 2,161,741 shares of a related company ("Bonfire Exchangeco"), each of which is exchangeable for shares of Company common stock on a one-for-one basis at any time of the choosing of the holders of Bonfire capital stock (the "Bonfire Holders"). Of the shares issued to Bonfire Holders, 2,008,283 shares of Company common stock and 2,093,612 exchangeable shares in the capital stock of Bonfire Exchangeco (the "Bonfire Exchangeco Shares") are subject to transfer restrictions for one year, which such transfer restrictions may be lifted earlier if, subsequent to the Closing, (i) the last sale price of the Company common stock equals or exceeds $12.00 per share (as adjusted for share splits, share dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after Closing, or (ii) the Company consummates a subsequent liquidation, merger, share exchange or other similar transaction which results in all of its shareholders having the right to exchange their shares of Company common stock for cash, securities or other property. In addition, approximately $3.1 million in cash and 690,000 shares of Company common stock were deposited into escrow for a period of up to one year to cover certain indemnification obligations of the Bonfire Holders. In September 2020, the cash and shares were released from escrow and delivered to the Bonfire Holders.

Additionally, in accordance with the Bonfire agreement, 1,218,937 unvested options to purchase shares of Bonfire common stock were converted into 408,667 options to purchase shares of Company common stock.

During the 2019 Successor Period, 193,645 shares of the Bonfire Exchangeco Shares were converted into the Company's common stock on a one-for-one basis. The Bonfire Exchangeco Shares were subject to the transfer restrictions

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described above, and the common stock issued for these shares were subject to the same transfer restrictions, discussed above.

During the 2019 Successor Period, the Company recorded a measurement period adjustment for the decrease in aggregate consideration of $0.1 million relating to the settlement of the working capital adjustment in accordance with the Bonfire agreement.

CityBase Acquisition

Under the CityBase agreement, at Closing, the Company acquired CityBase for aggregate consideration of approximately $62.2 million in cash and 3,155,961 shares of Company common stock valued at $10.00 per share. Holders of CityBase stock, ("CityBase Holders") may elect to have their shares subject to transfer restrictions for up to one year or to have their shares subject to redemption at the Company's option for a promissory note in an amount equal to $10.00 per share redeemed, which note would bear interest at a rate of 8% per annum in the first year after issuance and 10.0% per annum thereafter (subject to an increase of 1% for each additional 6 months that has elapsed without full payment of such note) (which option was not exercised and expired on the 90th day after the Closing). Prior to the consummation of the Business Combination, certain of the CityBase Holders agreed to purchase 380,937 Class A Ordinary Shares of GTY Cayman with the proceeds they would have otherwise received from the closing of the CityBase Transaction, which resulted in an approximate $3.8 million reduction to the amount of cash payable to the CityBase Holders. In addition, approximately $2.1 million in cash and 1,000,000 shares of Company common stock were deposited into escrow for a period of up to one year to cover certain indemnification obligations of the CityBase Holders. To date, $1.1 million in cash has been reimbursed to the Company for qualified legal expenses.

For the year ended December 31, 2019, the Company recorded measurement period adjustments for (i) the increase in the aggregate consideration of $0.2 million relating to the settlement of the working capital adjustment in accordance with the CityBase Agreement, and (ii) the conversion of $0.04 million of stock consideration to cash consideration for the correction of an investor's status to a non-accredited investor.

eCivis Acquisition

Under agreements with eCivis, at Closing, the Company acquired eCivis for aggregate consideration of approximately $14.0 million in cash and 2,883,433 shares of Company common stock valued at $10.00 per share, including 703,631 shares of the Company's common stock, that are redeemable for cash at any time in the sole discretion of the Company for a price of $10.00 per share (the "Redeemable Shares"). Upon redemption of the Redeemable Shares, the Company will simultaneously redeem additional shares from the holder of eCivis capital stock ("eCivis Holder") equal to 40% of the number of Redeemable Shares being redeemed (the "Additional Shares") at $10 per share. If the Redeemable Shares are not redeemed by February 12, 2021, the Company will be subject to issuing additional shares, as calculated based on the number of outstanding Redeemable Shares. The shares not subject to a redemption right are subject to transfer restrictions for one year, provided; however, such transfer restrictions may be lifted earlier if, subsequent to the Closing, (i) the last sale price of the Company common stock equals or exceeds $12.00 per share (as adjusted for share splits, share dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after Closing, or (ii) the Company consummates a subsequent liquidation, merger, share exchange or other similar transaction which results in all of its shareholders having the right to exchange their shares of Company common stock for cash, securities or other property. In addition, approximately $3.6 million in cash and 242,200 shares of Company common stock were deposited into escrow for a period of up to one year to cover certain indemnification obligations of the eCivis Holders. In October 2020, the shares held in escrow and $1.9 million in cash were released to the eCivis Holders and $0.2 million was reimbursed to the Company for qualified legal expenses.

During the 2019 Successor Period, 178,571 Redeemable Shares and 71,428 Additional Shares were redeemed. On January 7, 2021, the remaining redeemable shares outstanding were redeemed for approximately $8 million.

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During the 2019 Successor Period, the Company recorded a measurement period adjustment for the increase in aggregate consideration of $0.5 million relating to the settlement of the working capital adjustment in accordance with the eCivis agreements.

Open Counter Acquisition

Under agreements with Open Counter, at Closing, the Company acquired Open Counter for aggregate consideration of approximately $9.7 million in cash and 1,580,990 shares of Company common stock valued at $10.00 per share that were redeemable at the sole discretion of the Company (the "OC Redeemable Shares") by holders of Open Counter capital stock ("Holders"). In March 2019, the OC Redeemable Shares were redeemed for a promissory note, which was subsequently repaid in March 2019. The shares that were not subject to a redemption right are subject to transfer restrictions for one year, provided; however, such transfer restrictions may be lifted earlier if, subsequent to the Closing, (i) the last sale price of the Company common stock equals or exceeds $12.00 per share (as adjusted for share splits, share dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after Closing, or (ii) the Company consummates a subsequent liquidation, merger, share exchange or other similar transaction which results in all of its shareholders having the right to exchange their shares of Company common stock for cash, securities or other property. In addition, approximately $1.3 million in cash and 164,554 shares of Company common stock were deposited into escrow for a period of one year to cover certain indemnification obligations of the Open Counter Holders. In August 2020, the cash and shares were released from escrow and delivered to the Open Counter Holders.

During the 2019 Successor Period, the Company recorded a measurement period adjustment for the decrease in aggregate consideration of $0.1 million relating to the settlement of the working capital adjustment in accordance with the Open Counter Agreement and the Open Counter Letter Agreement.

Questica Acquisition

Under agreements with Questica, at Closing, the Company indirectly acquired Questica for aggregate consideration of approximately $44.4 million in cash and an aggregate of 2,600,000 Class A exchangeable shares in the capital stock of a related company ("Questica Exchangeco"), which is exchangeable into shares of the Company's common stock, and 1,000,000 Class B shares in the capital stock of Questica Exchangeco, which is not exchangeable into shares of Company common stock, that were issued to the holders of Questica capital stock (the "Questica Holders"). In accordance with the Questica Shareholder Agreement dated as of February 12, 2019 by and among the Company and certain Questica Holders (the "Questica Shareholder Agreement"), 500,000 Class C exchangeable shares in the capital stock of Questica Exchangeco had been redeemable at the sole discretion of the Company at any time for $5.0 million plus all accrued and unpaid dividends, and may be exchanged for shares of Company common stock beginning on the sixty-first day following the Closing for a number of shares of Company common stock equal to $5.0 million plus accrued and unpaid dividends divided by the lesser of (i) $10.00 or (ii) the 5-day volume weighted average price ("VWAP") at the time of exchange. In June 2019, these shares were redeemed for 500,000 shares of the Company common stock at the market price of $7.72, or $3.9 million, and transferred to permanent equity, and $1.3 million of cash. The incremental $0.2 million above the stated redemption price was recorded as a deemed dividend in the accompanying condensed consolidated financial statements. The Class A exchangeable shares in the capital stock of Questica Exchangeco are subject to transfer restrictions for one year, provided; however, such transfer restrictions may be lifted earlier if, subsequent to the Closing, (i) the last sale price of the Company common stock equals or exceeds $12.00 per share (as adjusted for share splits, share dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after Closing, or (ii) the Company consummates a subsequent liquidation, merger, share exchange or other similar transaction which results in all of its shareholders having the right to exchange their shares of Company common stock for cash, securities or other property. In addition, approximately \$0.1 million in cash and 800,000 of the exchangeable shares described above were deposited into escrow for a period of one year to cover certain indemnification obligations of the Questica Holders. During the year ended December 31, 2020, the cash and exchangeable shares were released from escrow and delivered to the Questica Holders.

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Sherpa Acquisition

Under agreements with Sherpa, at Closing, the Company indirectly acquired Sherpa for aggregate consideration of approximately $4.2 million in cash and 100,000 shares of Company common stock (valued at $10.00 per share) all of which are redeemable for a promissory note bearing interest equal to 5.5% per annum in the first year subsequent to issuance and 8.0% per annum thereafter at the sole discretion of the Company within seven days of the Closing. In addition, approximately $0.9 million in cash was deposited into escrow for a period of one year to cover certain indemnification obligations of the holders of Sherpa units. In August 2020, the cash was released from escrow and delivered to the Sherpa owner.

During the 2019 Successor Period, the Company recorded a measurement period adjustment for the decrease in aggregate consideration of $0.2 million relating to the settlement of the working capital adjustment in accordance with the Sherpa agreements.

The following is a summary of the initial consideration paid and issued to each Acquired Company:

	Cash Consideration	Stock Consideration	Contingent Consideration	Total	Adjusted Net Assets	Goodwill	Intangibles	Deferred Tax Liability
Bonfire	$ 51,068	$ 50,078 (1)	$ 325	$101,471	$ 3,639	$ 81,964	$ 22,668	$ 6,800
CityBase	64,261	41,560	48,410	154,231	782	119,741	48,155	14,447
eCivis	17,592	31,256	5,859	54,707	(1,788)	47,397	12,997	3,899
OpenCounter	10,958	17,455	—	28,413	(1,441)	22,524	10,471	3,141
Questica	44,494	31,000 (2)	9,311	84,805	3,652	57,479	33,821	10,147
Sherpa	5,105	1,000	1,898	8,003	1,066	3,497	4,914	1,474
Total	$ 193,478	$ 172,349	$ 65,803	$431,630	$ 5,910	$332,602	$133,026	$39,908

(1) Includes $21.6 million of convertible stock consideration
(2) Includes $31.0 million of convertible stock consideration

During the 2019 Successor Period, the Company made the Measurement Period Adjustments that resulted in (i) an increase in the aggregate consideration of the Acquisition of $0.4 million relating to the settlement of the working capital adjustments, (ii) the conversion of $0.04 stock consideration to cash consideration for the correction of an investor's status to a non-accredited investor, and (iii) a decrease in intangible assets of $4.4 million, (iv) a decrease in contingent consideration as a result of the Acquisition of $7.5 million and (v) a decrease in the related deferred tax liability of $11.0 million due to updated information regarding facts and circumstances which existed as of the date of the business combination. The Measurement Period Adjustments resulted in a net decrease to goodwill of $13.8 million.

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The following table is a summary of the measurement period adjustments to consideration paid and issued to each Acquired Company:

	Cash Consideration	Stock Consideration	Contingent Consideration	Total	Adjusted Net Assets	Goodwill	Intangibles	Deferred Tax Liability
Bonfire	$ (97)	$ —	$ —	$ (97)	$ —	$ (299)	$ 202	$ —
CityBase	246	(42)	(7,535)	(7,331)	—	(13,384)	(2,241)	(8,294)
eCivis	481	—	—	481	—	990	(1,071)	(562)
OpenCounter	—	—	—	—	—	(568)	(139)	(707)
Questica	—	—	—	—	—	492	(492)	—
Sherpa	(214)	—	—	(214)	—	(1,000)	(688)	(1,474)
Total	$ 416	$ (42)	$ (7,535)	$(7,161)	$ —	$(13,769)	$ (4,429)	$(11,037)

The following table is a summary of the final consideration paid and issued to each Acquired Company including the Measurement Period Adjustments:

	Cash Consideration	Stock Consideration	Contingent Consideration	Total	Adjusted Net Assets	Goodwill	Intangibles	Deferred Tax Liability
Bonfire	$ 50,971	$ 50,078 (1)	$ 325	$101,374	$ 3,639	$ 81,665	$ 22,870	$ 6,800
CityBase	64,507	41,518	40,875	146,900	782	106,357	45,914	6,153
eCivis	18,073	31,256	5,859	55,188	(1,788)	48,387	11,926	3,337
OpenCounter	10,958	17,455	—	28,413	(1,441)	21,956	10,332	2,434
Questica	44,494	31,000 (2)	9,311	84,805	3,652	57,971	33,329	10,147
Sherpa	4,891	1,000	1,898	7,789	1,066	2,497	4,226	—
Total	$ 193,894	$ 172,307	$ 58,268	$424,469	$ 5,910	$318,833	$128,597	$28,871

(1) Includes $21.6 million of convertible stock consideration
(2) Includes $31.0 million of convertible stock consideration

The following table represents the final allocation of consideration to the assets acquired and liabilities assumed at their estimated acquisition-date fair values, including the Measurement Period Adjustments discussed above:

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	Bonfire	CityBase	eCivis	OpenCounter	Questica	Sherpa	Total
Cash	$ 4,641	$ 2,191	$ 136	$ 107	$ 6,762	$ 632	$ 14,469
Accounts receivable, net	323	1,018	720	46	1,257	587	3,951
Prepaid expense and other current assets	607	170	340	—	77	33	1,227
Fixed assets	118	500	56	29	182	2	887
Loan receivable - related party	—	175	—	—	—	—	175
Right of use assets	1,315	—	901	—	296	—	2,512
Other assets	369	783	30	—	1,061	—	2,243
Intangible assets	22,870	45,914	11,926	10,332	33,329	4,226	128,597
Goodwill	81,665	106,357	48,387	21,956	57,971	2,497	318,833
Accounts payable and accrued expenses	(1,085)	(1,192)	(586)	(124)	(909)	(188)	(4,084)
Contract liabilities	(1,221)	(816)	(1,635)	(483)	(2,774)	—	(6,929)
Lease liability - short term	(366)	—	—	—	(296)	—	(662)
Deferred tax liability	(6,800)	(6,153)	(3,337)	(2,434)	(10,147)	—	(28,871)
Other current liabilities	—	—	(3)	(491)	(767)	—	(1,261)
Capital lease obligations - current portion	—	(139)	—	—	—	—	(139)
Contract and other long-term liabilities	(60)	(1,646)	(56)	—	—	—	(1,762)
Capital lease obligation, less current portion	—	(262)	—	—	—	—	(262)
Long term debt	—	—	—	(525)	—	—	(525)
Lease liability - long term	(1,002)	—	(901)	—	—	—	(1,903)
Contingent consideration - pre-existing	—	—	(790)	—	(1,237)	—	(2,027)
Total consideration	$101,374	$146,900	$55,188	$ 28,413	$ 84,805	$7,789	$424,469

Transaction Costs

Transaction costs incurred by the Company associated with the Acquisition were $37.0 million in the 2019 Successor Period.

Note 4. Goodwill and Intangible Assets

In connection with the business combinations on February 19, 2019, the Company recognized goodwill and certain identifiable intangible assets, which were subsequently adjusted with measurement period adjustments. See Note 3.

Goodwill

The following table provides a rollforward of Goodwill for the year ended December 31, 2020 and 2019 Successor Period:

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	Bonfire	CityBase	eCivis	Open Counter	Questica	Sherpa	Total
Balance at February 18, 2019	—	—	—	—	—	—	—
Goodwill in purchase price allocation	81,964	119,741	47,397	22,524	57,479	3,497	332,602
Measurement period adjustment	(299)	(13,384)	990	(568)	492	(1,000)	(13,769)
Goodwill impairment	(12,921)	(18,030)	(1,247)	—	—	—	(32,198)
Balance at December 31, 2019	68,744	88,327	47,140	21,956	57,971	2,497	286,635
Goodwill impairment	—	—	(2,000)	—	—	—	(2,000)
Balance at December 31, 2020	68,744	88,327	45,140	21,956	57,971	2,497	284,635

Goodwill is tested for impairment at least annually by comparing the estimated fair values of the reporting units to their relative carrying values. The Company uses the income and market methods to estimate the fair value of the asset, which is based on forecasts of the expected future cash flows of the respective reporting unit. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants, and include the amount and timing of future cash flows (including expected growth rates and probability). Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

The Company believes its estimates and assumptions utilitized in its impairment testing are reasonable and are comparable to those that would be used by other marketplace participants. However, actual events and results could differ substantially from those used in the valuations. To the extent such factors result in a failure to achieve the level of projected cash flows initially used to estimate fair value for purposes of establishing or subsequently impairing the carrying mount of goodwill, the Company may need to record additional non-cash impairment charges in the future.

For the year ended December 31, 2020, the Company recorded goodwill impairment of $2.0 million. During 2020, the Company determined that the fair value of the eCivis reporting unit was less than its carrying value. As a result, the Company recorded a $2.0 million impairment charge. This reduction was largely due to the reporting unit's inability to service its existing backlog during the Covid-19 pandemic. Significant judgment was required to estimate the fair value of the reporting unit, and the Company obtained the assistance of a third-party valuation specialist. To demonstrate the sensitivity of the estimates, a change in 100 basis points of the discount rate would result in an approximate 8% change in the fair value of the reporting unit.

For the 2019 Successor Period, the Company recorded goodwill impairment of $32.2 million. The reporting units CityBase, Bonfire, and eCivis reported an $18.0 million, $12.9 million and $1.2 million impairment charge, respectively. These reductions were largely due to material differences between revenue growth forecasts and actual results. Significant judgment was required to estimate the fair value of these reporting units, and the Company obtained the assistance of a third-party valuation specialist.

Intangible Assets

Identifiable intangible assets consist of the following as of December 31, 2020 and 2019:

	December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents / Developed Technology	$ 60,084	$ (14,026)	$ 46,058
Trade Names / Trademarks	16,348	(3,227)	13,121

Customer Relationships	51,003	(9,514)	41,489
Non-Compete Agreements	1,162	(723)	439
Total Intangibles	$ 128,597	$ (27,490)	$ 101,107

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	December 31, 2019		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
Patents / Developed Technology	$ 60,084	$ (6,496)	$ 53,588
Trade Names / Trademarks	16,348	(1,579)	14,769
Customer Relationships	51,003	(4,400)	46,603
Non-Compete Agreements	1,162	(334)	828
Total Intangibles	$ 128,597	$ (12,809)	$ 115,788

Amortization expense recognized by the Company related to intangible assets for the year ended December 31, 2020 and 2019 Successor Period was $14.7 million and $12.8 million, respectively. Amortization expense recognized by the Predecessor for the 2019 Predecessor Period was $32,000. There were no impairment charges recorded for amortizable intangible assets for the year ended December 31, 2020, the 2019 Successor Period and the 2019 Predecessor Period.

The following are the useful lives of acquired intangible assets:

	Useful Lives (Years)
Patents / Developed Technology	8
Trade Names / Trademarks	1-10
Customer Relationships	10
Non-Compete Agreements	3

The estimated aggregate future amortization expense for intangible assets is as follows:

Year ended December 31, 2021	14,611
Year ended December 31, 2022	14,276
Year ended December 31, 2023	14,224
Year ended December 31, 2024	14,263
Year ended December 31, 2025	14,224
Thereafter	29,509
	$101,107

Note 5. Related Party Transactions

Convertible Note

On August 8, 2018, GTY Cayman issued the Convertible Note to GTY Investors, LLC (the "Sponsor"), pursuant to which GTY Cayman was able to borrow up to $1 million from the Sponsor from time to time. The Convertible Note did not bear interest. The Sponsor had the option to convert any amounts outstanding under the Convertible Note, up to $1.0 million in the aggregate, into warrants at a conversion price of $1.50 per warrant. The terms of such warrants were identical to the private placement warrants. During the period ended March 31, 2019, GTY drew down $0.4 million on the Convertible Note, resulting in $1.0 million principal amount outstanding. The $1.0 million principal amount was offset against amounts due from the Sponsor (see "Agreements and Arrangements with Certain Institutional Investors") and, as of December 31, 2019, there was no amount outstanding under the Convertible Notes.

Agreements and Arrangements with Certain Institutional Investors

On February 13, 2019, GTY Cayman, the Sponsor, William D. Green, Joseph M. Tucci and Harry L. You (Messrs. Green, Tucci and You, collectively, the "Founders") entered into agreements and arrangements with certain institutional

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investors pursuant to which a total of 1,500,000 Class A Ordinary Shares of GTY Cayman were not redeemed in connection with the business combination (the “Outstanding Cayman Shares”). The holder of Outstanding Cayman Shares which were converted into shares of the Company’s common stock on the Closing Date on a one-for-one basis is entitled to put such shares to the Sponsor and the Founders for a purchase price equal to the price at which GTY Cayman redeemed Class A Ordinary Shares in connection with the business combination, $10.29 (the “redemption price”), payment of such purchase price is guaranteed by the Company, and to receive from the Company a cash payment, if and to the extent necessary, but not to exceed $250,000, in order to provide such shareholder with at least a 5% return on such shares above the redemption price. With respect to 1,000,000 of the Outstanding Cayman Shares, GTY Cayman engaged a broker-dealer to facilitate the purchase of the Outstanding Cayman Shares by an institutional investor prior to the Closing for $9.90 per share and agreed to pay such broker-dealer an amount per share in cash equal to the difference between the redemption price and $9.90. In addition, the Sponsor and the Founders entered into agreements prior to the Closing pursuant to which they were obligated to reimburse the holders of an additional 1,942,953 Class A Ordinary Shares that were not redeemed in connection with the business combination (the “Outstanding Class A Shares”) for losses that may be incurred upon the sale of the Outstanding Class A Shares within a specified period following the Closing, up to an agreed-upon limit, and the Company agreed to guarantee such reimbursement obligations of the Sponsor. During the Q1 2019 Successor Period, the Company, on behalf of the Sponsor, paid $4.0 million for losses incurred upon the sale of the Outstanding Class A Shares and, in turn, the Company reduced its convertible note liability for $1.0 million (see “Convertible Note”). During the 2019 Successor Period, the Sponsor reimbursed the Company for the remaining $3.0 million for such losses on the Outstanding Class A Shares. As of December 31, 2019, the Outstanding Class A Shares are no longer guaranteed by the Founders or the Company.

Note 6. Share-Based Compensation

Stock Options

In connection with the Acquisition, the Company adopted a stock option plan and issued 408,667 stock options to employees. The total fair value of the stock options at the grant date was $3.6 million.

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Total Intrinsic Value
Outstanding as of December 31, 2019	274,559	$ 2.14	7.9	$ 1,293
Granted	—	—	—	—
Exercised	(8,080)	1.16		
Forfeited/expired	(20,575)	1.16		
Outstanding as of December 31, 2020	245,904	$ 2.26	7.0	$ 1,130
Options vested and exercisable	172,582	$ 2.24	6.9	$ 795

For the year ended December 31, 2020 and the 2019 Successor Period, the Company recorded approximately $0.5 million and $2.6 million of share-based compensation expense, respectively, related to the options. As of December 31, 2020, the Company has $0.5 million of unrecognized share-based compensation cost which will be recognized over 0.6 years.

Restricted Stock Units

Subsequent to the Acquisition, the Company adopted a plan to issue restricted stock units ("RSUs") to employees as annual performance awards. RSUs may vest in ratable annual installments over either two or four years, as applicable,

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from the grant date, or RSUs may vest subject to the achievement of certain performance conditions over a three-year performance period, in each case, assuming continuous service by the employees through the applicable vesting dates.

A summary of the Company's restricted stock units and related information is as follows:

	Number of Units	Weighted Average Grant Price
Unvested as of December 31, 2019	3,278,324	$ 6.55
Granted	3,054,100	5.05
Vested	(786,137)	5.20
Forfeited/expired	(2,265,997)	7.33
Unvested as of December 31, 2020	3,280,290	$ 4.94

For the year ended December 31, 2020 and the 2019 Successor Period, the Company recorded approximately $8.2 million and $2.8 million of share-based compensation expense, respectively, related to the RSUs. As of December 31, 2019, the Company had unrecognized share-based compensation expense related to all unvested restricted stock units of $11.3 million. The weighted average remaining contractual term of unvested RSUs that is time based is approximately 1.1 years at December 31, 2020. As of December 31, 2020, 731,032 unvested RSUs contained performance conditions.

Note 7. Leases

The Company leases office space under agreements classified as operating leases that expire on various dates through 2030. Such leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of the Company's leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and right of use assets as the Company is not reasonably certain to exercise the options. Variable expenses generally represent the Company's share of the landlord's operating expenses. The Company does not act as a lessor or have any leases classified as financing leases.

The following summarizes quantitative information about the Company's leases:

Year Ended December 31, 2020

	Bonfire	CityBase	eCivis	Questica	Total
Finance lease cost					
Amortization of right-of-use assets	$ —	$ 68	$ —	$ —	$ 68
Interest	—	159	—	—	159
Operating lease cost	431	610	260	581	1,882
Total least cost	$ 431	$ 837	$ 260	$ 581	$2,109

	Bonfire	CityBase	Questica	Total
Weighted-average remaining lease term (years) – finance leases	N/A	1.2	N/A	1.2
Weighted-average remaining lease term (years) – operating leases	1.5	0.9	9.7	7.5
Weighted-average discount rate – finance leases	N/A	13.3 %	N/A	13.3 %
Weighted-average discount rate – operating leases	9.9 %	10.0 %	4.8 %	6.2 %

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As of December 31, 2020, future minimum lease payments under non-cancellable leases are as follows:

	Bonfire	CityBase	Questica	Operating Leases	Finance Leases
Year Ended December 31, 2021	482	458	404	1,344	581
Year Ended December 31, 2022	257	—	405	662	197
Year Ended December 31, 2023	—	—	361	361	—
Year Ended December 31, 2024	—	—	346	346	—
Year Ended December 31, 2025		—	413	413	—
Thereafter	—	—	2,087	2,087	—
Total	739	458	4,016	5,213	778
Less present value discount	(44)	(38)	(888)	(970)	(50)
Present value of lease liabilities	$ 695	$ 420	$3,128	$ 4,243	$ 728

Note 8. Term Loans

Credit Facility

On February 14, 2020, the Company entered into an unsecured term loan credit facility (“February 2020 Credit Facility) that provides for borrowing of term loans in an aggregate principal amount of $12.0 million. The credit facility had a maturity date of twelve months from the borrowing date of the term loans. On the closing date, the Company fully drew on the credit facility net of deferred issuance costs of $0.7 million. The $0.7 million of deferred issuance costs included $0.4 million of fees to be applied against interest and $0.3 million of other issuance costs. Amounts outstanding under the credit facility bore interest from the date the term loans were first made until the last day of the fiscal month immediately following the six-month anniversary of such initial borrowing date at a rate per annum equal to twelve percent. Commencing on the first day of each fiscal month thereafter, the interest rate increased by one percent per annum until the termination date. The February 2020 Credit Facility was terminated on November 13, 2020 and $0.2 million of unamortized deferred issuance costs were expensed and included in other income, net.

On November 13, 2020, the Company entered into a senior secured term loan facility (“November 2020 Credit Facility”) that provides for borrowing of term loans in an aggregate principal amount of $25,000,000. The November 2020 Credit Facility has a maturity date of 30 months from the borrowing of the term loans. On the closing date, the Company fully drew on the November 2020 Credit Facility and replaced the Company's February 2020 Credit Facility. Amounts outstanding under the November 2020 Credit Facility accrue interest at a rate of eight percent plus LIBOR or 8.15% at December 31, 2020 and two percent payment-in-kind (“PIK”) interest. The November 2020 Credit Facility is supported by a security interest in the assets of the Company and includes certain financial covenants pertaining to annual recurring revenue, revenue, and cash. As of December 31, 2020, the Company was compliant with all financial covenants.

For the year ended December 31, 2020, the Company recognized $1.1 million of interest expense under the February 2020 and November 2020 Credit Facilities and approximately $0.5 million of debt issuance costs. At December 31, 2020, the Company had accrued approximately $0.2 million of accrued interest.

Paycheck Protection Plan Loans (PPP Loans)

In April and May 2020, the Company's subsidiaries CityBase, eCivis, and Sherpa received $2.0 million, $0.9 million and $0.2 million, respectively, in loan proceeds from the Paycheck Protection Program (the "PPP") administered by the Small Business Administration (the "SBA") of the United States government. This program was established under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") which was created to provide fast and direct economic assistance for American workers and families, small businesses, and preserves jobs for American industries. The Company is using the funds to support the compensation expenses related to its US employees. These

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loans mature two years from the date of issuance and accrue interest at a rate of one percent per annum. As of December 31, 2020, the Company accounted for these loans in accordance with ASC 470. The Company expects to seek forgiveness for these loans during the year ended December 31, 2021.

The Company's term loans are summarized as follows:

	November 2020 Credit Facility	PPP Loans	Total
Principal	$ 25,000	$ 3,210	**$ 28,210**
Payment-in-kind ("PIK") accrued interest	69	—	**69**
Unamortized deferred issuance costs	(1,647)	—	**(1,647)**
Term loans, net	$ 23,422	$ 3,210	**$ 26,632**
Maturity Date	May 2023	April and May 2022	
Interest Rate	8% + LIBOR	1%	
PIK Interest Rate	2%	0%	

Note 9. Income Taxes

The components of the income tax provision (benefit) are as follows:

	2020	2019
Domestic		
Federal		
Current	$ 234	$ —
Deferred	(1,640)	(6,605)
State		
Current	108	3
Deferred	(251)	(3,459)
Foreign		
Current	—	(56)
Deferred	(890)	1,522
Total	$ (2,439)	$ (8,595)

A reconciliation of the US federal statutory tax rates and the effective tax rates is as follows:

	2020	2019
Statutory federal income tax provision	21.0%	21.0%
State taxes, net of federal income tax effect	4.5%	2.6%
Foreign taxes	0.6%	(8.8)%
Goodwill impairment expense	0.0%	(3.9)%
Permanent items	(6.8)%	0.0%
Nondeductible merger expenses	0.0%	(3.3)%
Valuation allowance	(14.2)%	(0.7)%
Other	0.2%	1.3%
Total	5.3%	8.2%

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Deferred tax assets (liabilities) comprised the following temporary differences between the financial statement carrying amounts and the tax basis of assets at December 31 and income tax attributes:

	2020	2019
Deferred tax assets:		
Depreciation	$ —	$ 1,035
Settlement amount	985	985
Stock-based compensation	2,391	487
Lease liability	125	510
Net operating losses	20,858	19,094
Tax credits	589	238
Deferred revenue	1,380	—
Deferred commissions	819	—
Other	496	(32)
Total deferred tax assets	27,643	22,317
Less: valuation allowance	(7,367)	(794)
Deferred tax assets, net of valuation allowance	20,276	21,523
Deferred tax liabilities:		
Property and equipment	(901)	—
Intangible Assets	(36,177)	(41,316)
Right of use assets	(119)	(483)
State deferreds	(561)	—
Other	(12)	—
Total deferred tax liabilities	(37,770)	(41,799)
Net deferred taxes	$ (17,494)	$ (20,276)

The Company’s valuation allowance for the year ended December 31, 2020 and 2019 Successor Period was approximately $7.4 and $0.8 million, respectively, relating to U.S. tax credits and federal net operating losses that we do not believe a tax benefit is more likely than not to be realized.

The Company has approximately $61.5 million of United States federal net operating losses and $9.7 million of Canadian federal net operating losses. The United States federal net operating losses will begin to expire in 2033. The Canadian federal net operating losses will begin to expire in 2039.

Utilization of the Company’s net operating loss and tax credit carryforwards may be subject to substantial annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such annual limitations could result in the expirations of the net operating loss and tax credit carryforwards before their utilization. The events that may cause ownership changes includes, but are not limited to, a cumulative stock ownership change of greater than 50% over a three-year period.

The Company and its subsidiaries are subject to Canadian and United States federal income tax, as well as income and franchise tax in multiple state and provincial jurisdictions. The Canadian and United States federal tax years ended December 31, 2017, and subsequent years, are open for the assessment of taxes and various state and provincial tax years ended December 31, 2016, and subsequent years, are open for the assessment of taxes.

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The 2017 Tax Cuts and Jobs Act (Tax Act) imposed a mandatory transition tax on accumulated foreign earnings and generally eliminated U.S. taxes on foreign subsidiary distribution. As a result, accumulated earnings in foreign jurisdictions are available for distribution to the U.S. without incremental U.S. taxes.

As of December 31, 2020 and 2019, the Company had no unrecognized tax benefits and does not anticipate any significant change to the unrecognized tax benefit balance. The Company would classify interest and penalties related to uncertain tax positions as income tax expense, if applicable. There was no interest expense or penalties related to unrecognized tax benefits recorded through December 31, 2020.

Note 10. Commitments and Contingencies

Legal Proceedings

From time to time, the Company may become involved in legal proceedings arising in the ordinary course of its business. The Company is not presently a party to any legal proceedings that, if determined adversely to the Company, would have a material adverse effect on the Company.

In connection with the Business Combination, the Company was involved in legal proceedings with OpenGov, Inc (“OpenGov”). On February 19, 2020, the Company entered into a settlement agreement with OpenGov to resolve all pending claims without any admission or concession of wrongdoing by the Company or other defendants. Pursuant to the settlement agreement, the Company recorded $3.3 million in acquisition costs for the 2019 Successor Period and accrued expenses as of December 31, 2019. See Note 12.

Indemnification

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to customers, vendors, investors, directors and officers with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is indeterminable. The Company has never paid a material claim, nor have it been sued in connection with these indemnification arrangements.

As of December 31, 2020 and 2019, the Company has not accrued a liability for these indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with these indemnification arrangements is not probable or reasonably estimable.

Note 11. Shareholders’ Equity

Initial Public Offering Redemption Shares

In connection with a shareholder meeting called to approve the business combination, the Company provided the holders of its outstanding Class A ordinary shares sold in the Company's initial public offering (the "public shareholders") with the opportunity to redeem all or a portion of their public shares. The public shareholders were entitled to redeem their public shares for a pro rata portion of the remaining balance in the trust account established in connection with the Company's initial public offering for the benefit of the Company's public shareholders and into which substantially all of the proceeds from the initial public offering were deposited (the "Trust Account"). The remaining 20,289,478 GTY Cayman public shares were recorded at a redemption value and classified as temporary equity upon the completion of the initial public offering, in accordance with Accounting Standards Codification ("ASC") Topic 480 "Distinguishing Liabilities from Equity." In connection with the Business Combination, 11,073,040 Class A ordinary shares of GTY were

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redeemed for $114.0 million, at a per share price of approximately $10.29. The remaining 9,216,438 shares with a redemption value of $88.9 million were transferred to permanent equity.

Subscription Agreement

Immediately prior to the Closing, pursuant to subscription agreements (the “Subscription Agreements”), dated as of various dates from January 9, 2019 through February 12, 2019, by and among GTY and certain institutional and accredited investors party thereto (the “Subscribed Investors”), GTY Cayman issued to the Subscribed Investors an aggregate of 12,863,098 Class A ordinary shares of GTY for $10.00 per share, for an aggregate cash purchase price of approximately $126.4 million and paid fees of $1.1 million, including three such Subscription Agreements with certain CityBase holders (including Michael Duffy, the chief executive officer of CityBase) for an aggregate of 380,937 Class A ordinary shares of GTY at a price of $10.00 per share, for an aggregate cash purchase price of approximately $3.8 million. The Class A ordinary shares of GTY issued to the Subscribed Investors were cancelled and exchanged on a one-for-one basis for shares of Company common stock at the Closing.

In connection with the Subscription Agreements, immediately prior to the Closing, the Sponsor surrendered to GTY Cayman for cancellation (at no cost to GTY) 231,179 Class B (founder) shares, which have been retroactively adjusted in the accompanying statement of stockholders equity, and sold 500,000 private placement warrants held by it to an accredited investor in a private placement for an aggregate of $250,000 or $0.50 per warrant (which was $1.00 per warrant less than the price originally paid for such warrants).

GTY Merger Share Exchange

In connection with the GTY Merger, all of the issued and outstanding shares of GTY Cayman were exchanged for an equal number of shares of GTY common stock and immediately before the exchange, each outstanding unit was separated into its component Class A ordinary share and warrant. Upon the exchange, 22,978,520 Class A and 13,568,821 Class B shares of GTY Cayman were exchanged for an aggregate of 36,547,341 shares of common stock of GTY.

Shares issued in the Acquisition

As part of the consideration for the Acquisition, the Company issued (a) 11,973,154 shares of common stock (as adjusted by the Measurement Period Adjustment below), of which 3,955,442 are redeemable at the option of the Company (the “Acquisition Redemption Shares”) (see Note 3), (b) 2.6 million Class A and 0.5 million Class C shares (the “Class C Shares”) of Questica Exchangeco (the “Questica Shares”) and 2,161,741 shares of Bonfire Exchangeco shares (collectively, the “Exchange Shares”) that are exchangeable into an equal number of common stock. The Exchange Shares are recorded as common shares of the Company. The Company also issued 1,000,000 Class B shares of Questica Shares which are not exchangeable for common stock and thus have no value. The shares issued as consideration in the Acquisition were valued at $10 per share in the accompanying condensed consolidated financial statements.

The 0.5 million Class C Shares were redeemable at the option of the shareholder at $10 per share, and thus the Company had classified the Class C Shares in the capital stock of Questica Exchangeco as temporary equity in accordance with ASC 480 - "Distinguishing Liabilities from Equity." In June 2019, these shares were redeemed for 0.5 million shares of Common Stock at the market price of $7.72, or $3.9 million, and transferred to permanent equity, and $1.3 million of cash. The incremental $0.2 million above the stated redemption price was recorded as a deemed dividend in the accompanying condensed consolidated financial statements.

In April 2019, 193,645 shares of the Bonfire Exchangeco Shares were converted into the Company's Common Stock on a one-for-one basis (see Note 3).

For the 2019 Successor Period ended December 31, 2019, there was a Measurement Period Adjustment to change $41,500, or 4,150 shares, of stock consideration to cash consideration (see Note 3).

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During the year-ended December 2019, the option to redeem 3,155,961 shares from the acquisition of CityBase was not exercised and expired and the 100,000 OC Redeemable Shares were redeemed. As of December 31, 2019, 525,060 shares of the Acquisition Redemption Shares, resulting from the Redeemable Shares from the acquisition of eCivis, remain redeemable at the option of the Company. The Redeemable Shares from the acquisition of eCivis require the Company to simultaneously redeem the Additional Shares (equal to 40% of the number of Redeemable Shares being redeemed). If the Redeemable Shares are not redeemed by February 12, 2020 and February 12, 2021, respectively, the Company is required to issue additional shares, as calculated based on the number of outstanding Redeemable Shares. On February 20, 2020, the Company issued 334,254 of these additional shares with respect to the February 12, 2020 deadline and recorded a loss of $2.1 million.

In March 2020 and April 2020, 246,097 and 230,199 shares of the Bonfire Exchangeco Shares were converted into the Company's common stock on a one-for-one basis, respectively. In September 2020, to correct an over allocation of common shares held in escrow, 352,675 shares of common stock were returned to the Company and 352,675 of the Bonfire Exchangeco Shares were issued to the Bonfire Holders.

Common Stock – GTY is authorized to issue 400,000,000 shares of common stock with a par value of $0.0001 per share.

In June 2019, the Company issued 3.5 million shares of common stock in a registered direct offering for $25.5 million, at a price of $7.70 per share, net of $1.5 million of offering costs.

In June 2019, two Bonfire employees cashless exercised 284 stock options and the Company issued 117 shares of common stock. For the year ended December 31, 2019, Bonfire employees exercised 112,526 stock options for the issuance of 112,526 shares of common stock.

In December 2019, 97,595 shares of common stock were issued for the vesting of RSUs.

In February 2020 and April 2020, the Company issued 1,550,388 of exchangeable shares and 336,965 shares of common stock to the former shareholders of Questica and Sherpa, respectively, for contingent consideration related to achieving certain acquisition related milestones.

In December 2020, the Company issued 2.0 million shares of common stock in a registered direct offering for $7.0 million at a price of $3.50 per share.

Share Repurchases

In March 2019, the Company redeemed 100,000 shares of common stock, the OC Redeemable Shares (See Note 3), for a promissory note in the principal amount of $1,000,000, which was subsequently repaid in March 2019, and included these in Treasury Stock in the accompanying condensed consolidated balance sheets.

In July 2019, in accordance with the eCivis agreements, the Company repurchased 250,000 shares of common stock (178,571 Redeemable Shares and 71,428 Additional Shares) for $2.5 million. These shares were included in Treasury Stock in the accompanying condensed consolidated balance sheets at the stock price on the date of the repurchases, or $1.7 million, and the remaining $0.8 million is included in Loss from repurchase of shares in the condensed consolidated statements of operations and comprehensive loss.

For the 2019 Successor Period, the Company repurchased 616,366 shares of common stock for $5.2 million. These shares were included in Treasury Stock in the accompanying condensed consolidated balance sheets at the stock price on the date of the repurchases, or $4.2 million, and the remaining $1.0

million is included in Loss from repurchase of shares in the condensed consolidated statements of operations and comprehensive loss.

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During the year ended December 31, 2020, the Company purchased 127,712 shares of common stock from employees under the Company's RSU plan.

Preferred Shares – GTY is authorized to issue 1,000,000 preferred shares with a par value of $0.0001 per share. As of December 31, 2019, there were no preferred shares issued or outstanding.

Warrants

At December 31, 2020 and 2019, there were a total of 27,093,334 warrants outstanding. The warrants were originally sold as part of the units offered in the IPO. Each warrant entitles the holder thereof to purchase one share of common stock at a price of $11.50 per share, subject to adjustments. The warrants may be exercised only for a whole number of shares of common stock. No fractional shares will be issued upon exercise of the warrants.

The Company may call the warrants for redemption, in whole and not in part, at a price of $0.01 per warrant, upon not less than 30 days' prior written notice of redemption to each warrant holder, if, and only if, the reported last sale price of common stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sends the notice of redemption to the warrant holders. The warrants were determined to be equity classified in accordance with ASC 815, *Derivatives and Hedging*.

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Note 12. Segment Reporting

The Company conducts the business through the following six operating segments: Bonfire, CityBase, eCivis, Open Counter, Questica and Sherpa.

The accounting policies of the operating segments are the same as those described in Note 2. Non-allocated interest expense and various other administrative costs are reflected in Corporate. Corporate assets include cash and cash equivalents, prepaid expenses and other current assets. The following provides operating information about the Company's reportable segments for the periods presented (in thousands):

	GTY	Bonfire	CityBase	eCivis	OpenCounter	Questica	Sherpa	Total
Successor								
Year ended December 31, 2020								
Total revenue	$ —	$ 7,806	$ 8,863	$ 6,693	$ 2,645	$ 16,527	$ 5,594	$ 48,128
Cost of revenues	—	1,520	6,682	3,030	563	3,446	3,227	18,468
Income (loss) from operations	(10,459)	(4,750)	(22,557)	(4,233)	(2,220)	830	671	(42,718)
Amortization of intangible assets	—	2,658	5,504	1,310	1,208	3,526	475	14,681
Depreciation expense	—	138	459	41	—	221	4	863
Interest income (expense), net	(1,663)	2	(92)	(6)	—	—	1	(1,758)
Benefit from (provision for) income taxes	(1,334)	691	1,922	1,294	669	(143)	(660)	2,439
Successor								
February 19, 2019 through December 31, 2019								
Total revenue	$ —	$ 3,863	$ 7,122	$ 4,742	$ 1,408	$ 10,005	$ 4,375	$ 31,515
Cost of revenues	—	1,003	5,063	1,744	367	2,375	1,376	11,928
Loss from operations	(28,752)	(22,860)	(32,666)	(772)	(2,159)	(14,346)	(2,362)	(103,917)
Amortization of intangible assets	—	2,286	4,750	1,133	1,039	3,031	570	12,809
Depreciation expense	—	62	132	24	5	130	2	355
Interest income (expense), net	530	14	(327)	(1)	—	9	—	225
Benefit from (provision for) income taxes	3,579	1,820	4,230	989	602	(3,285)	660	8,595
Predecessor								
January 1, 2019 through February 18, 2019								
Total revenue	$ —	$ 593	$ 820	$ 673	$ 298	$ 1,913	$ 631	$ 4,928
Cost of revenues	—	124	746	267	51	296	130	1,614
Income (loss) from operations	—	(741)	(1,499)	(265)	46	550	354	(1,555)
Amortization of intangible assets	—	—	—	32	—	—	—	32
Depreciation expense	—	70	33	22	1	22	—	148
Interest income (expense), net	—	5	(69)	—	(111)	5	—	(170)
Benefit from (provision for) income taxes	—	—	—	—	—	—	—	—
Successor								
As of December 31, 2020								
Goodwill	$ —	$ 68,744	$ 88,327	$45,140	$ 21,956	$ 57,971	$ 2,497	$ 284,635
Assets	31,407	92,841	110,339	55,676	28,474	102,436	11,274	432,447
Successor								
As of December 31, 2019								
Goodwill	$ —	$ 68,744	$ 88,327	$47,140	$ 21,956	$ 57,971	$ 2,497	$ 286,635
Assets	25,899	92,803	122,851	59,456	29,995	97,013	6,376	434,393

Revenues from North America customers accounted for greater than 90% of the Company's revenues for the periods presented.

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Note 13. Subsequent Events

On January 7, 2021, the Company paid approximately $8.0 million for 521,429 shares of common stock to settle its Redeemable Shares pursuant to the eCivis Cash Waiver Letter. See Note 3.

On February 19, 2021, the Company granted 849,879 restricted stock units which vest over a range of one to three years.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2019. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of our internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework*. Based on its assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information relating to this Item will be included in an amendment to this report or the proxy statement to be filed pursuant to Regulation 14A for our 2021 Annual Stockholders' meeting and is incorporated by reference in this report.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our officers, directors and persons who beneficially own more than ten percent of our shares of common stock to file reports of ownership and changes in ownership with the SEC. These reporting persons are also required to furnish us with copies of all Section 16(a) forms they file.

The Company is not aware of any late or delinquent filings required under Section 16(a) of the Exchange Act in respect of the Company's equity securities other than the following filed late due to administrative errors:

Name of Filer	Number of Reports Filed Late	Number of Transactions Not Reported on a Timely Basis
Jon Bourne	1	0
Jon Curran	1	1
Michael Duffy	1	1
David Farrell	1	2
James Ha	1	1
Justin Kerr	1	1
Craig Ross	1	2

These transactions now have been reported and the Company has designed and implemented additional controls to help avoid future administrative errors.

Item 11. Executive Compensation

Incorporated by reference from the information under the captions "Named Executive Officer Compensation," "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in our 2021 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated by reference from the information under the captions "Information Regarding Beneficial Ownership of Principal Stockholders, Directors and Management" and "Equity Compensation Plan Information" in our 2020 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated by reference from the information under the captions "Corporate Governance at Groupon," "Board Independence and Expertise" and "Certain Relationships and Related Party Transactions" in our 2021 Proxy Statement.

Item 14. Principal Accountant Fees and Services

Incorporated by reference from the information under the caption "Independent Registered Public Accounting Firm" in our 2021 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements: See "Index to Consolidated Financial Statements" at "Item 8. Consolidated Financial Statements and Supplementary Data" herein.

(b) Consolidated Financial Statement Schedules. All schedules are omitted for the reason that the information is included in the consolidated financial statements or the notes thereto or that they are not required or are not applicable.

(c) Exhibits: The exhibits listed in the Exhibit Index below are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Index

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated September 12, 2018, by and among GTY Cayman, GTY Technology Holdings Inc. (Massachusetts) and GTY Technology MergerSub, Inc. (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018).
2.2	Arrangement Agreement, dated September 12, 2018, by and among Bonfire Interactive Ltd., GTY Cayman, 1176370 B.C. Unlimited Liability Company, 1176363 B.C. Ltd. and the Bonfire Holders' Representative named therein (incorporated by reference to Exhibit 2.2 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018), as amended by Amendment No. 1 thereto, dated as of October 31, 2018 (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on November 5, 2018) and Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019).
2.3	Agreement and Plan of Merger, dated September 12, 2018, by and among CityBase, Inc., GTY Cayman, GTY Technology Holdings Inc. (Massachusetts), GTY CB Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.3 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018), as amended by Amendment No. 1 thereto, dated October 31, 2018 (incorporated by reference to GTY Cayman's Current Report on Form 8-K filed with the SEC on November 5, 2018), Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.2 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019) and Amendment No. 3 thereto, dated February 12, 2019 (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.4	Amended and Restated Agreement and Plan of Merger, dated December 28, 2018, by and among eCivis Inc., GTY Cayman, GTY EC Merger Sub, Inc. and the eCivis Holders' Representative named therein. (incorporated by reference to Exhibit 2.3 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019), as amended by Amendment No. 1 thereto, dated January 8, 2018 (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 14, 2019).
2.5	Amended and Restated Agreement and Plan of Merger, dated December 28, 2018, by and among Open Counter Enterprises Inc., GTY Cayman, OC Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.4 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019).
2.6	Share Purchase Agreement, dated September 12, 2018, by and among Questica Inc., Questica USCDN Inc., GTY Cayman, Fernbrook Homes (Hi-Tech) Limited, 1176368 B.C. Ltd. and each of the Questica Holders named therein (incorporated by reference to Exhibit 2.6 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018) as amended by Amendment No. 1 thereto, dated October 31, 2018 (incorporated by reference to the Exhibit 2.5 to GTY Cayman's Current Report on Form 8-K filed with the SEC on November 5, 2018), Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.5 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019) and Amendment No. 3 thereto, dated July 29, 2019 (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 7, 2019).

2.7	Unit Purchase Agreement, dated September 12, 2018, by and among Sherpa Government Solutions LLC, GTY Cayman, the Sherpa Holders named therein and the Sherpa Holders' Representative named therein (incorporated by reference to Exhibit 2.7 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018) as amended by Amendment No. 1 thereto, dated October 31, 2018 (incorporated by reference to the Exhibit 2.6 to GTY Cayman's Current Report on Form 8-K filed with the SEC on November 5, 2018) and Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.6 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019).
2.8	Form of eCivis Shareholder Agreements (incorporated by reference to Exhibit 2.2 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.9	Form of Open Counter Shareholder Agreements (incorporated by reference to Exhibit 2.3 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.10	Questica Shareholder Agreement, dated February 12, 2019, by and among GTY Cayman, GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.), Shockt Inc. and 1176368 B.C. Ltd. (incorporated by reference to Exhibit 2.4 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.11	Sherpa Shareholder Agreement, dated February 12, 2019, by and among GTY Cayman, GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) and David Farrell (incorporated by reference to Exhibit 2.5 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.12	Amendment No. 1, dated February 19, 2019, to the Amended and Restated Agreement and Plan of Merger, dated December 28, 2018, by and among Open Counter Enterprises Inc., GTY Cayman, OC Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.12 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
2.13	Amendment No. 3, dated February 12, 2019, to the Agreement and Plan of Merger, dated September 12, 2018, by and among CityBase, Inc., GTY Cayman, GTY Technology Holdings Inc. (Massachusetts), GTY CB Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
3.1	Articles of Organization of GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
3.2	Restated Articles of Organization of GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
3.3	Bylaws of GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) (incorporated by reference to Annex J to the Company's Registration Statement on Form S-4 (File No. 333-229189), filed with the SEC on January 11, 2019).
4.1	Specimen Stock Certificate of GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-4 (File No. 333-229189), filed with the SEC on January 11, 2019).
4.2	Specimen Warrant Certificate (incorporated by reference to the Exhibit 4.3 to GTY Cayman's Registration Statement on Form S-1 (File No. 333-213809), filed with the SEC on September

26,2016).

4.3 Warrant Agreement between GTY Cayman and Continental Stock Transfer & Trust Company, dated as of October 26, 2016 (incorporated by reference to Exhibit 4.4 to GTY Cayman's Current Report on Form 8-K, filed with the SEC on November 1, 2016).

4.4	Assignment and Assumption Agreement, dated February 19, 2019, by and between GTY Cayman, GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) and Continental Stock Transfer and Trust Company (incorporated by reference to Exhibit 2.12 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
4.5	Description of Securities
10.1	Form of Letter Agreement, by and between GTY Cayman and certain investors of City Base (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on October 16, 2018).
10.2	Form of Subscription Agreement, by and between GTY Cayman and certain institutional and accredited investors (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 14, 2019).
10.3	Subscription Agreement, dated February 13, 2019, by and among GTY Cayman and Michael Duffy (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
10.4	Letter Agreement among GTY Cayman, its officers and directors and GTY Investors, LLC, dated as of October 26, 2016 (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K, filed with the SEC on November 1, 2016).
10.5	Registration Rights Agreement among GTY Cayman, GTY Investors, LLC and the Holders signatory thereto, dated as of October 26, 2016 (incorporated by reference to Exhibit 10.3 to GTY Cayman's Current Report on Form 8-K, filed with the SEC on November 1, 2016).
10.6	Form of GTY Technology Holdings Inc. 2019 Omnibus Incentive Plan (incorporated by reference to Annex K to the Company's Registration Statement on Form S-4 (File No. 333-229189), filed with the SEC on January 11, 2019).
10.7	Form of GTY Technology Holdings Inc. 2019 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
10.8	Form of Indemnity Agreement (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed with the SEC on March 18, 2019).
10.9	Letter Agreement, dated May 7, 2019, by and between the Company and Stephen Rohleder (incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on May 13, 2019).
10.10	Letter Agreement, dated July 29, 2019, by and between the Company and John J. Curran (incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on August 14, 2019).
10.11	Amendment, dated October 25, 2019, to the Letter Agreement, dated July 29, 2019, by and between the Company and John J. Curran.
10.12	Form of Subscription Agreement (incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on June 5, 2019).

10.13 Credit Agreement dated February 14, 2020 by and among the Company, certain of its subsidiaries as guarantors, the lenders from time to time party thereto and Wilmington Trust, National Association, as Administrative Agent, with Nineteen77 Global Multi-Strategy Alpha Master Limited, an affiliate of UBS

	O'Connor LLC, as Sole Lead Arranger and Sole Bookrunner (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2020).
10.14	Loan and Security Agreement dated November 13, 2020 by and among the Company, each of the subsidiary guarantors from time to time party thereto, the financial institutions from time to time party thereto, and Acquiom Agency Services LLC, as agent for the Lenders (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 13, 2020).
10.15	At Market Sales Agreement with B. Riley Securities, Inc. and Needham & Company with respect to an at-the-market offering program under which the Company may offer and sell, from time to time at its sole discretion, shares of its common stock, par value $0.0001 per share having an aggregate offering price of up to $10,000,000 through B. Riley and Needham as its sales agents (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 25, 2020).
21.1	Subsidiaries of the Company (incorporated by reference to Exhibit 21.1 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
23.1	Consent of WithumSmith + Brown, PC.
24.1	Powers of Attorney (included on the signature page of the Registration Statement).
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in exhibit 101)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

GTY TECHNOLOGY HOLDINGS INC.

Date: February 19, 2021

By: /s/ TJ Parass
TJ Parass
Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints TJ Parass and Harry L. You and each or any one of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the United States Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

/s/ TJ Parass TJ Parass	Chief Executive Officer, President and Director (principal executive officer)	February 19, 2021
/s/ John J. Curran John J. Curran	Chief Financial Officer, Treasurer (principal financial officer)	February 19, 2021
/s/ Justin Kerr Justin Kerr	Controller and Chief Accounting Officer (principal accounting officer)	February 19, 2021
/s/ William D. Green William D. Green	Chairman of the Board	February 19, 2021
/s/ Harry L. You Harry L. You	Vice Chairman of the Board	February 19, 2021
/s/ Randolph Cowen Randolph Cowen	Director	February 19, 2021
/s/ Joseph M. Tucci Joseph M. Tucci	Director	February 19, 2021
/s/ Charles Wert Charles Wert	Director	February 19, 2021

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-37931

GTY Technology Holdings Inc.

(Exact name of Registrant as specified in its Charter)

Massachusetts	**83-2860149**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1180 North Town Center Drive, Suite 100 **Las Vegas, Nevada**	**89144**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(702) 945-2898**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Symbol	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	**GTYH**	**Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $212.7 million based upon the closing sale price of our common stock of $6.85 on that date. As of March 13, 2020, there were 53,504,278 shares of common stock, $0.0001 par value, issued and 52,887,912 outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Stockholders to be held in 2020, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation and availability of resources. Specifically, forward-looking statements may include statements relating to:

- the benefits of our February 2019 business combination (the "business combination");
- the future financial performance of the Company, including our revenues, cost of revenue, gross profit, operating expenses, ability to generate positive cash flow and ability to achieve profitability;
- the sufficiency of our cash to meet our liquidity needs;
- changes in the market for our products;
- expansion plans and opportunities; and
- other statements preceded by, followed by or that include the words "may," "can," "should," "will," "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "target" or similar expressions.

You should not place undue reliance on these forward-looking statements in deciding whether to invest in our securities. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- the risk that the ongoing integration of the businesses acquired in the business combination may disrupt current plans and operations;
- the ability to recognize the anticipated benefits of the business combination, which may be affected by, among other things, competition and the ability of the combined business to grow and manage growth profitably;
- costs related to the business combination;
- changes in applicable laws or regulations;
- the risk that we are unable to generate sufficient cash flow from our business to make payments on our debt;
- the ability to raise or borrow additional funds on acceptable terms;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors; and
- other risks and uncertainties described in this Annual Report on Form 10-K under "Risk Factors."

Our forward-looking statements speak only as of the time that they are made and do not necessarily reflect our outlook at any other point in time, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Unless the context indicates otherwise, the terms "GTY," the "Company," "we," "us" and "our" refer to GTY Technology Holdings Inc., a Massachusetts corporation (f/k/a GTY Govtech, Inc.).

Item 1. Business.

GTY Business Overview

GTY Technology Holdings Inc. (GTY) is software as a service ("SaaS") company that offers a cloud-based suite of solutions for the public sector, in North America. GTY brings leading government technology companies together to achieve a new standard in citizen engagement and resource management. GTY solutions provide public sector organizations with the ability to communicate, engage, interact, conduct business and transact with their constituents in a simple and easy manner spanning functions in procurement, payments, grants management, budgeting, and permitting.

GTY operates through six operating subsidiaries: Bonfire provides strategic sourcing and procurement software to enable confident and compliant spending decisions; CityBase provides government payment solutions to connect constituents with utilities and government agencies; eCivis offers a grants management system to maximize grant revenues and track performance; Open Counter provides government permitting software to guide applicants through complex permitting and licensing procedures; Questica offers budget preparation and management software to deliver on financial and non-financial strategic objectives; Sherpa provides public sector budgeting software and consulting services.

We were initially formed as a blank check company incorporated on August 11, 2016 as a Cayman Islands exempted company formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. Until the consummation of the business combination, we did not engage in any operations nor generated any revenue.

On November 1, 2016, we consummated our initial public offering of 55,200,000 units, including the issuance of 7,200,000 units as a result of the underwriters' exercise of their over-allotment option in full. Each unit consisted of one Class A ordinary share and one-third of one warrant. Each whole warrant entitled the holder thereof to purchase one Class A ordinary share at a price of $11.50 per share. The units were sold at an offering price of $10.00 per unit, generating gross proceeds, before expenses, of $552 million. Prior to the consummation of the initial public offering, in August, 2016, GTY Investors, LLC (the "Sponsor") purchased 8,625,000 Class B ordinary shares ("founder shares") for an aggregate purchase price of $25,000, or approximately $0.002 per share. On each of October 14 and October 26, 2016, we effected a share capitalization resulting in an aggregate of 11,500,000 and 13,800,000 founder shares outstanding, respectively. In October 2016, the Sponsor transferred 25,000 founder shares to each of our independent director nominees at the same per-share purchase price paid by the Sponsor.

Simultaneously with the closing of the initial public offering, we consummated the private placement of 8,693,334 private placement warrants, each exercisable to purchase one Class A ordinary share at $11.50 per share, at a price of $1.50 per private placement warrant, with the Sponsor, generating gross proceeds of approximately $13.04 million.

Upon the closing of the initial public offering and private placement on November 1, 2016, $552 million from the net proceeds of the sale of the units in the initial public offering and the private placement was placed in a U.S.-based trust account maintained by Continental Stock Transfer & Trust Company, acting as trustee.

Initially, we were required to complete our initial business combination by November 1, 2018, which was 24 months from the closing of our initial public offering. On October 30, 2018, our shareholders approved a proposal to amend our second amended and restated memorandum and articles of association to extend the date by which we had to consummate an initial business combination from November 1, 2018 to May 1, 2019. In connection with such proposal, our public shareholders had the right to elect to redeem their Class A ordinary shares for a per share price, payable in cash, based upon the aggregate amount then on deposit in the trust account. Our public shareholders holding 34,011,538 Class A ordinary shares out of a total of 55,200,000 Class A ordinary shares validly elected to redeem their shares and, accordingly, after giving effect to such redemptions, the balance in our trust account was approximately $216.8 million.

On February 19, 2019, we consummated the business combination pursuant to which we (i) acquired each of Bonfire Interactive Ltd. ("Bonfire"), CityBase, Inc. ("CityBase"), eCivis Inc. ("eCivis"), Open Counter Enterprises Inc. ("Open Counter"), Questica Inc. and Questica USCDN Inc. (together, "Questica"). Until the Acquisition, GTY Cayman did not engage in any operations nor generate any revenues. 11,073,040 Class A ordinary shares were redeemed at a per share price of approximately $10.29 in connection with the shareholder vote to approve the business combination. In connection with the closing of the business combination, GTY Govtech, Inc. a Massachusetts corporation, became the parent company of and successor issuer by operation of Rule 12g-3(a) promulgated under the Exchange Act to our predecessor entity, GTY Technology Holdings Inc., the Cayman Islands exempted company, and changed its name from GTY Govtech, Inc. to GTY Technology Holdings Inc.

Upon the closing of the business combination, all outstanding Class A ordinary shares were exchanged on a one-for-one basis for shares of common stock, and our outstanding warrants became exercisable for shares of common stock on the same terms as were contained in such warrants prior to the business combination.

Legal Proceedings

On November 19, 2018, GTY Technology Holdings Inc., a Massachusetts corporation ("GTY" or the "Company"), Stephen J. Rohleder and Harry L. You commenced a lawsuit against OpenGov, Inc. ("OpenGov") in the United States District Court for the Southern District of New York captioned GTY Technology Holdings Inc. et al. v. OpenGov, Inc., No. 18-cv-10854 (the "New York Action"), and on November 20, 2018, OpenGov commenced a lawsuit against the Company, the Company's predecessor entity, GTY Technology Holdings Inc., a Cayman Islands exempted company, GTY Technology Merger Sub, Inc., GTY Investors, LLC, Mr. You, Mr. Rohleder and Does 1-50 in the Superior Court of the State of California in and for the County of San Mateo captioned OpenGov, Inc. v. GTY Technology Holdings Inc. et al., No. 18-cv-06264 (the "California Action").

On February 19, 2020, the parties to the New York Action and the California Action entered into a settlement agreement (the "Settlement Agreement") to resolve all the pending claims in the New York Action and the California Action, without any admission or concession of wrongdoing by the Company or other defendants. Pursuant to the Settlement Agreement, the Company paid OpenGov $3.3 million, net of amounts paid by the Company's insurers, in exchange for a full and complete release of all claims that were or could have been asserted in the New York Action and the California Action.

The following is a brief description of each of the business units we acquired in connection with the business combination.

Bonfire Business Overview

Bonfire Interactive Ltd., a corporation incorporated under the laws of the Province of Ontario, Canada, or Bonfire, was founded in 2012 and is a major provider of software technologies for the procurement and vendor or supplier sourcing industry across government, the broader public sector, and various highly-regulated commercial vertical markets.

Bonfire offers clients and their sourcing professionals a modern software as a service (SaaS) application that helps find, engage, evaluate, negotiate with, and award contracts to suppliers. Bonfire delivers effective workflow automation, data collection and analysis, and collaboration to drive cost savings, compliance, and strategic outcomes. All of Bonfire's applications are delivered as a SaaS offering.

Industry Background

The North American public sector represents a significant market for procurement technology. Various levels of government and public sector agencies' procurement processes account for an estimated 12% of gross domestic product for both the United States and Canada, which equals approximately $2.5 trillion per year for the United States and Canada combined. Despite this magnitude, however, most of these spending decisions are made via paper, off-the-shelf spreadsheet technologies, and legacy internet-based sourcing portals.

In total, the North American public sector market includes over 99,000 cities, counties, towns, and other local government special agencies, and over 17,000 public institutions in academia, public healthcare, transit, utilities, and general state and federal agencies as of the most recent US Census of Governments. Despite differences in revenue sources, service delivery, and organizational mandates, each government body or entity shapes its sourcing practices in similar ways in response to state and federal procurement legislation and the emergence of various best practices.

Each public body faces a similar challenge: how to procure the best good/service, for the best cost, within often rigid compliance and policy directives from elected bodies or other regulation. This compliance- and policy-driven environment makes public sector procurement a significantly more complex and sensitive process than in the private sector. Public sector procurement teams are typically stewards of tax-payer resources, and are subjected to high sourcing scrutiny and ethics requirements. Such entities must balance competing interests like cost-savings, compliance, and quality to achieve uniquely positive outcomes.

Public sector procurement groups are more regularly transitioning tools from offline workflows to online SaaS-enabled platforms to fulfill this mandate. Legacy internet-based portals and procurement suites often fail to respect the complexities of making procurement decisions in a public sector context. Many are mere systems of record and rudimentary interface points for buyers and suppliers. Many more fail to help procurement teams with the key functionalities of managing and analyzing supplier data for optimal sourcing decisions.

Bonfire uniquely captures the complexity and depth of public sector sourcing workflows; the software allows procurement teams to collect highly granular supplier data, analyze and evaluate it across discrete criteria, and ultimately help procurement teams make the best possible decision as a balance of compliance, cost-savings, and quality/fit.

Products and Services

Bonfire provides a comprehensive and flexible suite of products that addresses the procurement needs of predominantly public sector clients across academia, public healthcare, local and state government, transit, utilities, and various other state and federal agencies. Bonfire derives all of its revenues from subscription-based SaaS revenues.

A description of Bonfire's suites of products and services follows:

eRFx & eTendering	• Control for requests for proposals, or RFPs or RFx, and bids, streamlining the entire sourcing workflow from posting to award • Vendor-friendly online portal to post opportunities and receive structured submissions • Evaluation tools that give deep insights into suppliers' relative strengths/weaknesses, pricing, and other areas • Real-time overview of projects and key performance indicators, or KPIs
Contracts	• Contract information in one centralized, searchable, online platform • Heat-mapped calendar view, reminders and KPIs • Easy creation of contracts from completed projects
Vendor Performance	• Visibility into vendor performance • Configure custom surveys for end users and set a cadence to automatically send • Real-time insights to address issues immediately

Strategy

Bonfire's objective is to grow its revenue and earnings organically, supplemented by focused strategic acquisitions. The key components of its business strategy are to:

- Provide high quality, value-added products to its clients. Central to Bonfire's success so far has been customer satisfaction and trust, as evidenced by a 93% client retention rate across clients added from January 1, 2019 to December 31, 2019 and net Annually Recurring Revenue, or ARR, churn of -7% for those same clients (*i.e.*, Net Negative Churn). Bonfire expects that it will continue to invest heavily in client success.

- Continue to expand its product offerings. Bonfire intends to continue to build innovative new products for its clients. These include products that leverage the data stored in clients' networks to help clients achieve better sourcing outcomes through predictive analytics, machine learning, blockchain, intra-agency collaboration, and other next-generation technologies.

- Expand its client base. Continued client growth is key for Bonfire's strategy. Bonfire plans to continue building out its direct client acquisition strategy while adding strategic channel relationships to aid.

- Attract and retain highly qualified employees. Bonfire's business is dependent on attracting and retaining excellent managers and employees for product development, go-to-market, administrative, and support activities. Bonfire believes that its mission, scale of the opportunity, and unique culture will allow it to continue recruiting excellent staff.

- Pursue selected strategic acquisitions. Where appropriate, Bonfire plans to make strategic acquisitions of legacy portal providers as a way of quickening the adoption of Bonfire. This will allow Bonfire to grow revenues more rapidly than with a purely organic strategy, and to grow its supplier network and corresponding data.

Sales, Marketing, And Clients

Bonfire markets its products and services through direct, in-house sales and marketing personnel located in Canada and the United States.

Sales of new systems are typically generated from outbound marketing and sales campaigns, tradeshows and conferences, word-of-mouth and referrals, and thought-leadership campaigns.

Competition

Bonfire competes with numerous local, regional, and national firms that provide or offer some or many of the same solutions that it provides. Many of these competitors are smaller companies that may be able to offer less expensive solutions than Bonfire's. Many of these firms operate within a specific geographic territory and/or are in a narrow product or service niche. Bonfire also competes with national firms, some of which have greater financial and technical resources than Bonfire does, including SAP Ariba. Bonfire also occasionally competes with central internal information service departments of local governments, which requires it to persuade the end-user department to discontinue service by its own personnel and outsource the service to Bonfire.

Bonfire competes on a variety of factors, including price, service, name recognition, reputation, technological capabilities, and the ability to modify existing products and services to accommodate the individual requirements of the client. Bonfire's ability to offer an integrated system of applications for several offices or departments is often a competitive advantage. Local governmental units often are required to seek competitive proposals through a request for proposal process and some prospective clients use consultants to assist them with the proposal and vendor selection process.

Suppliers

Substantially all of the computers, peripherals, printers, scanners, operating system software, office automation software, and other equipment necessary for the implementation and provision of Bonfire's software systems and services are presently available from several third-party sources. Hardware is purchased on original equipment manufacturer or distributor terms at discounts from retail. Bonfire has not experienced any significant supply problems.

Research and Development

Bonfire invests substantial resources in research and development to improve its platform and develop new products and features. Bonfire's research and development team is primarily responsible for the design, development, testing, and delivery of its products.

Intellectual Property, Proprietary Rights and Licenses

Bonfire regards certain features of its internal operations, software, and documentation as confidential and proprietary and relies on a combination of contractual restrictions, trade secret laws and other measures to protect its proprietary intellectual property. Bonfire currently does not rely on patents. Bonfire believes that, due to the rapid rate of technological change in the computer software industry, trade secrets and copyright protection are less significant than factors such as knowledge, ability and experience of its employees, frequent product enhancements, and timeliness and quality of support services. Bonfire typically licenses its software products under non-exclusive license agreements, which are generally non-transferable and have a perpetual term.

Employees

At December 31, 2019, Bonfire had 108 full-time employees. None of its employees are represented by a labor union or are subject to collective bargaining agreements. Bonfire considers its relations with its employees to be positive.

Properties

Bonfire leases and occupies approximately 21,000 square feet of office space in Ontario, Canada. Such lease expires on June 30, 2022.

Government Regulation

Upon reasonable investigation, we are not aware of any current government regulations that negatively impact Bonfire's business or ability to compete in its markets.

Legal Proceedings

There are no legal proceedings pending to which Bonfire is party or to which any of its properties are subject.

CityBase Business Overview

CityBase provides dynamic content, digital services, and integrated payments via a software-as-a- service (SaaS) platform that includes functionality accessible via web and mobile, kiosk, point-of-sale, and other channels. CityBase software integrates its platform to underlying systems of record, billing, and other source systems, and configures payments and digital services to meet the requirements of its clients. Its clients include government agencies and utility companies. CityBase, LLC was formed in Delaware on June 9, 2014. On June 21, 2016, CityBase, LLC was converted into a Delaware corporation, CityBase, Inc.

To complement and expand CityBase's technology and customer base, on August 17, 2017, CityBase acquired 100% of the equity interests of the Department of Better Technology, Inc., a Delaware corporation, in exchange for shares of CityBase common stock.

Industry Background

Currently, the government technology industry is composed of legacy technology vendors (which typically use significant customization for implementation), consulting firms, in-house development, and manual processes that have never been digitized. CityBase anticipates that government will follow the digital transformation of the private sector as constituents will expect such digitalization, and ultimately such digitalization is expected to yield cost reductions and improved service to constituents. CityBase also expects a continued momentum amongst government staff and leaders to modernize government services. This future is not defined, but facilitated by, technology and will revolutionize the way that people experience government.

Product and Service Offerings

CityBase provides an enterprise SaaS platform that facilitates government and utility interactions with customers. The key elements of its products and services are digital services and payments.

Digital Services

CityBase's digital services make it easier for constituents to register, apply, search, and pay for government and utility services — and easier for staff to administer these services. "Digital services" includes solutions that address the common interactions that people have with the government or their utility provider, which are often paper-based today. CityBase digital services include configurable digital forms and case management tools that replace manual processes or improve existing online processes for government and utility customers. CityBase's digital service tools help government and utility staff process constituent requests faster and more effectively.

Payments

The CityBase platform helps local governments and utilities accept, track, and manage payments from their constituents. CityBase facilitates payments that provide a modern user experience, integrate seamlessly with its customers' existing systems, and are consistent across a large enterprise. The payment technology is available via channels, including web and mobile web, kiosk, and point-of-sale terminals. Its revenue management solution allows clients to manage system-wide payment activity as well as reconcile to individual transactions in one place.

Customers

CityBase's clients include local and county governments and investor or municipal utility companies. Four of CityBase's customers accounted for approximately 78% and 72% of CityBase's total revenues for the years ended December 31, 2019 and 2018, respectively.

Competition

The market for enterprise payment, data analytics, and communication platforms for local governments and utilities is competitive and evolving. CityBase faces competition from several types of internal approaches and independent providers:

- Custom software solutions developed by outside consultants or through internal efforts to provide partial- or full-suite offerings;
- Software vendors that have developed agency- or utility-specific systems for individual business cases, such as property tax payments, utility payments, or freedom of information requests;
- Other SaaS solution providers; and
- Payment processing solution vendors serving government and utilities.

Competitive factors in CityBase's market may include the following:

- Service
- Price
- Speed to implement
- Citizen-centric design
- Configurability and flexibility
- Back office function for payment and banking reconciliation

CityBase believes that it compares favorably on the basis of these factors. Some of CityBase's current competitors have, and future competitors may have, greater financial, technical, marketing and other resources, greater resources to devote to research and development, a broader range of products and services, larger marketing budgets, more extensive customer bases and broader customer relationships, and/or longer operating histories, greater name recognition and other resources.

Government Regulation

As a contractor to various government agencies, CityBase is subject to certain restrictions in how it operates. Such restrictions may exist at the individual client level and may include regulations that govern the fees that CityBase collects for its services or the ability of the government counterparty to terminate its contractual obligations.

Privacy and Data Security

In addition, as a facilitator of credit card payments, CityBase is subject to privacy and data protection laws and payment card industry best practices. CityBase is a Payment Card Industry (PCI) Level-1 compliant service provider hosted in an Amazon Web Services (AWS) cloud environment. CityBase takes a number of important measures to promote data privacy and data security, including adhering to the standards and requirements, as defined by the Payment Card Industry Data Security Standard (PCI DSS), using tokenization, employing 24/7 fraud and tamper detection, real-time alerting, end-to-end encryption technology, and regularly scheduled internal and external penetration testing.

Research and Development

CityBase invests substantial resources in research and development to improve its platform and develop new products and features. CityBase's research and development organization is primarily responsible for the design, development, testing, and delivery of its products and platform.

Intellectual Property

The success of CityBase depends, in part, on its ability to protect its brands and technologies against infringement and misappropriation. CityBase relies on a combination of contractual restrictions, confidentiality procedures, trade secret laws and other measures to protect its proprietary intellectual property. CityBase does not currently own any patents or hold other intellectual property registrations to protect its intellectual property.

CityBase uses certain intellectual property licensed from third parties, including software made available to the public under open source licenses. If any proprietary software does not continue to be available on commercially reasonable terms, CityBase believes that alternative software would be available, if necessary.

CityBase cannot be certain that its products and services do not and will not infringe the intellectual property rights of others. To the extent claims against CityBase are successful, it may have to pay substantial monetary damages or discontinue or modify certain products or services that are found to infringe another party's rights.

Employees

As of December 31, 2019, CityBase had 99 full-time employees. CityBase also utilizes independent contractors to support certain technical and other functions, including implementation engineers, which assist on all phases of the web-based project lifecycle, from project definition through implementation.

CityBase employees are not covered by any collective bargaining agreement, and it has never experienced a work stoppage. CityBase believes that its relations with its employees are good.

Facilities

CityBase's corporate headquarters is located in Chicago, Illinois, where it currently leases approximately 14,560 square feet under a lease agreement set to expire in November 2021. In addition, CityBase subleases a Chicago, Illinois office to a non-related party under terms expiring on December 31, 2020. CityBase also leases a warehouse space in Illinois and co-working spaces in San Francisco, California; Indianapolis, Indiana; and Birmingham, Alabama. CityBase believes that its current facilities are adequate to meet its ongoing needs and that, to accommodate growth, it may seek additional facilities as necessary.

Legal Proceedings

There is no material litigation, arbitration or governmental proceeding currently pending against CityBase or any members of its management team in their capacity as such.

eCivis Business Overview

eCivis provides cloud-based grants management and cost allocation software for state, local and tribal governments and other government entities. eCivis helps thousands of public agencies maximize their grant revenues, track financial and program performance, prepare cost allocation plans and budgets, and access free open data tools to make sense of federal data. eCivis's solutions simplify grant pursuance, proposal development, budgeting, program implementation, performance, reporting, compliance and management of subrecipients in one single centralized enterprise system. eCivis was founded in Pasadena, California in 2000 with the help of local government leaders at the International City/County Management Association (ICMA).

Industry Background

eCivis has identified a major inefficiency in the flow of government funding between state and federal government and businesses, individuals and various local government entities. The grant funding process is inefficient, with the majority of local governments lacking essential human and technical resources to pursue and manage the grant process. Instead, staff members without formal training often attempt to fit grants management into their already heavy workload, without access to standardized forms, tools or processes, resulting in inefficient strategy and lost opportunities for funding. Data and information is rarely standardized and is entered into common back office tools such as spreadsheets and outdated grant management systems without comprehensive tracking and integration functions. Furthermore, currently- existing fund management systems are unable to monitor the proper use of funds, leading to significant mismanagement and even risk of loss and misappropriation of funds. Competitive grants are time sensitive and require immediate attention whereas procurement and internal sources take time to be approved. eCivis provides products and services that can be deployed quickly and with little technical support to address the time sensitive nature of these grant funds.

eCivis's Products and Services

The eCivis solution consists of three core cloud-based products including eCivis Grants Network©,a full lifecycle SaaS grants management solution consisting of grants acquisition software, grantee management software, and grantor management software, eCivis Allocate™, a SaaS cost allocation solution, and FundMax™, a full-service solution designed to maximize federal and non-federal funds, including maximizing cost reimbursements using a suite of innovative digital tools and expert support. eCivis also offers one-time implementation services including data integration, grants data migration and change management. Additionally, eCivis provides ongoing grants management training and cost allocation plan development and consulting.

eCivis Grants Network©; Grants Acquisition Software

eCivis Grants Network©; Grantee Acquisition Software provides clients with the ability to manage the entire planning and grant pursuance process by integrating each step from project creation to grant award, so that stakeholders can eliminate unnecessary steps and systems required to secure the right funding for their projects. Users can to determine grant award eligibility and financial requirements, create and track projects requiring funding, track goals and objectives for funding, and assign various metrics to review and track organizational performance. The platform provides clients with the ability to search over 16,000 federal, state and foundation grants, all identified, analyzed and summarized by eCivis's full-time professional research staff. Such grants can be searched with an easy to use advanced multi-factor search engine and reviewed via organized standard tabs to effectively identify the most relevant grants. Users can review application files and e-mail grants to internal and external recipients, as well as save and/or assign grants to internal projects. Built-in compliance tools help determine and confirm whether internal proposals and costs align with applicable federal and non-federal guidelines.

eCivis Grants Network©; Grantee Management Software

eCivis Grants Network©; Grantee Management Software Solution allows users to manage the entire grant process, from sourcing grant application to closeout as a grantee. Some of the key features of the Grants Management Software Solution include the ability to: organize projects and grants by organizational departments, review an enterprise-wide view of all grant activities, and access advanced workflows and robust management reporting systems. Users can build and save template reports for internal and external reporting, setup required tasks at various post-award stages, integrate project tasks with e-mail calendars, manage the communication and approval of budget amendments, and access a myriad of other features and functions. Users are also able to organize and connect financial data to and from enterprise resource planning ("ERP")/GL against grant budgets using data integration functions — over thirty data integrations with government ERP/GL are provided to serve this function. Additionally, eCivis also maps compliance requirements into standard available actions across the entire grant lifecycle, and provides a library of resource that can be accessed at any time to understand 2 CFR 200 guidelines.

eCivis Grants Network©; Grantor Management Software

eCivis Grants Network©; Grantor Management Software provides grantors and its applicants and grantees with the opportunity to interact with each other in a modern and scaleable platform. Today's grant portals are not built to make the experience great for the grantor and the grantee. A grantor solution will track performance history, organize reimbursement requests, streamline communication, manage reporting requirements to support payments to deliver transparency of all grantee activities across all of your departments and agencies. Some of the key features of this platform include the ability to create and track grant solicitation, score and record decisions on applicants, check eligibility data, track application history, track and share performance metrics for grant goals and/or objectives, allocate and track multiple funding sources, track all pre-award grant activity by department, project, CFDA, etc., as well as a wide range of other features.

eCivis Allocate™; Cost Allocation Software

eCivis Allocate™ tracks and compares expenditures and allocation basis by fiscal years, and provides a concise methodology for budgeting and program delivery planning. The platform allows users to: maximize efficiency by minimizing time spent entering and reviewing data and producing cost and plans reports, maximize grant and program funding through full and complete cost recovery and allocation, provide a clear and concise methodology to assist in developing budgets and planning program delivery, and determine full, defensible, indirect costs to include in ICRPs, hour rates, user fees, and SB90 claims.

eCivis FundMax™; Cost Allocation Software

eCivis FundMax™ is a full-service solution designed to maximize federal and non-federal funds, including maximizing cost reimbursements using a suite of innovative digital tools and expert support. The reimbursements from FundMaxTM can generate the required funding to properly implement and utilize eCivis solutions.

Consulting and Training

eCivis's team of experienced consultants and support staff provide training to improve planning, acquisition and effective management of federal and non-federal grants. Further, eCivis's strategic grant development and grant writing service helps stakeholders develop a comprehensive solution leading to sustainable grant success by helping clients, among other things: (i) thoroughly understand key initiatives and internal projects eligible for grant funding, (ii) research grants that align to internal initiatives and organizational priorities to fill existing gaps, (iii) access organizational capacity to apply for grants successfully, (iv) align internal procurement processes and resources to pursue grant opportunities in a more efficient and effective way, and (v) draft grant proposals and provide strategic advice and consulting services to shape priorities per grant funding notices. Finally, the platform also offers a wide array of expert guides and other resources to its users.

Revenues, Sales and Marketing

eCivis derives its revenues primarily from subscription services and professional services. No single contract or customer represents a disproportionate percentage of revenue. eCivis's subscription services revenue primarily consists of fees that provide customers access to either its grant management or cost allocation cloud applications. Such subscriptions are typically one to three years in length, and are priced based on a number of factors, including the number of users having access to the products and the number of products purchased by the customer. eCivis's professional services revenues primarily consist of fees for data integration with the customer's systems and the eCivis grant management application, migration of grants, training, and grant writing services.

eCivis focuses its sales and marketing efforts towards local, state and tribal governments and sells its solution to this market primarily through its direct sales force. The length of its sales cycle depends on the size of the potential customer and contract, as well as the type of solution or product being purchased. The sales cycle of its state government customer is generally longer than that of its local government customers. As eCivis continues to focus on increasing its average contract size and selling more advanced products, it expects its sales cycle to lengthen and become less predictable, which could cause variability in results for a particular period. Additionally, the nature, complexity and extent of its implementations will also increase, which may increase eCivis's professional services revenues as a percentage of its overall revenues.

Research and Development

eCivis has spent approximately $1.5 million and $1.1 million during the years ended December 31, 2019 and 2018, respectively, on research and development activities.

Employees

As of December 31, 2019, eCivis had 60 full-time employees. eCivis also employs independent contractors to support grant services, web development, research publishing and editing, fit-gap analysis, change management, implementation services and marketing. eCivis's employees are not covered by any collective bargaining agreement and eCivis has never experienced a work stoppage. eCivis believes that its relations with its employees are good.

Facilities

eCivis's headquarters are located in a multi-tenant office building at 418 N. Fair Oaks Ave., Ste. 301, Pasadena, CA 91103, where eCivis leases approximately 10,030 rentable square feet. eCivis's lease for such space expires on May 31, 2022. On June 1, 2017, eCivis subleased 2,500 rentable square feet to a subtenant, which sublease expires on May 31, 2022. eCivis does not own any facilities as of the date of this filing. eCivis believes that substantially all of its property and equipment is in good condition and its buildings and improvements have sufficient capacity to meet current needs.

Intellectual Property

eCivis does not own any patents. eCivis owns the registered trademarks: "ECIVIS", "GRANTS NETWORK", "NONPROFIT ONE-STOP" and "COSTTREE".

Government Regulation

There are no current government regulations that negatively impact eCivis's business or ability to compete in its markets.

Legal Proceedings

There is no material litigation, arbitration or governmental proceeding currently pending against eCivis or any members of its management team in their capacity as such.

Open Counter Business Overview

Open Counter builds software to streamline municipal permitting and licensing through four products: the Business Portal, Residential Portal, Special Events Portal, and Zoning Portal. These products help applicants understand the scope of their permitting projects, and apply and pay for the necessary permits online. The portals also allow city administrators to process incoming applications and respond to applicant inquiries online. By automating these processes, the software reduces the need for in-person meetings, and allows city staff to focus on higher-value assignments.

Open Counter's Products and Services

Open Counter offers four products: *Business Portal*, *Residential Portal*, *Special Events Portal*, and *Zoning Portal*.

- The ***Business Portal*** helps entrepreneurs understand the costs and complexity of establishing or growing a business in a particular city. The Open Counter Business Portal educates potential applicants about necessary business permits, and provides estimates about the associated time and costs associated with a particular project. Once applicants are ready to proceed with a project, they can use the Business Portal to apply online for necessary permits.

- The ***Residential Portal*** educates homeowners about the rules and regulations regarding residential additions, alterations, and new construction to help plan projects and remain in compliance with city code enforcement.

- The ***Special Events Portal*** helps applicants understand the process involved in hosting a special event in a public space by handling site selection, cost estimation, event scheduling, and online applications. The Special Events Portal provides a high-level overview tool to educate users about which types of events are allowed, where events may be located, which permits are required, and cost estimates.

- The ***Zoning Portal*** renders complex land use regulations in a user's web browser to make zoning regulations responsive to citizen inquiries. Specifically, the Zoning Portal helps applicants navigate the site selection process by showing where a particular project may be permitted. The Portal analyzes and imports the logical structure of the municipal code, and factors secondary issues, such as whether a restaurant may serve alcohol, or have live entertainment, in order to provide tailored guidance about a specific project.

As part of the deployment of these products, Open Counter also offers configuration services to set up and maintain the Portals on behalf of our municipal customers.

Competition

There are a number of companies that offer permitting and licensing software to municipal governments. These include Accela, Infor, and Tyler, among others. These companies built their software with an emphasis on the requirements of city staff users, with a lesser emphasis on the applicant experience.

By focusing on the applicant experience, Open Counter found a unique niche in the market: permit discovery. While the competition allows applicants to submit permit and license applications online, their software typically assumes that the applicant knows which permits and licenses are required, and the costs of those permits and licenses. In contrast, Open Counter's software guides the applicant through the permit discovery process by calculating the impact of applicable zoning regulations on the choice of location and planned use, the permits required for the project, and the necessary permit fees. Open Counter's software also alerts applicants about the professional licensure requirements for specific permits, such as whether a licensed contractor, electrician or plumber is needed on their project team. By automating these determinations, Open Counter has addressed an in-person step referred to as a "pre-application meeting," which is a time-consuming step for both applicants and city staff.

Because Open Counter is offered as a SaaS solution, its annual pricing is significantly lower than the legacy systems, which have traditionally offered on-premises software under perpetual license agreements.

Some of Open Counter's competition provide permit discovery products that explain the permitting process in general terms. While helpful, these materials do not provide information tailored to specific projects. For example, a restaurant with outdoor seating, live entertainment, and alcohol service may require a different set of permits (with higher costs), than one without those options. Many cities offer PDF documents with this kind of information. For example, San Francisco and Los Angeles offer detailed "Business Portals," but they are still based on static content.

By focusing on permit discovery, Open Counter has remained agnostic to the back-end systems used by cities. This means that we can launch Open Counter products in cities using Accela, Infor, or Tyler, and other competitors, without coming into direct competition with offerings from those companies.

Research and Development

Open Counter spent approximately $400,000 during each of the years ended December 31, 2019 and 2018 on research and development activities. None of such costs are borne by customers.

Organization

As of December 31, 2019, Open Counter had 18 full-time employees. None of Open Counter's employees are represented by a labor union with respect to their employment with Open Counter. Open Counter believes that its relations with its employees are good.

Facilities

Open Counter's headquarters is located at 25 Taylor Street, San Francisco, California. Open Counter is not party to any lease agreements. Open Counter uses office space through an agreement with WeWork at the WeWork Golden Gate location, 25 Taylor Street, San Francisco, California. Open Counter employees work remotely out of their homes or at co-working facilities. Open Counter does not own any facilities as of the date of this filing.

Intellectual Property

Open Counter owns a trademark on the Open Counter name. The company does not hold any patents.

Government Regulation

There are no current government regulations that negatively impact Open Counter's business or Open Counter's ability to compete in the markets it pursues.

Legal Proceedings

There is no material litigation, arbitration or governmental proceeding currently pending against Open Counter or any members of its management team in their capacity as such.

Questica Business Overview

Questica offers budgeting software, performance management, and transparency and data visualization solutions throughout North America. Questica was founded by TJ Parass in Ontario, Canada in 1998. Questica uses its 20 years of experience to provide public sector organizations with access to a complete budgeting, performance, transparency and citizen engagement toolkit to better enable data-driven budgeting and decision-making, while increasing data accuracy, saving time and improving stakeholder trust. Questica's solutions are sold to 719 customers as of December 31, 2019, which include state and local governments and public sector organizations such as healthcare, education and not-for-profit organizations.

Questica's Products and Services

Questica has four primary products: (i) *Budget*; (ii) *Performance*; (iii) *OpenBook*; and (iv) *BudgetBook powered by CaseWare*.

Budget

Questica's *Budget* is a web-based, multi-user budgeting preparation and management solution that provides all budgeting software requirements in one easy-to-access place. *Budget* is a comprehensive, streamlined budgeting software product that enables users to improve and shorten an organization's budgeting cycle by ensuring an accurate and collaborative multi-user budgeting process. It provides multi-year capital budgeting, identifies expenditures and funding sources, provides salary and position planning and performance management modules, allows the generation of new financial statements, enables advanced analytics and provides an integrated dashboard that shows all critical data and other relevant information together in an interactive interface. *Budget* directly and seamlessly integrates with Questica's other products, which are described below, as well as the *Balancing Act* budget simulator created by Engaged Public, a Colorado-based public policy consulting firm which has partnered with Questica since August 2018.

Performance

Questica's *Performance* is a management performance measurement tool which permits users to obtain a complete view of performance across an organization. *Performance*, which can integrate with *Budget*, leverages financial and statistical data from an unlimited number of budget and non-budget key performance indicators to effectively measure performance by tracking an organization's progress and achieving set goals. *Performance* can incorporate data from a variety of other sources such as ERP systems.

OpenBook

Questica's *OpenBook* is a data visualization software that enables the presentation of financial and non-financial data with descriptive text, informational pop-ups, charts and graphs and includes fast information search functionality. *OpenBook*, which can integrate with *Budget*, can display on a map capital infrastructure projects, including the budget, actual spend, funding sources and accompanying documentation, images, video and other multimedia. By facilitating the sharing and communication of financials and other data, *OpenBook* is used by organizations to communicate strategic plans, fundraising and community initiatives, disclose to citizens how tax dollars are spent, and engage with stakeholders regarding plans, projects and issues. Organizations can also link related activities to showcase the depth and scope of capital projects that are happening in a city, region, state, province or country.

Budget Book powered by CaseWare

Questica's *Budget Book powered by CaseWare* is a user-friendly and comprehensive document management and financial reporting tool that allows government agencies to create, collaborate, edit, approve and publish annual budget books. *Budget Book* integrates with *Budget* and provides access to Questica's partnership with CaseWare, a government financial reporting database product. The budget book standards for the Government Financial Officers Association's annual Distinguished Budget Presentation Award were used to develop the standard budget book preparation model for *Budget Book*'s interface, permitting small and mid-sized agencies to prepare professional and compliant budget books that might be otherwise too time and resource intensive to produce.

Competition

The competitive landscape for budgeting software, performance management, and transparency and data visualization solutions varies depending on the type of solution, the size of the organizations to be served and the geographical locations in which such organizations operate, but in most cases the solutions with which Questica competes are ERP solutions, Microsoft's Excel and home-grown solutions designed by the organizations themselves.

Questica believes the principal competitive factors in its markets include:

- Cost
- Technology
- User Interface
- Customer Service
- Integration
- Public Sector Focus and Expertise
- Product Breadth
- Implementation Track Record

Questica believes that it competes favorably based on these factors.

While there are a number of competitors seeking to provide such solutions, the primary competitors include Oracle's Hyperion Planning, Sherpa, ClearGov, Public Sector Digest Software, MyBudgetFile, Allovue Balance, Adaptive Insights, Kaufman Hall, OpenGov and Centage's Budget Maestro, which each compete to differing degrees across the spectrum of organizations, geographical locations and vertical markets in which Questica operates. Questica has emerged as a market leader or strong market participant for each type of solution that it provides among these primary competitors.

Questica has focused its competition on establishing relationships with potential customers as early in the process as possible through cold calling, email campaigns, trade show attendance and sponsorships, web marketing, partner referrals and Questica-sponsored regional events. Questica leverages existing customer references and its broad knowledge and understanding of the public sector and the unique budgeting challenges these customers face to compete with its primary competitors. Questica additionally differentiates itself by solely focusing its product development on the public sector and does not sell or market its products into any other types of customers.

Questica has a sales organization that sells its products, sometimes working with referral partners who sell complimentary solutions. In addition, Questica utilizes distribution relationships with partners who sell, implement and provides basic support services to customers and has a number of referral arrangements with partners who introduce Questica's products to their customers and receive a referral fee for Questica contracts.

Questica has 719 customers using its solutions and is not dependent on any one customer with no customers representing more than 10% of total revenues during each of the years ended December 31, 2019 and 2018.

Research and Development

Questica regularly introduces new product offerings, including *BudgetBook powered by CaseWare*, which was introduced in late 2017. Questica spent approximately $2.0 million and $1.3 million during the years ended December 31, 2019 and 2018, respectively, on research and development activities. Very little of such costs are borne by customers. Questica has a small group of developers who work with its professional services and implementation team. The cost of these development resources is not included in the annual research and development spend, and this team builds customizations and integrations funded by customers as billable jobs and deliverables.

Organization

As of December 31, 2019, Questica had 112 full-time employees. None of Questica's employees are represented by a labor union with respect to their employment with Questica. Questica believes that its relations with its employees are good.

Facilities

Questica leases four facilities for key administrative, operational and technology functions. Questica's headquarters are located in a multi-tenant office building in Burlington, Ontario, Canada at 980 Fraser Drive, Unit 105, where Questica leases 7,000 square feet. Questica's lease for the space in Burlington commenced on June 1, 2015 and expires on March 31, 2020. Starting on March 1, 2017, Questica also leased 3,410 square feet in a second property in Burlington, Ontario, Canada, which lease ends on March 31, 2020. Starting on June 20, 2017, Questica leased 2,085 square feet in Huntington Beach, California, which lease ends on March 31, 2023. In August 2019, Questica entered into a leasing agreement located at 603 Michigan Drive, Oakville, Ontario. The lease commenced on January 1, 2020 and expires on December 31, 2031. The total square feet under lease is 22,170. Questica does not own any facilities as of the date of this filing. Questica believes that substantially all of its property and equipment is in good condition and its buildings and improvements have sufficient capacity to meet current needs.

Intellectual Property

Questica does not hold any patents but has registered trademarks for "QUESTICA" and "TEAMBUDGET" in the U.S. and Canada and has applied for trademarks for "OPENBOOK" and "WHERE BRILLIANT BEGINS" in the U.S. and Canada.

Government Regulation

There are no current government regulations that negatively impact Questica's business or Questica's ability to compete in the markets it pursues. However, there are regulations related to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the Americans with Disabilities Act (ADA) that are relevant to Questica's customers that could in the future necessitate changes to Questica's products in order to be compliant, and if not addressed, could negatively impact Questica's ability to compete for new business.

Legal Proceedings

There is no material litigation, arbitration or governmental proceeding currently pending against Questica or any members of its management team in their capacity as such.

Sherpa Business Overview

Sherpa is a leading provider of public sector budgeting software and consulting services that help state and local governments create and manage budgets and performance. Clients purchase Sherpa software as a subscription or perpetual license and engage Sherpa consulting services to configure the software and train clients on how to manage the software going forward. Following the implementation, clients continue to use the software in perpetuity while paying maintenance or subscription fees.

Sherpa's clients benefit from a system that greatly simplifies the budgeting process, encourages collaboration and provides detailed projections on substantial portions of their budgets. Increased access to data, including instant aggregation of the budget requests, means clients can spend more time analyzing data and less time collecting it and formatting outputs. Sherpa's business consulting provides access to lessons learned from over 100 public sector budgeting implementations and consultants who average 20 years of experience in budgeting and performance management.

Sherpa's contracts are comprised of two durations: (i) short-term implementation of three to twelve months; and (ii) on-going maintenance of one to five year renewable periods. Due to the investment made in implementing software and the quality of the solution, retention rates are very high.

Industry Background

Public sector budgeting has been traditionally performed by either disparate spreadsheet that are compiled by a central office or home-grown systems. Due to the sheer amount of data and publication requirements needed by public sector organizations, using this traditional process can be very challenging. Most budget processes experience a significant amount of data re-entry and re-stating, manual compilation and extensive data verification and often rely on the mostly manual preparation of required publications. While products that meet some budgeting software requirements exist in the market, many are overly complicated to implement or priced at a point that exceeds the reservation points of most government organizations. Sherpa's product is flexible enough to meet complex requirements while also scalable to lower budget clients.

Sherpa's Products and Services

Sherpa provides public sector budgeting software to meet the needs of key stakeholders, executive and legislative branches, budget offices and department users. The key elements of Sherpa's offerings are: (i) a highly configurable software; (ii) an experienced consulting team; and (iii) a long-term support model.

Highly Configurable Software

Sherpa's software was designed to be configured by functional staff with no changes to the underlying code. Implementation teams are comprised of functional experts, not technical experts, who are able to understand business requirements and demonstrate configured software immediately after requirements meetings. This means clients see their future solution throughout the process and can make refinements without having to wait for an entire build phase to complete.

Consulting

Each of the members of Sherpa's consulting team have an average of over 20 years of targeted public sector budgeting experience and together have implemented over 100 public sector budgeting projects. This experience is invaluable to clients for several reasons. Clients can quickly explain their processes and Sherpa's team will understand without multiple iterations, meaning clients dedicate a significantly lower amount of their time to engagements. When clients seek advice, Sherpa can refer them to dozens of relevant examples where other similar clients have faced similar challenges. Sherpa has many innovative clients whose collective thought leadership is channeled through Sherpa's implementation team. Sherpa's team has seen what has worked and what has not, so Sherpa can offer counsel on business processes redesign including recommended timing relative to the software project.

Support

Sherpa's support model is designed to enable clients to use Sherpa's software for the long term, traversing changes in leadership, policy, and staff. As part of Sherpa's basic maintenance model, clients can reach out to their consulting team at any time to get assistance, answers to questions or support with activities that are rarely done, such as annual rollovers. This results in clients getting answers to questions immediately, without the struggles of reporting issues through a chain of support staff who are not familiar with the client processes and configuration.

Revenues

Sherpa currently earn revenues from three main sources: (i) consulting services for implementations and business process design; (ii) software fees; and (iii) maintenance fees. Consulting services are comprised of one-time implementation fees and system administrator services, where Sherpa serves as the customer's system administrator, typically to provide coverage for turnover. Software fees are made up of both perpetual license fees and subscription fees. Maintenance fees are annual fees paid by perpetual license customers to have access to customer support and software upgrades. Hosting services are also provided but are mostly pass-through to Sherpa's hosting providers. Sherpa generally relies on approximately 21 customers for each of its three main revenue sources in a given fiscal year, which are mostly comprised of state and local governments.

Sales and Marketing

Sherpa's primary method of securing sales to date is through responses to requests for proposals. In addition, Sherpa's target audience actively communicates with similar public sector organizations, which leads to word-of-mouth sales. To grow sales beyond responses to requests for proposals and word-of-mouth referrals, Sherpa employs the following sales and marketing strategies:

- Limited conferences where decision-makers attend;
- Pre-sales work to introduce clients to Sherpa's offering; and
- Selling via cooperative agreements.

Revenue Growth

Sherpa's primary focus for revenue growth is to ensure Sherpa's current customer base maintains a high degree of customer satisfaction. Sherpa believes that high retention of recurring revenue is critical to create the foundation for revenue growth. Sherpa also believes that high customer satisfaction provides secondary benefits, including strong references and willingness to promote the product and team.

Growing Existing Markets

Sherpa's goals for growth focus on verticals with which Sherpa has had the most success: cities, counties and states. Sherpa's targeted market of large, complex clients has a total available market of 450 counties, 300 cities, 49 states and 600 state agencies as of December 31, 2019. There are 280 K-12 opportunities, which Sherpa pursues selectively due to their unique requirements.

New Markets

There are additional verticals where Sherpa's product applies, such as K-12, universities, and non-profits which may be considered for long-term growth.

Technology and Operations

Sherpa's technology leverages Microsoft's widely-used SQL Server, which is a relational database management system, and .NET software framework. The power of Sherpa's application is derived from Sherpa's investment in on-screen configuration, all of which is stored in the database, meaning code updates do not have client-specific features. Since each client has unique requirements which must be met due to statutory requirements or policy, Sherpa's solution was built to be flexible enough to meet these requirements without code changes or client customizations. With Sherpa's experience with multiple other budgeting systems, Sherpa's product was built from the ground up with the specific focus on how to create outputs in an efficient manner. This means regardless of reporting solution, reports are fast and easy to create due to the strong design.

Sherpa's technology infrastructure for hosted clients is provided by Amazon Web Services and is maintained by Sherpa's partner at Smart Panda Labs. We have east coast and west coast hosting sites. Approximately half of Sherpa's customer base is serviced on-premise. Budgeting is not mission critical, but Sherpa's objective is to provide uninterrupted service 24 hours per day and seven days a week, and Sherpa's operations maintain extensive backup, security and disaster recovery procedures including recovery in 8 minute intervals.

Sherpa's solutions are scalable and can be set up quickly for new clients. The average time to stand up a new environment is less than one day. Due to low incidences of system issues, most clients take upgrades only once per year, allowing them to complete their budget cycle uninterrupted.

Competition

Nearly every competitive request for proposals in the budget space will have ten or more bidders. Historically, very few are truly competitive across all scoring areas. Sherpa believes that the principal factors upon which its businesses compete are:

- *Software capabilities* — Sherpa's software generally meets over 98% of requirements
- *Implementation team experience* — Sherpa's team members average 20 years of targeted experience
- *Support model* — Sherpa's clients have direct contact with Sherpa's implementation team without a tiered support model
- *References* — References are strong, with surveys resulting in a 9.9/10 average score
- *Price* — Sherpa is generally in the 40th percentile in pricing among competitors for large to mid-sized clients

Sherpa believes Sherpa competes favorably with respect to all of the above-listed factors. Sherpa's main competitors are much larger than Sherpa and have an advantage in name recognition. However, Sherpa believes that in public sector budgeting most decision makers are focused on procuring the best possible product and rarely factor in company size once they are satisfied with the long-term prospects of the offering.

All of Sherpa's prospective clients have preexisting financial and human resources solutions, meaning that Sherpa also faces competition with legacy product offerings. Companies such as SAP and Oracle have a substantial market share of financial and human resources software, which means they can up-sell their products, often without formal procurements. Sherpa has found, however, that most clients are not satisfied with enterprise resource planning budget products and are moving to best-in-breed for products such as budgeting, grants and procurement.

Sherpa's primary competitors in the market vary by client size:

- *Large, complex clients with over $2 billion in budget; competitors* are larger, established companies such as Questica, Oracle, SAP and CGI. Integrators include Deloitte, Accenture for Oracle and SAP.
- *Mid-sized clients with between $500 million to $2 billion in budget; Questica* and lower-priced integrators of expensive products such as Oracle or scaled-down offerings of the more expensive products.
- *Smaller clients with less than $500 million in budget:* Sherpa does not currently compete in this space, but there is more competition at this level due to price sensitivity.

Research and Development

Research and development is performed as part of Sherpa's efforts to constantly improve our product. Our Research and Development expenditures were approximately $300,000 during each of the years ended December 31, 2019 and 2018.

Employees

As of December 31, 2019, Sherpa had 11 employees. Sherpa also employs independent contractors to support Sherpa's hosting environments. Sherpa's employees are not covered by any collective bargaining agreement and Sherpa has never experienced a work stoppage. Sherpa believes that its relations with its employees are good.

Facilities

Sherpa does not own or lease any facilities as of the date of this filing. Sherpa employees work remotely out of their homes or at co-working facilities.

Government Regulation

There are no current government regulations that negatively impact Sherpa's business or ability to compete in its markets. However, there are regulations related to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the Americans with Disabilities Act (ADA) that are relevant to Sherpa's customers that could in the future necessitate changes to Sherpa's products in order to be compliant, and if not addressed, could negatively impact Sherpa's ability to compete for new business.

Legal Proceedings

There is no material litigation, arbitration or governmental proceeding currently pending against Sherpa or any members of its management team in their capacity as such.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are also available to the public on the internet at a website maintained by the SEC located at http://www.sec.gov.

Our website address is *www.gtytechnology.com*. Through our website, we make available, free of charge, the following documents as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC: our Annual Reports on Form 10-K; our proxy statements for our annual and special shareholder meetings; our Quarterly Reports on Form 10-Q; our Current Reports on Form 8-K; Forms 3, 4 and 5 and Schedules 13D; and amendments to those documents. The information contained on, or that may be accessed through, our website is not part of, and is not incorporated into, this Annual Report on Form 10-K.

Item 1A. Risk Factors.

RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, prospects, financial condition, or operating results could be harmed by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. The trading price of our securities could decline due to any of these risks, and, as a result, you may lose all or part of your investment.

Risks Relating to Our Business and Industries

The ongoing integration of the business, management and operations of Bonfire, CityBase, eCivis, Open Counter, Questica and Sherpa may prove difficult, disrupt our business and operations, divert management attention and adversely affect the business and financial results of our consolidated company.

We completed the business combination in February 2019, which we believe will result in certain benefits and synergies, including our goal of establishing an efficiently integrated public sector SaaS company through our six operating subsidiaries which, together, we believe can offer solutions to North American state and local governments that may not otherwise be achievable by any one individual business on its own. However, our ability to realize these anticipated benefits depends on the successful integration of the six businesses. The consolidated company may fail to realize the anticipated benefits of the business combination for a variety of reasons, including the following:

- the inability to integrate the businesses in a timely and cost-efficient manner or do so without adversely impacting revenue, operations and cash flows;
- the failure of our management team to successfully manage the consolidated business and operations;
- expected synergies or operating efficiencies may fail to materialize in whole or part, or may not occur within expected time-frames;
- the failure to successfully manage relationships with each company's customers and their operating results and businesses generally (including the diversion of management time to react to new and unforeseen issues);
- the failure or inability to timely and efficiently integrate and establish new sales forces without materially adversely impacting our relationships with customers;
- the failure to accurately estimate the potential markets and market shares for the consolidated business's products, the nature and extent of competitive responses to the business combination and the ability of the consolidated to achieve or exceed projected market growth rates;
- the inability to attract key personnel or to retain key personnel with unique talents, expertise or background knowledge as a consequence of both voluntary and involuntary employment actions;
- the failure to successfully advocate the benefits of the consolidated for existing and potential customers or general uncertainty regarding the value proposition of the combined entity or its products;
- difficulties forecasting financial results;
- failures in our financial reporting, including those resulting from system implementations in the context of the integration, our ability to report or forecast financial results of the consolidated and our inability to successfully discover and assess and integrate into our reporting system, any of which may adversely impact our ability to make timely and accurate filings with the SEC and other domestic and foreign governmental agencies; and
- the potential that we are not yet fully aware of the risks and potential liabilities of any of Bonfire, CityBase, eCivis, Open Counter, Questica or Sherpa.

The ongoing integration may result in additional and unforeseen expenses or delays, distract management from other revenue or acquisition opportunities, and increase the consolidated business's expenses and working capital requirements, particularly in the short-term. If we are unable to successfully complete the integration of our businesses and operations in a timely manner, the anticipated benefits of the business combination may not be fully realized, or at all, or may take longer to realize than anticipated. Should any of the foregoing or other currently unanticipated risks arise, our business and results of operations may be materially adversely impacted.

Our goodwill and other long-lived assets are subject to potential impairment that could negatively impact our earnings.

A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired. As of December 31, 2019, we had $402.4 million of goodwill and net intangible assets, comprising approximately 93% of our total assets. If actual results differ from the assumptions and estimates used in our goodwill and long-lived asset valuation calculations, we could incur impairment charges, which could negatively impact our earnings.

During the 2019 Successor Period, we recognized a non-cash goodwill impairment charge of $32.2 million related to the Acquisition. The fair value of the goodwill related to the Acquisition continues to be sensitive to changes in projections for revenue growth rates and earnings. There are numerous risks that may cause the fair value to fall below its carrying amount and/or the value of long-lived assets to not be recoverable, which could lead to the measurement and recognition of goodwill and/or long-lived asset impairment. These risks include, but are not limited to, significant negative variances between actual and expected financial results, lowered expectations of future financial results, failure to realize anticipated synergies from acquisitions, adverse changes in the business climate, and the loss of key personnel. If we are not able to achieve projected performance levels, future impairments could be possible, which could negatively impact our earnings.

Certain liabilities resulting from acquisitions are estimated and could lead to a material impact on earnings.

Through our acquisition activities, we record liabilities for future contingent earnout payments that are settled in cash or through the issuance of common stock. The fair value of these liabilities is assessed on a quarterly basis and changes in assumptions used to determine the amount of the liability or a change in the fair value of our common stock could lead to an adjustment that may have a material impact, favorable or unfavorable, on our results of operations. For additional information regarding our contingent earnout liabilities, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations" and Note 3 of our Financial Statements.

Without obtaining adequate capital funding or improving our financial performance, we may not be able to continue as a going concern.

As described in their audit report, our independent registered public accounting firm has included an explanatory paragraph that states we have incurred ongoing losses and that there is substantial doubt about our ability to continue as a going concern.

We are attempting to further expand our customer base; scale up our production of various products and increase revenues; however, our cash position may not be sufficient to support our daily operations through the next twelve months from the date of filing this Annual Report on Form 10-K. Our ability to continue as a going concern is dependent upon our ability to raise additional funds by way of a public or private offering and our ability to further generate sufficient revenues. While we believe in the viability of our platform and in our ability to raise additional funds by way of a public or private offering, debt financing or strategic alternative, there can be no assurances to that effect. If we cannot continue as a viable entity, our stockholders may lose some or all of their investment in us.

Our failure to generate sufficient cash flow from our business to make payments on our debt would adversely affect our business, financial condition and results of operations.

On February 14, 2020, the Company entered into an unsecured term loan credit facility that provides for borrowing of term loans in an aggregate principal amount of $12.0 million. The credit facility has a maturity date of twelve months from the borrowing date of the term loans. On the closing date, the Company fully drew on the credit facility, net of deferred issuance costs of $0.4 million. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance the term loan credit facility and any additional debt obligations we may incur depends on our future performance, which is subject to economic, financial, competitive and other factors that may be beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and to make necessary capital expenditures. If we are unable to generate sufficient cash flow or if our results of operations cause us to fail to comply with our financial covenants, we may be required to take one or more actions, including refinancing our debt, significantly reducing expenses, renegotiating our debt covenants, restructuring our debt, selling assets or obtaining additional capital, each of which may be on terms that may be onerous, highly dilutive or disruptive to our business. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on commercially reasonable or acceptable terms, which could result in a default on our obligations, including under the term loan credit facility.

The JOBS Act permits "emerging growth companies" like us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies.

We qualify as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, which we refer to as the "JOBS Act." As such, we take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result, our stockholders may not have access to certain information they deem important. We had revenues during the fiscal year ended December 31, 2019 of approximately $36.4 million. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year (a) following November 1, 2021, the fifth anniversary of the GTY Cayman IPO, (b) in which we have total annual gross revenue of at least $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our prior second fiscal quarter, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

We cannot predict if investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result, there may be a less active trading market for securities and our stock price may be more volatile.

We are a smaller reporting company (and may remain a smaller reporting company even after losing emerging growth company status), and any decision on our part to comply only with certain reduced or scaled reporting and disclosure requirements applicable to smaller companies could make our common stock less attractive to investors.

We are a smaller reporting company, and, for as long as we continue to be a smaller reporting company (which may be longer than we remain an emerging growth company), we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "smaller reporting companies," including but not limited to:

- not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- providing only two years of audited financial statements in our periodic reports and proxy statements.

Our restated articles of organization designate the Business Litigation Session of the Superior Court of Suffolk County, Massachusetts as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders and the United States District Court in Boston as the sole and exclusive forum for any claim arising under the Securities Act, which could discourage lawsuits against us and our directors and officers.

Our restated articles of organization designate the Business Litigation Session of the Superior Court of Suffolk County, Massachusetts as the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim for breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our shareholders, any action asserting a claim arising pursuant to any provision of the Massachusetts Business Corporation Act, our articles of organization or our bylaws or any action asserting a claim governed by the internal affairs doctrine, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Our restated articles of organization designate the United States District Court in Boston as the sole and exclusive forum for any claim arising under the Securities Act or any claim for which other courts do not have subject matter jurisdiction including, without limitation, any claim arising under the Exchange Act. This exclusive forum provision may limit the ability of our shareholders to bring a claim in a judicial forum that such shareholders find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us and our directors and officers. Alternatively, if the Business Litigation Session of the Superior Court of Suffolk County, Massachusetts, the United States District Court in Boston or a court outside of Massachusetts were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other venues or jurisdictions, which could materially and adversely affect our business, financial condition, operating results, cash flows and prospects.

Software- & Technology-Related/Internet-Focused Risk Factors

Cyber-attacks and security vulnerabilities can disrupt our business and harm our competitive position.

Threats to IT security can take a variety of forms. Individuals and groups of hackers, and sophisticated organizations including state-sponsored organizations, may take steps that pose threats to our clients' IT. They may develop and deploy malicious software to attack our products and services and gain access to our networks and data centers, or act in a coordinated manner to launch distributed denial of service or other coordinated attacks. Cyber threats are constantly evolving, thereby increasing the difficulty of detecting and successfully defending against them. Cyber threats can have cascading impacts that unfold with increasing speed across our internal networks and systems and those of our partners and clients. Breaches of our network or data security could disrupt the security of our internal systems and business applications, impair our ability to provide services to our clients and protect the privacy of our data, result in product development delays, compromise confidential or technical business information harming our competitive position, result in theft or misuse of our intellectual property or other assets, require us to allocate more resources to improve technologies, or otherwise adversely affect our business. Our business policies and internal security controls may not keep pace with these evolving threats.

Disclosure of personally identifiable information and/or other sensitive client data could result in liability and harm our reputation.

We store and process increasingly large amounts of personally identifiable and other confidential information of our clients. The continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to information security. Despite our efforts to improve security controls, it is possible that our security controls over personal data, our training of employees on data security, and other practices that we follow may not prevent the improper disclosure of client data that we store and manage. Disclosure of personally identifiable information and/or other sensitive client data could result in material liability and harm our reputation.

Data privacy is an evolving area of the law and our business may become subject to new and expanding regulations. Application of these new and changing laws to our business may increase risks and compliance costs.

Hosting services for some of our products and services are dependent upon the uninterrupted operation of data centers.

A material portion of our business is provided through software hosting services. These hosting services depend on the uninterrupted operation of data centers and the ability to protect computer equipment and information stored in these data centers against damage that may be caused by natural disaster, fire, power loss, telecommunications or Internet failure, acts of terrorism, unauthorized intrusion, computer viruses, and other similar damaging events. If any of our data centers were to become inoperable for an extended period, we might be unable to fulfill our contractual commitments. Although we take what we believe to be reasonable precautions against such occurrences, we can give no assurance that damaging events such as these will not result in a prolonged interruption of our services, which could result in client dissatisfaction, loss of revenue, and damage to our business.

We run the risk of errors or defects with new products or enhancements to existing products.

Our software products and services are complex and may contain errors or defects, especially when first introduced or when new versions or enhancements are released. We cannot assure you that material defects and errors will not be found in the future. Any such defects could result in a loss of revenues, negative publicity or delay market acceptance. Our license and subscription agreements typically contain provisions designed to limit our exposure to potential liability. However, it is possible we may not always successfully negotiate such provisions in our client contracts or the limitation of liability provisions may not be effective due to existing or future federal, state, or local laws, ordinances, or judicial decisions. We cannot assure you that a successful claim could not be made or would not have a material adverse effect on our future operating results.

We must timely respond to technological changes to be competitive.

The market for our products is characterized by technological change, evolving industry standards in software technology, changes in client requirements, and frequent new product and service introductions and enhancements. The introduction of products and services embodying new technologies and the emergence of new industry standards can render existing products obsolete and unmarketable. As a result, our future success will depend, in part, upon our ability to enhance existing products and develop and introduce new products and services that keep pace with technological developments, satisfy increasingly sophisticated client requirements, and achieve market acceptance. We cannot assure you that we will successfully identify new product and service opportunities and develop and bring new products and services to market in a timely and cost-effective manner. The products, capabilities, or technologies developed by others could also render our products or technologies obsolete or noncompetitive. Our business may be adversely affected if they are unable to develop or acquire new software products or services or develop enhancements to existing products on a timely and cost-effective basis, or if such new products or services or enhancements do not achieve market acceptance.

We may be unable to protect our proprietary rights.

Many of our product and service offerings incorporate proprietary information, trade secrets, know-how, and other intellectual property rights. We rely on a combination of contracts, copyrights, and trade secret laws to establish and protect our proprietary rights in our technology. We cannot be certain that we have taken all appropriate steps to deter misappropriation of our intellectual property. There has also been significant litigation recently involving intellectual property rights. We may be a party to such litigation in the future to protect our proprietary information, trade secrets, know-how, and other intellectual property rights. We cannot assure you that third-parties will not assert infringement or misappropriation claims against one or more of the products or services with respect to current or future products or services. Any claims or litigation, with or without merit, could be time-consuming, costly, and a diversion to management. Any such claims and litigation could also cause product delivery delays, service interruptions or require us to enter into royalty or licensing arrangements. Such royalty or licensing arrangements, if required, may not be available on terms acceptable to us, if at all. Therefore, litigation to defend and enforce our intellectual property rights could have a material adverse effect on our business, regardless of the final outcome of such litigation.

Clients may elect to terminate our maintenance contracts and manage operations internally.

It is possible that our clients may elect to not renew maintenance contracts for our software, trying instead to maintain and operate the software themselves using their perpetual license rights (excluding software applications provided on a hosted or cloud basis). This could adversely affect our revenues and profits. Additionally, they may inadvertently allow our intellectual property or other information to fall into the hands of third-parties, including our competitors, which could adversely affect our business.

Material portions of our business require the Internet infrastructure to be further developed or adequately maintained.

Part of our future success depends on the use of the Internet as a means to access public information and perform transactions electronically. This in part requires the further development and maintenance of the Internet infrastructure. Among other things, this further development and maintenance will require a reliable network backbone with the necessary speed, data capacity, security, and timely development of complementary products for providing reliable Internet access and services. If this infrastructure fails to be further developed or be adequately maintained, our business would be harmed because users may not be able to access our government portals.

Security breaches or unauthorized access to payment information, including credit/debit card data, and/or personal information that we, or our service providers, store, process, use or transmit for our business may harm our reputation, cause service disruptions and adversely affect our business and results of operations.

A significant challenge to electronic commerce is the secure transmission of payment information and/or personal information over information technology networks and systems which process, transmit and store electronic information, and manage or support a variety of business processes. The collection, maintenance, use, disclosure, and disposal of payment information and personal information by our business is regulated at state and federal levels, and cybersecurity legislation, executive orders and reporting requirements continue to evolve and become more complex. Because we either directly or indirectly through service providers (i) provide the electronic transmission of sensitive and personal information released from and filed with various government entities and (ii) perform online payment and electronic check processing services, we face the risk of a security breach, whether through system attacks, hacking events, acts of vandalism or theft, malware, viruses, human errors, catastrophes or other unforeseen events that could lead to significant disruptions or compromises of information technology networks and systems or the unauthorized release or use of payment information or personal information. Additionally, vulnerabilities in the security of our own internal systems or those of our service providers could compromise the confidentiality of, or result in unauthorized access to, personal information of our employees.

We rely on encryption and authentication technology purchased or licensed from third parties to provide the security and authentication tools to effectively secure transmission of confidential information, including user credit/debit card information and banking data. Advances in computer capabilities, new discoveries in the field of cryptography, threats that evolve ahead of tools designed to counter them, or other developments may result in the breach or compromise of technology used by them to protect transaction data. Data breaches can also occur as a result of non-technical issues, such as so-called “social engineering,” where individuals are manipulated into divulging confidential or personal information.

Despite the various security measures that we have in place to protect payment and personal information from unauthorized disclosure and to comply with applicable laws and regulations, our information technology networks and systems and those of our third-party vendors and service providers cannot be made completely secure against security incidents. Even the most well protected information, networks, systems, and facilities remain vulnerable to security breaches or disruptions, because (i) the techniques used in such attempts are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected for an extended period and (ii) the security methodologies, protocols, systems and procedures used for protection are implemented by humans at each level, and human errors may occur. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, or if such measures are implemented, and even if appropriate training is conducted in support of such measures, human errors may still occur. It is impossible for us to entirely mitigate this risk. A party, whether internal or external, who is able to circumvent our security measures, or those of our service providers, could misappropriate information, including, but not limited to payment information and personal information, or cause interruptions or direct damage to our partners or our users.

Under payment card rules and our contracts with our credit card processors, if there is a breach of payment card information that we store, process, or transmit, we could be subject to fines. We could also be liable to partners for costs of investigation, notification, remediation and credit monitoring and for any damages to users under applicable laws or our partner contracts.

In addition, any noncompliance with privacy laws or a security breach involving the misappropriation, loss or other unauthorized access, use or disclosure of payment information or personal information, or other significant disruption involving our information technology networks and systems, or those of our service providers (whether or not caused by a breach of our contractual obligations or our negligence), may lead to negative publicity, impair our ability to conduct our business, subject us to private litigation and government investigations and enforcement actions and cause us to incur potentially significant liability, damages or remediation costs. It may also cause the governments with whom we contract to lose confidence in us, any of which may cause the termination or modification of our government contracts and impair our ability to win future contracts. Actual or anticipated attacks and risks affecting us, our service providers’ or our government partners’ environment may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, to train employees, and to engage third-party security experts and consultants. Our insurance coverage may be insufficient to cover or protect against the costs, liabilities, and other adverse effects arising from a security breach or system disruption. If we fail to reasonably maintain the security of confidential information, we may also suffer significant reputational and financial losses and our results of operations, cash flows, financial condition and liquidity may be adversely affected.

We may be unable to integrate new technologies and industry standards effectively, which may adversely affect our business and results of operations.

Our future success will depend on our ability to enhance and improve the responsiveness, functionality, and features of our services in accordance with industry standards and to address the increasingly sophisticated technological needs of our customers on a cost-effective and timely basis. Our ability to remain competitive will depend, in part, on our ability to:

- Enhance and improve the responsiveness, functionality, and other features of the government services we offer;
- Continue to develop our technical expertise;
- Develop and introduce new services, applications, and technology to meet changing customer needs and preferences; and
- Influence and respond to emerging industry standards and other technological changes in a timely and cost-effective manner.

We cannot ensure that we will be successful in responding to the above technological and industry challenges in a timely and cost-effective manner. If we are unable to integrate new technologies and industry standards effectively, our business could be harmed.

<u>Public Sector-Related Risk Factors</u>

Selling products and services into the public sector poses unique challenges.

We derive substantially all of our revenues from sales of software and services to state, county, and city governments, utilities, tribal governments, other municipal agencies, and other public entities. We expect that sales to public sector clients will continue to account for substantially all of our revenues in the future. We face many risks and challenges associated with contracting with governmental entities, including:

- Resource limitations caused by budgetary constraints, which may provide for a termination of executed contracts due to a lack of future funding;
- Long and complex sales cycles;
- Contract payments at times being subject to achieving implementation milestones, and we may have differences with clients as to whether milestones have been achieved;
- Political resistance to the concept of contracting with third-parties to provide IT solutions;
- Legislative changes affecting a local government’s authority to contract with third-parties;
- Varying bid procedures and internal processes for bid acceptance; and
- Various other political factors, including changes in governmental administrations and personnel.

Each of these risks is outside our control. If we fail to adequately adapt to these risks and uncertainties, our financial performance could be adversely affected.

A prolonged economic slowdown could harm our operations.

A prolonged economic slowdown or recession could reduce demand for our software products and services. Local and state governments may face financial pressures that could in turn affect our growth rate and profitability in the future. There is no assurance that local and state spending levels will be unaffected by declining or stagnant general economic conditions, and if budget shortfalls occur, they may negatively impact local and state IT spending and could adversely affect our business.

The open bidding process creates uncertainty in predicting future contract awards.

Many governmental agencies purchase products and services through an open bidding process. Generally, a governmental entity will publish an established list of requirements requesting potential vendors to propose solutions for the established requirements. To respond successfully to these requests for proposals, we must accurately estimate their cost structure for servicing a proposed contract, the time required to establish operations for the proposed client, and the likely terms of any other third-party proposals submitted. We cannot guarantee that we will win any bids in the future through the request for proposal process, or that any winning bids will ultimately result in contracts on favorable terms. Our failure to secure contracts through the open bidding process, or to secure such contracts on favorable terms, may adversely affect our revenue and gross margins.

We face significant competition from other vendors and potential new entrants into our markets.

We face competition from a variety of software vendors that offer products and services similar to those offered by us, as well as from companies offering to develop custom software. We compete based on a number of factors, including

- The breadth, depth, and quality of our product and service offerings;
- The ability to modify our offerings to accommodate particular clients' needs;
- Technological innovation; and
- Name recognition, reputation and references.

We believe the market is highly fragmented with a large number of competitors that vary in size, product platform, and product scope. Our competitors include consulting firms, publicly held companies that focus on selected segments of the public sector market, and a significant number of smaller, privately held companies. Certain competitors have greater technical, marketing, and financial resources than we do. We cannot assure you that such competitors will not develop products or offer services that are superior to our products or services or that achieve greater market acceptance.

We also compete with internal, centralized IT departments of governmental entities, which requires us to persuade the end-user to stop the internal service and outsource to us. In addition, our clients and prospective clients could elect to provide information management services internally through new or existing departments, which could reduce the market for our services.

We could face additional competition as other established and emerging companies enter the public sector software application market and new products and technologies are introduced. Increased competition could result in pricing pressure, fewer client orders, reduced gross margins, and loss of market share. Current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third-parties, thereby increasing the ability of their products to address the needs of our prospective clients. It is possible that new competitors or alliances may emerge and rapidly gain significant market share. We cannot assure you that we will be able to compete successfully against current and future competitors, and the failure to do so would have a material adverse effect upon our business.

If we are unable to meet the unique challenges involved in contracting with governments and government agencies, our business may be harmed.

Our revenues are generated principally from contracts with state and local governments and government agencies, to provide digital government services on behalf of those government entities to complete transactions and distribute public information digitally. We face many risks uniquely associated with government contracting, including:

- Regulations that govern the fees they collect for many of our services, limiting their control over the level of transaction-based fees they are permitted to retain;
- The potential need for governments to draft and adopt specific legislation before they can circulate a request for proposal ("RFP") to which we can respond or before they can otherwise award a contract or provide a new digital service;

- Unexpected changes in legislation that increase our costs or result in a temporary or permanent suspension of our services;

- Changes to legislation authorizing government's contracting with third parties to receive or distribute public information;

- Long and complex sales cycles that vary significantly according to each government entity's policies and procedures;

- Political resistance to the concept of government agencies contracting with third parties to receive or distribute public information, which has been offered traditionally only by the government agencies and often without charge;

- Changes in government administrations that could impact existing RFPs, rebids, renewals or extensions; and

- Government budget deficits and appropriation approval processes and periods, either of which could cause governments to curtail spending on services, including time and materials-based fees for application development or fixed fees for portal management.

Our ability to grow revenues may be limited by the number of governments and government agencies that choose to provide digital government solutions such as those offered by us.

Our revenues are generated principally from contracts with state and local governments and government agencies to provide digital government solutions on behalf of those government entities to complete transactions and distribute public information digitally. The growth in our revenues largely will depend on government entities adopting solutions such as those offered by us. We cannot ensure that government entities will choose to provide digital government services or continue to provide digital government services at current levels, or that they will provide such services with private assistance or by adopting solutions such as those offered by us. The failure to secure contracts with certain government agencies could result in revenue levels insufficient to support our operations on a self-sustained, profitable basis.

We are subject to independent audits as requested by our government customers. Deficiencies in our performance under a government contract could result in contract termination, reputational damage, or financial penalties.

Each government entity with which we contract for outsourced portal services may have the authority to require an independent audit of our performance and financial management of contracted operations. The scope of audits could include inspections of income statements, balance sheets, fee structures, collections practices, service levels, security practices, and our compliance with contract provisions and applicable laws, regulations, and standards. The expansion of our operations into new markets and services may further expose us to requirements and potential liabilities under additional statutes and rules that have previously not been relevant to our business. We cannot ensure that a future audit will not find any material performance deficiencies that would result in an adjustment to our revenues and result in financial penalties. Moreover, any consequent negative publicity could harm our reputation among other governments with which we would like to contract. These factors could harm our business, results of operations, cash flows, and financial condition.

Risks Relating to Public Companies, Generally

Fluctuations in quarterly revenue could adversely impact our operating results and stock price.

Our revenues and operating results are difficult to predict and may fluctuate substantially from quarter to quarter for a variety of reasons, including:

- Prospective clients' contracting decisions are often made in the last few weeks of a quarter;

- The size of license transactions can vary significantly;

- Clients may unexpectedly postpone or cancel procurement processes due to changes in strategic priorities, project objectives, budget, or personnel;

- Client purchasing processes vary significantly and a client's internal approval, expenditure authorization, and contract negotiation processes can be difficult and time consuming to complete, even after selection of a vendor;

- The number, timing, and significance of software product enhancements and new software product announcements by us and our competitors may affect purchase decisions;

- We may have to defer revenues under our revenue recognition policies; and

- Clients may elect subscription-based arrangements, which result in lower software license revenues in the initial year as compared to traditional, on-premise software license arrangements, but generate higher overall subscription-based revenues over the term of the contract.

In each fiscal quarter, our expense levels, operating costs, and hiring plans are based to some extent on projections of future revenues and are relatively fixed. If our actual revenues fall below expectations, we could experience a reduction in operating results. Also, if actual revenues or earnings for any given quarter fall below expectations, it may lead to a decline in our stock price.

Increases in service revenue as a percentage of total revenues could decrease overall margins.

We realize lower margins on service revenues than on software subscription or license revenue. The majority of our contracts include both software and professional services. Therefore, an increase in the percentage of professional service revenue compared to license revenue could have a detrimental impact on our overall gross margins and could adversely affect operating results.

Our stock price may be volatile.

The market price of our common stock may be volatile. Examples of factors that may significantly impact our stock price include:

- Actual or anticipated fluctuations in our operating results;

- Announcements of technological innovations, new products, or new contracts by us or our competitors;

- Developments with respect to patents, copyrights, or other proprietary rights;

- Conditions and trends in the software and other technology industries;

- Adoption of new accounting standards affecting the software industry;

- Changes in financial estimates by securities analysts; and

- General market conditions and other factors.

In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market prices of technology company stocks and may in the future adversely affect the market price of our stock. Sometimes, securities class action litigation is filed following periods of volatility in the market price of a particular company's securities. We cannot assure you that similar litigation will not occur in the future with respect to us. Such litigation could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect upon our financial performance.

Future sales of shares by existing stockholders could cause our stock price to decline.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares of common stock intend to sell shares, could reduce the market price of our common stock. A significant number of our shares became free of resale restrictions on February 19, 2020, which was the date one year from the business combination. The presence of these additional shares of common stock trading in the public market may have an adverse effect on the market price of our securities.

Exercise of warrants for common stock would increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

As of December 31, 2019, we had warrants to purchase 27,093,334 shares of common stock outstanding. Each whole warrant is exercisable to purchase one share of common stock at $11.50 per share. While our warrants are currently substantially "underwater," to the extent such warrants are exercised, additional shares of common stock will be issued, which will result in dilution to the then-existing holders of common stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our common stock.

Our financial outlook may not be realized.

From time to time, in press releases and otherwise, we may publish forecasts or other forward-looking statements regarding our results, including estimated revenues or earnings. Any forecast of our future performance reflects various assumptions. These assumptions are subject to significant uncertainties, and as a matter of course, any number of them may prove to be incorrect. Further, the achievement of any forecast depends on numerous risks and other factors (including those described in this discussion), many of which are beyond our control. As a result, we cannot be certain that our performance will be consistent with any management forecasts or that the variation from such forecasts will not be material and adverse. Current and potential stockholders are cautioned not to base their entire analysis of our business and prospects upon isolated predictions, but instead are encouraged to utilize our entire publicly available mix of historical and forward-looking information, as well as other available information regarding us, our products and services, and the software industry when evaluating our prospective results of operations.

Compliance with changing regulation of corporate governance, public disclosure and other regulatory requirements or industry standards may result in additional expenses.

Changing laws, regulations, and standards relating to corporate governance, public disclosure and other regulatory requirements or industry standards, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Sarbanes-Oxley Act of 2002, the Tax Cuts and Jobs Act, new SEC regulations and the Nasdaq Stock Market rules create uncertainty for public companies such as ours. These laws, regulations, and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining adequate and appropriate standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations, and standards have resulted in, and certain regulations could continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. Further, because of increasing regulation, our board members and executive officers could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified board members and executive officers, which could harm our business. If our efforts to comply with new or changed laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities in the laws themselves or related to practice, our reputation may be harmed.

Our quarterly results of operations may be volatile and difficult to predict. If our quarterly results of operations, future growth, profitability or dividends fail to meet the expectations of public market analysts or investors, the market price of our common stock may decrease significantly.

Our future revenues and results of operations may vary significantly from quarter to quarter due to a number of factors, many of which are outside of our control, and any of which may harm our business. These factors include:

- the commencement, completion, or termination of contracts during any quarter;
- the introduction of new services by us or our competitors;
- technical difficulties or system downtime affecting the operation of our services;
- the amount and timing of operating costs and capital expenditures relating to the expansion of our business operations and infrastructure;

- unexpected changes in federal, state and local legislation that increase our costs and/or result in a temporary or permanent decrease in our revenues;
- any federal government shutdown, such as the shutdown which commenced in December 2018, each of which impacts the ability of our customers to purchase our products and services;
- the seasonal use of some of our services, particularly the payment of real estate taxes;
- changes in economic conditions;
- the result of negative cash flows due to capital investments; and
- significant charges related to acquisitions.

Due to the factors noted above and the other factors described in these Risk Factors, our financial performance in a quarter may be lower than we anticipate and if we are unable to reduce spending in that quarter, our results of operations for that quarter may be harmed. One should not rely on quarter-to-quarter comparisons of our results of operations as an indication of future performance. It is possible that in some future periods our results of operations may be below the expectations of public market analysts and investors. If this occurs, the price of our common stock may decline. In addition, if we fail to meet expectations related to future growth, profitability, dividends or other market expectations, the price of our common stock may decline.

Each operating subsidiary's management and independent registered public accounting firm have previously identified internal control deficiencies, which such management and independent registered public accounting firms believe constitute material weaknesses. If we fail to establish and maintain effective internal control over financial reporting in the future, our ability to timely and accurately report our financial results could be adversely affected.

Each of our operating subsidiaries was previously a private company not subject to the rules of the SEC implementing Section 404 of the Sarbanes-Oxley Act and, therefore, was not required to make a formal assessment of the effectiveness of its internal control over financial reporting. We are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in quarterly and annual reports and provide an annual management report on the effectiveness of internal control over financial reporting.

Although our operating subsidiaries have not made assessments of the effectiveness of their internal control over financial reporting and did not engage their independent registered public accounting firms to conduct audits of their internal control over financial reporting, in connection with the audits of the their financial statements included in this Annual Report on Form 10-K, each operating subsidiary's management and independent registered public accounting firm identified one or more material weaknesses relating to such subsidiary's internal control over financial reporting under standards established by the Public Company Accounting Oversight Board, or PCAOB. The PCAOB defines a material weakness as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a company's financial reporting.

The material weaknesses identified by the operating subsidiaries and their independent registered public accounting firms included: (i) deficiencies in Bonfire's period end financial statement close process, (ii) each of CityBase's, eCivis's, Open Counter's and Sherpa's limited segregation of duties with regard to financial reporting activities such as payroll entry and processing due to the size of their respective accounting departments and (iii) deficiencies in Questica's period end financial statement close process resulting from, among other things, the preparation of its financial statements included in this Annual Report on Form 10-K which have a different fiscal year end than its historical fiscal year end.

We believe that, as of December 31, 2019, we have remediated these material weaknesses and improved the effectiveness of our internal control over financial reporting by implementing additional controls related thereto.

The remediation efforts management took to address the previously identified material weaknesses include, but are not limited to, the following:

Implementation of specific policies and procedures with detailed instructions to the operating subsidiaries in order to adequately communicate the requirements around processes and controls;

Implementation of controls over manual journal entries and account reconciliations, including improving controls and procedures related to the timeliness and effectiveness of our review and approval procedures;

Expansion of our financial leadership team by adding employees and external consultants, each with the commensurate knowledge, experience, and training to properly support our financial reporting and accounting functions including overseeing that the first two items listed are timely and adequately implemented; and

Adoption of formal accounting policies related to non-routine complex transactions, such accounting for business combinations, revenue recognition, equity classification, deferred income taxes and derivative accounting.

There is no assurance that any measures we may take in the future will be sufficient to remediate the material weaknesses described above or to avoid potential future material weaknesses. If management fails to establish and maintain effective internal control over financial reporting and disclosure controls and procedures, we may not be able to produce timely and accurate financial statements and meet our SEC reporting obligations, which could result in sanctions by Nasdaq or the SEC. This could result in a loss of investor confidence and could lead to a decline in our stock price.

The impact of the coronavirus outbreak, or similar global health concerns, could negatively impact our operations, supply chain and customer base.

Our operations for certain of our products or services could be negatively impacted by the regional or global outbreak of illnesses, including coronavirus (COVID-19). Any quarantines, labor shortages or other disruptions to our operations, or those of our customers, may adversely impact our sales and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including those in which we operate, resulting in an economic downturn that could affect demand for our products and services. We are unable to accurately predict the possible future effect on the Company if coronavirus or another disease expands globally.

Item 2. Properties

The information regarding the Company’s properties set forth in “Item 1. Business” above is incorporated by reference into this Item 2.

Item 3. Legal Proceedings

The information regarding the Company’s Legal Proceedings set forth in “Item 1. Business” above is incorporated by reference into this Item 3.

Item 4. Mine Safety Disclosures.

None.

PART II

Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock trades on Nasdaq under the symbol “GTYH.”

Holders

At March 13, 2020, there were 167 holders of record of our common stock and 5 holders of record of our warrants.

Dividends

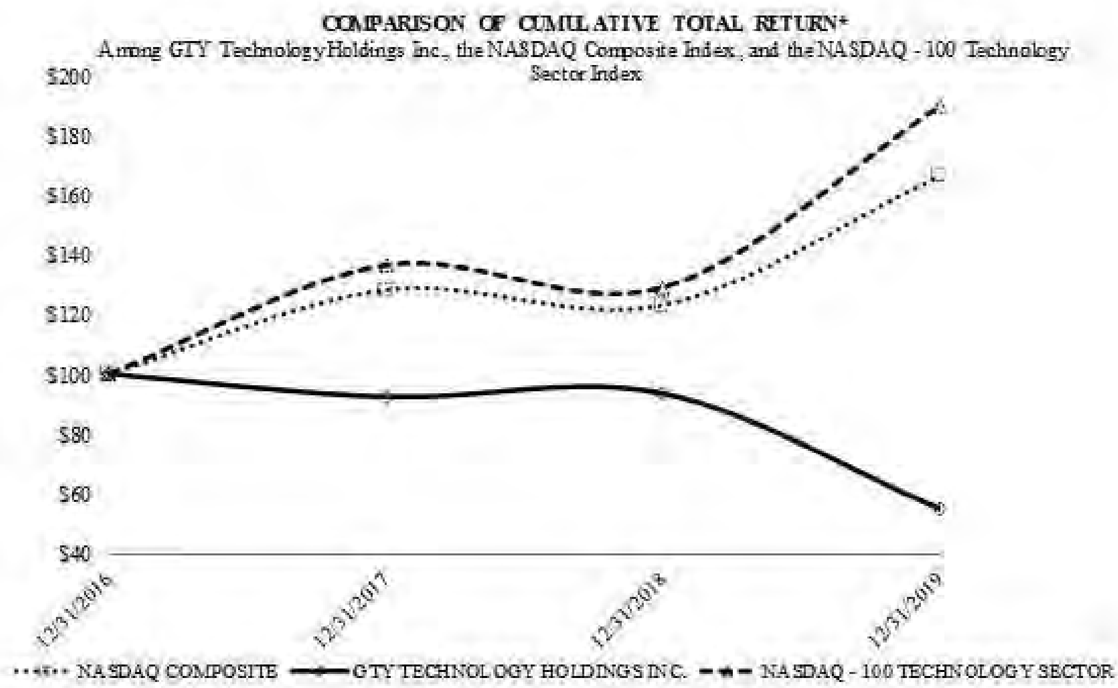
We have not paid any cash dividends on our common stock to date and GTY did not pay cash dividends prior to the consummation of the business combination. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition. The payment of any cash dividends will be within the discretion of our board of directors. In addition, our board of directors is not currently contemplating and does not anticipate declaring stock dividends in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

As of December 31, 2019, there were (i) 1,536,879 shares of common stock available for issuance pursuant to future awards under the GTY Technology Holdings Inc. 2019 Omnibus Incentive Plan (the "Incentive Plan"), (ii) 274,559 shares of common stock issuable upon exercise of outstanding stock options granted pursuant to the Incentive Plan at a weighted average exercise price of $2.14 per share and (iii) 3,278,324 restricted stock units granted pursuant to the Incentive Plan with a weighted average grant price of $6.55.

Performance Graph

The graph below compares the cumulative total return for GTY's shares from February 20, 2019(the first day on which GTY's shares began trading subsequent to the business combination) through December 31, 2019 with the comparable cumulative return of two indices: the Nasdaq Composite Index and the Nasdaq 100 Technology Sector Index. The graph assumes $100 invested on February 20, 2019 in each of GTY's shares and the two indices presented.



* $100 invested on December 31, 2016 in stock or index, including reinvestment of dividends.

	12/31/2016	12/31/2017	12/31/2018	12/31/2019
GTY Technology Holdings Inc.	100.00	92.37	93.49	54.79
NASDAQ Composite	100.00	128.24	123.26	166.68
NASDAQ -100 Technology Sector	100.00	136.68	129.18	190.25

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Offerings

Except as previously disclosed in our Quarterly Reports on Form 10-Q during 2019, we did not sell any securities that were not registered under the Securities Act during the period covered by this Annual Report on Form 10-K.

Item 6. Selected Financial Data.

The company qualifies as a smaller reporting company and is not required to provide the information required by this Item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

References to the "Company," "our," "us" or "we" refer to GTY Technology Holdings Inc. The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting our current expectations, estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the sections entitled "Risk Factors" and "Forward-Looking Statements" appearing elsewhere in this Annual Report on Form 10-K.

Overview

We are a public sector company that offers a cloud-based suite of solutions primarily for North American state and local governments. Our six wholly-owned subsidiaries are Bonfire Interactive Ltd. ("Bonfire"), CityBase, Inc. ("CityBase"), eCivis, Inc. ("eCivis"), Open Counter Enterprises Inc. ("Open Counter"), Questica Inc. ("Questica"), and Sherpa Government Solutions ("Sherpa"). Through our operating subsidiaries, we serve some of the fastest growing segments in the government technology sector, including procurement, payments, grants management, permitting, and budgeting.

We were formed on August 11, 2016 for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses (the "business combination"). Until the business combination, we did not engage in any operations nor generate any revenues. We recognized an opportunity to replace costly legacy systems with scalable and efficient Software as a Service, or SaaS, products. Our search led to the acquisition (the "Acquisition") of Bonfire, CityBase, eCivis, Open Counter, Questica, and Sherpa on February 19, 2019 (the "Closing Date").

Our customers are primarily located in the United States and Canada, including counties, municipalities, special districts, law enforcement agencies and public-school districts. We plan to increase our customer base by leveraging our comprehensive product portfolio with our existing customer base, investing in direct sales to new customers, and utilizing partnerships with complementary products and services.

The Acquisition was accounted for as a business combination under GAAP and resulted in a change in accounting basis as of the date of the Acquisition. As a result, our consolidated financial statements for the period beginning on February 19, 2019 are presented on a different basis than that for the periods before February 19, 2019, and therefore are not comparable. As a result of the application of the acquisition method of accounting, our consolidated financial statements and certain presentations are separated into two distinct periods to indicate the different ownership and accounting basis between the periods presented: (i) the period before the consummation of the Acquisition, which includes the period from January 1, 2019 to the Closing Date ("2019 Predecessor Period") and the year ended December 31, 2018 (the "2018 Predecessor Period"), and (ii) the periods on and after the consummation of the acquisition, which includes the period including and after the Closing Date to December 31, 2019 ("2019 Successor Period").

***Expansion and Further Penetration of Our Customer Base*.**

We employ a strategy that focuses on acquiring new customers and growing our relationships with existing customers over time. We believe significant opportunity exists for us to acquire new customers as well as expand the use of our platforms by selling additional products and increasing the number of users within our current customers' organizations.

***Investment in Growth*.**

We plan to continue to invest in our business so that we can capitalize on our market opportunity. We intend to continue to grow our sales and marketing team to acquire new customers and to increase sales to existing customers. We intend to continue to grow our research and development team to extend the functionality and range of our applications. We also intend to invest in new and improved IT solutions to support our business. However, we expect our sales and marketing expenses and research and development expenses as a percentage of revenues to decrease over time as we grow our revenues and gain economies of scale by increasing our customer base and increase sales to our existing customer base. We believe that these investments will contribute to our long-term growth, although they may adversely affect our profitability in the near term.

Leveraging Partnerships.

We plan to continue to strengthen and expand our relationships with technology vendors, professional services firms, and resellers. These relationships enable us to increase the speed of deployment and offer a wider range of integrated services to our customers. We intend to support these existing relationships, seek additional relationships and further expand our channel of resellers to help us increase our presence in existing markets and to expand into new markets. Our business and results of operations will be significantly affected by our success in leveraging and expanding these relationships.

Market Adoption of Our Platforms.

A key focus of our sales and marketing efforts is creating market awareness about the benefits of our cloud-based SaaS platforms. The market for SaaS solutions is less mature than the market for on-premise software applications, and potential customers may be slow or unwilling to migrate from their legacy solutions. Our business and operating results will be significantly affected by the degree to and speed with which organizations adopt our solutions.

Key Components of our Results of Operations

Revenues

Subscription, support and maintenance.

We provide software hosting services that provide customers with access to software related support and updates during the term of the arrangement. Revenues are recognized ratably over the contract term as the customer simultaneously receives and consumes the benefits of the subscription service. The first year of subscription fees are typically payable within 30 days after the execution of a contract, and thereafter upon renewal. We initially record subscription fees as contract liabilities and recognize revenues on a straight-line basis over the term of the agreement.

Our contracts may include variable consideration in the form of usage fees, which are included in the transaction price in the period in which the usage occurs and the fee is known.

Subscription, support and maintenance revenues also includes kiosk rentals and on-premise support or maintenance pertaining to license sales. Revenues from kiosk rentals and on-premise support are recognized on a straight-line basis over the support period.

Revenues from subscription, support and maintenance comprised approximately 67% of total revenues for the 2019 Successor Period.

Professional services.

Our professional services contracts generate revenues on a time and materials, fixed fee or subscription basis. Revenues are recognized as the services are rendered for time and materials contracts. Revenues are recognized when the milestones are achieved and accepted by the customer or on a proportional performance basis for fixed fee contracts. Revenues are recognized ratably over the contract term for subscription contracts. The milestone method for revenue recognition is used when there is substantive uncertainty at the date the contract is entered into whether the milestone will be achieved. Training revenues are recognized as the services are performed. Revenues from professional services comprised approximately 26% of total revenues for the 2019 Successor Period.

License.

Revenues from distinct licenses are recognized upfront when the software is made available to the customer, which normally coincides with contract execution, as this is when the customer has the risks and rewards of the right to use the software. Revenues from licenses comprised approximately 6% of total revenues for the 2019 Successor Period.

Asset sales.

Revenues from asset sales are recognized when the asset, typically a kiosk, has been received by the client and is fully operational and ready to accept transactions, which is when the customer obtains control and has the risks and rewards of the asset. Revenues from asset sales comprised less than 1% of total revenues for the 2019 Successor Period.

Cost of Revenues

Cost of revenues primarily consists of salaries and benefits of personnel relating to our hosting operations and support, implementation, and grants research. Cost of revenues includes data center costs including depreciation of the Company's data center assets, third-party licensing costs, consulting fees, and the amortization of acquired technology from recent acquisitions.

Operating Expenses

Sales and marketing

Sales and marketing expenses consist primarily of personnel costs of our sales and marketing employees, including salaries, sales commissions and incentives and benefits, travel and related costs, outside consulting fees, marketing programs, including lead generation, and costs of advertising and trade shows. We defer sales commissions and amortize them ratably over the expected customer life. We expect sales and marketing expenses will increase as we expand our direct sales teams and increase sales through our strategic relationships and resellers.

Research and development

Research and development expenses consist primarily of salaries and benefits associated with our engineering, product and quality assurance personnel. Research and development expenses also include the cost of third-party contractors. Other than internal-use software development costs that qualify for capitalization, research and development costs are expensed as incurred. We expect research and development costs to increase as we develop new solutions and make improvements to our existing platforms.

General and administrative

General and administrative expenses consist primarily of salaries and benefits with our executive, finance, legal, human resources, compliance and other administrative personnel, accounting, auditing and legal professional services fees, recruitment costs, and other corporate-related expenses. We expect that general and administrative expenses will increase as we scale our business, but at a lower rate over time.

Results of Operations

We accounted for the Acquisition as a business combination, which resulted in a new basis of accounting. Refer to Note 3 of the notes to our consolidated financial statements for additional information. As a result of the Acquisition, our consolidated financial statements for the period after February 19, 2019 are presented on a different basis than that for the periods before February 19, 2019 due to the application of purchase accounting as of February 19, 2019 and, therefore, are not comparable.

The Acquisition resulted in the following principal impacts for the period subsequent to the Acquisition date:

- A reduction in revenues in the 2019 Successor Period as a result of the contract liabilities at the Acquisition date being recorded at fair value, an amount less than its then carrying value;

- Increased amortization expense resulting from recording of intangible assets at fair value. We record amortization of acquired developed technology in cost of revenues, amortization of customer relationships in sales and marketing expenses, and amortization of covenants not to compete and tradename intangible assets in general and administrative expenses;

- Contingent consideration issued as part of the Acquisition was recorded at fair value each period with changes in fair value recorded in general and administrative costs; and

- Transaction costs were expensed as incurred as a separate line item in our consolidated statement of operations;

We believe reviewing our operating results for the year ended December 31, 2019 by combining the results of the 2019 Predecessor Period and 2019 Successor Period ("S/P Combined Period") is more useful in discussing our overall operating performance when compared to the 2018 Predecessor Period.

Successor/Predecessor ("S/P") Combined Period Compared to the Year Ended December 31, 2018

Total revenues

Our total revenues for the S/P Combined Period increased on a year-over-year basis. This increase was driven by an increase in the number of customers, an increase in the number of users added by existing customers and an increase in the number of products purchased by existing customers. Our revenues for the S/P Combined Period were $36.4 million. Excluding the $4.1 million impact of purchase accounting and combining the results of the 2019 Predecessor Period and 2019 Successor Period, our total non-GAAP adjusted revenues for the year ended December 31, 2019 would have been $40.5 million compared to $29.8 million for the year ended December 31, 2018 on a comparable basis, representing a 36% increase. The change in revenues for each operating segment is due to the following (in thousands, except percentages):

				Generally Accepted Accounting Principles ("GAAP")			Non-GAAP			
	February 19, 2019 through December 30, 2019	January 01, 2019 through February 18, 2019	Total S/P Combined 2019	Total Revenues 2018	Increase / (Decrease) in Dollars	Increase / (Decrease) in %	Total Revenues 2019	Total Revenues 2018	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Bonfire	$ 3,863	$ 593	$ 4,456	$ 3,190	$ 1,266	40 %	$ 5,043	$ 3,190	$ 1,853	58 %
CityBase	7,122	820	7,942	6,773	1,169	17 %	8,459	6,773	1,686	25 %
eCivis	4,742	673	5,415	4,951	464	9 %	6,258	4,951	1,307	26 %
Open Counter	1,408	298	1,706	1,707	(1)	(0) %	2,154	1,707	447	26 %
Questica	10,005	1,913	11,918	10,099	1,819	18 %	13,571	10,099	3,472	34 %
Sherpa	4,375	631	5,006	3,090	1,916	62 %	5,062	3,090	1,972	64 %
Total	$ 31,515	$ 4,928	$ 36,443	$ 29,810	$ 6,633	22 %	$ 40,547	$ 29,810	$ 10,737	36 %

Bonfire's and Open Counter's revenues increased primarily due to an increase in subscription, support and maintenance revenues resulting from an increase in customers from the prior year. CityBase's revenues increased primarily due to an increase in transaction volume and eCivis revenues increased primarily as a result of an increase in professional services. Sherpa's and Questica's revenues increased due primarily to an increase in professional services as well as an increase in subscription, support and maintenance revenues.

Total cost of revenues

Our total cost of revenues for the S/P Combined Period have increased on a year-over-year basis. The increase was driven by an increase in headcount in hosting operations and professional services, an increase in hosting costs due to customer expansion, and an increase in third-party product partnership costs. The change in cost of revenues for each operating segment is due to the following (in thousands, except percentages):

	February 19, 2019 Through December 31, 2019	January 01, 2019 through February 18, 2019	Total S/P Combined 2019	Total Cost of Revenues 2018	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Bonfire	$ 1,003	$ 124	$ 1,127	$ 809	$ 318	39 %
CityBase	5,063	746	5,809	5,181	628	12 %
eCivis	1,744	267	2,011	1,732	279	16 %
Open Counter	367	51	418	498	(80)	(16)%
Questica	2,375	296	2,671	1,746	925	53 %
Sherpa	1,376	130	1,506	429	1,077	251 %
Total	$ 11,928	$ 1,614	$ 13,542	$ 10,395	$ 3,147	30 %

Bonfire

Bonfire's total cost of revenues increased primarily due to a $0.3 million increase in salaries and benefits driven by a 20% increase in average headcount from December 31, 2018 to December 31, 2019. The remaining increase was from additional hosting tools and services to support the higher number of customers supported on the platform.

CityBase

CityBase's total cost of revenues increased primarily due to a $1.7 million increase in bank fees associated with its expansion in usage fee revenues and offset by a $0.9 million decrease in expenses incurred by third-party contractors and a $0.4 million decrease in the cost of kiosks sold.

eCivis

eCivis' total cost of revenues for the S/P Combined Period increased primarily due to a $0.2 increase in expenses incurred by third-party contractors and a $0.1 million increase in salaries and benefits driven by 6% increase in average headcount from December 31, 2018 to December 31, 2019.

Open Counter

Open Counter's total cost of revenues for the S/P Combined Period decreased slightly due to a decrease in expenses incurred by third-party contractors.

Questica

Questica's total cost of revenues increased due primarily to a 29% increase in headcount from December 31, 2018 to December 31, 2019.

Sherpa

Sherpa's total cost of revenues increased due primarily to an increase in professional services costs to support the increase in professional services revenues.

Operating expenses

Our total selling and marketing, general and administrative and research and development operating expenses for the S/P Combined Period have increased due primarily to increases in headcount in sales and marketing, general and administrative, and research and development resulting from growth in the business. The change in operating expenses for each operating segment is due to the following (in thousands, except percentages):

	Year Ended December 31,					
	February 19, 2019 Through December 31, 2019	January 01, 2019 through February 18, 2019	Total S/P Combined 2019	Total Operating Expenses 2018	Increase / (Decrease) in Dollars	Increase / (Decrease) in %
Bonfire	$ 10,249	$ 1,210	$ 11,459	$ 7,100	$ 4,359	61 %
CityBase	13,127	1,518	14,645	11,788	2,857	24 %
eCivis	4,752	575	5,327	4,030	1,297	32 %
Open Counter	2,162	202	2,364	1,385	979	71 %
Questica	6,761	1,034	7,795	6,696	1,099	16 %
Sherpa	1,604	147	1,751	1,671	80	5 %
Corporate	8,989	—	8,989	—	8,989	N/A
Total	$ 47,644	$ 4,686	$ 52,330	$ 32,670	$ 19,660	60 %

Bonfire

Bonfire's total operating expense increased due to a 103% increase in sales and marketing, a 33% increase in general and administrative costs and a 28% increase in research and development. The increase in sales and marketing was primarily due to a $1.5 million increase in share-based compensation expense and a $1.1 million or 59% increase in salaries and benefits driven by a 50% increase in average headcount from December 31, 2018 to December 31, 2019. The increase in general and administrative expenses was primarily due to a $1.1 million increase in share-based compensation expense and a $0.2 million increase or 24% in salaries and benefits driven by a 17% increase in average headcount from December 31, 2018 to December 31, 2019. The increase in research and development expenses was primarily due to a $0.3 million or 20% increase in salaries and benefits driven by a 25% increase in average headcount from December 31, 2018 to December 31, 2019 and a $0.2 million increase in share-based compensation expense.

CityBase

CityBase's total operating expense increased due to a 36% increase in research and development, a 67% increase in sales and marketing and offset by a 7% decrease in general and administrative costs. The increase in research and development was primarily due to a $1.2 million or 32% increase in salaries and benefits driven by a 60% increase in average headcount from December 31, 2018 to December 31, 2019. The increase in sales and marketing was primarily due to a $1.0 million or 104% increase in salaries and benefits driven by a 195% increase in average headcount from December 31, 2018 to December 31, 2019.

eCivis

eCivis' total operating expense increased due to an 84% increase in sales and marketing and a 17% increase in research and development and was partially offset by a 5% decrease in general and administrative costs. The increase in sales and marketing was primarily due to a $0.7 million or 82% increase in salaries and benefits driven by a 58% increase in average headcount from December 31, 2018 to December 31, 2019, a $0.1 million increase in third-party consulting fees and a $0.1 million increase in commissions expense. The increase in research and development was primarily due to a $0.2 million or 19% increase in salaries and benefits driven by a 20% increase in average headcount from December 31, 2018 to December 31, 2019. The decrease in general and administrative costs was primarily due to a $0.2 million decrease in oversight costs at the company level post-Acquisition.

Open Counter

Open Counter's total operating expense increased due primarily to a $0.8 million or 65% increase in salaries and benefits driven by a 58% increase in average headcount from December 31, 2018 to December 31, 2019.

Questica

Questica's total operating expense increased due primarily to a 47% increase in average headcount in sales and marketing from December 31, 2018 to December 31, 2019.

Sherpa

Sherpa's total operating expenses are materially consistent with the prior year.

Corporate

Corporate expenses primarily comprised of outside services including legal, accounting and consulting fees, payroll and related expenses, corporate insurance, and share-based compensation.

Other operating expenses

Acquisition costs consist primarily of Acquisition transaction costs, capital market advisory fees, and bonuses incurred as a result of the transaction or a change in control. Amortization of intangible assets consists of the amortization of finite lived intangibles resulting from the Acquisition as described in Note 3 of the notes to our consolidated financial statements included in this Annual Report on Form 10-K. Goodwill impairment expense includes any reduction in the fair value of Goodwill relative to its carrying value. The change in fair value of contingent consideration consists of any adjustments to the contingent consideration liability since the Acquisition.

Other income (expense)

Interest income during the S/P Combined Period was primarily due to the investments held by GTY during the 2019 Successor Period.

Reconciliation of Non-GAAP Revenues

To supplement our consolidated financial statements, which are prepared in accordance with U.S. generally accepted accounting principles, or GAAP, we have provided certain financial measures that have not been prepared in accordance with GAAP defined as "non-GAAP financial measures," which include (i) non-GAAP revenues, (ii) non-GAAP gross profit and non-GAAP gross margin, (iii) and non-GAAP loss from operations.

We use these non-GAAP financial measures internally in analyzing our financial results and believe these metrics are useful to investors, as a supplement to the corresponding GAAP measure, in evaluating our ongoing operational performance and trends. However, it is important to note that particular items we exclude from, or include in, our non-GAAP financial measures may differ from the items excluded from, or included in, similar non-GAAP financial measures used by other companies in the same industry. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

Non-GAAP Revenues.

Non-GAAP revenues are defined as GAAP revenues adjusted for the impact of purchase accounting resulting from its business combination which reduced its acquired contract liabilities to fair value. The Company believes that presenting non-GAAP revenues is useful to investors as it eliminates the impact of the purchase accounting adjustments to revenues to allow for a direct comparison between current and future periods.

Non-GAAP Gross profit and Non-GAAP Gross margin.

Non-GAAP gross profit is defined as GAAP gross profit adjusted for the impact of purchase accounting resulting its business combination. Non-GAAP gross margin is defined as non-GAAP gross profit divided by non-GAAP revenues. The Company believes that presenting non-GAAP gross profit and margin is useful to investors as it eliminates the impact of the purchase accounting adjustments to allow for a direct comparison between periods.

Non-GAAP Loss from operations.

Non-GAAP loss from operations is defined as GAAP loss from operations adjusted for the impact of purchase accounting to revenues resulting from its business combination, the amortization of acquired intangible assets, share-based compensation, acquisition related costs, goodwill impairment expense, and the change in fair value of contingent consideration. The Company believes that presenting non-GAAP loss from operations is useful to investors as it eliminates the impact of certain non-cash and acquisition related expenses to allow a direct comparison of loss from operations between all periods presented.

Below is a reconciliation of non-GAAP revenues, Non-GAAP gross profit and Non-GAAP gross margin and Non-GAAP loss from operations to their most directly comparable GAAP financial measures (in thousands, except percentages):

	Year Ended December 31, 2019	2018
Revenues - Successor Period	$ 31,515	$ —
Revenues - Predecessor Period	4,928	29,810
Pro forma as Adjusted Revenues	36,443	29,810
Purchase accounting adjustment to revenue	4,104	—
Non-GAAP Pro forma as Adjusted Revenues	**$ 40,547**	**$ 29,810**
Gross Profit - Successor Period	$ 19,587	$ —
Gross Profit - Predecessor Period	3,314	19,415
Pro forma as Adjusted Gross Profit	22,901	19,415
Purchase accounting adjustment to revenue	4,104	—
Share-based compensation	229	—
Non-GAAP Pro forma as Adjusted Gross Profit	**$ 27,234**	**$ 19,415**
Gross Margin - Successor Period	62 %	
Gross Margin - Predecessor Period	67 %	65 %
Pro forma as Adjusted Gross Margin	63 %	65 %
Non-GAAP Pro forma as Adjusted Gross Margin	**67 %**	**65 %**
Loss from operations - Successor Period	$ (103,917)	$ —
Loss from operations - Predecessor Period	(1,555)	(15,614)
Pro forma as Adjusted Loss from operations	(105,472)	(15,614)
Purchase accounting adjustment to revenue	4,104	—
Amortization of intangibles	12,841	395
Share-based compensation	5,490	926
Acquisition costs	37,139	1,964
Goodwill impairment expense	32,198	—
Change in fair value of contingent consideration	(6,135)	—
Non-GAAP Pro forma as Adjusted Loss from operations	**$ (19,835)**	**$ (12,329)**

Below is a reconciliation of non-GAAP revenues to revenues by operating segment (in thousands, except percentages):

	Year Ended December 31, Bonfire	CityBase	eCivis	Open Counter	Questica	Sherpa	Total Revenues
Pro forma Revenues - S/P combined Period 2019	$ 4,456	$ 7,942	$ 5,415	$ 1,706	$ 11,918	$ 5,006	$ 36,443
Purchase accounting adjustment to revenues	587	517	843	448	1,653	56	4,104
(Non-GAAP) Pro forma as Adjusted Revenues 2019	$ 5,043	$ 8,459	$ 6,258	$ 2,154	$ 13,571	$ 5,062	$ 40,547
Predecessor Revenues 2018	$ 3,190	$ 6,773	$ 4,951	$ 1,707	$ 10,099	$ 3,090	$ 29,810
% change	*58 %*	*25 %*	*26 %*	*26 %*	*34 %*	*64 %*	*36 %*

Liquidity and Capital Resources

As of December 31, 2019, we had a cash balance of approximately $8.4 million. Through December 31, 2019, our liquidity needs were satisfied through proceeds from our initial public offering and funds held in the Trust Account (see Note 11-Shareholders' Equity-to the consolidated financial statements contained in this Annual Report on Form 10-K), proceeds from the PIPE Transaction (as defined below), and proceeds from our June 2019 registered direct offering.

Our consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the consolidated financial statements, we had an accumulated deficit of approximately $85.0 million at December 31, 2019, a net loss of approximately $95.7 million and approximately $57.2 million net cash used in operating activities for the successor period from February 19, 2019 through December 31, 2019. These factors raise substantial doubt about our ability to continue as a going concern.

We are attempting to further expand its customer base; scale up its production of various products; and increase revenues; however, our cash position may not be sufficient to support our daily operations through the next twelve months from the date of filing this 10-Q. Our ability to continue as a going concern is dependent upon our ability to raise additional funds by way of a public or private offering and its ability to further generate sufficient revenues. While we believe in the viability of its platform and in our ability to raise additional funds by way of a public or private offering, there can be no assurances to that effect.

PIPE Transaction

Immediately prior to the closing of the business combination (the "Closing"), pursuant to subscription agreements (the "Subscription Agreements"), dated as of various dates from January 9, 2019 through February 12, 2019, by and among GTY Cayman and certain institutional and accredited investors party thereto (the "Subscribed Investors"), GTY Cayman issued to the Subscribed Investors an aggregate of 12,853,098 Class A ordinary shares of GTY for $10.00 per share, for an aggregate cash purchase price of approximately $126.3 million, including three such Subscription Agreements with certain CityBase holders (including Michael Duffy, the chief executive officer of CityBase) for an aggregate of 380,937 Class A ordinary shares of GTY Cayman at a price of $10.00 per share, for an aggregate cash purchase price of approximately $3.8 million (the "PIPE Transaction"). The Class A ordinary shares of GTY Cayman issued to the Subscribed Investors were cancelled and exchanged on a one-for-one basis for shares of Company common stock at the Closing.

Historical Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated (amounts in thousands):

	Successor	Predecessor	
	February 19, 2019 through December 30, 2019	January 1, 2019 through February 18, 2019	January 1, 2018 through December 30, 2018
Net cash (used in) provided by operating activities	$ (57,230)	$ 284	$ (8,900)
Net cash provided by investing activities	$ 36,787	$ 1,517	$ 35
Net cash provided by (used in) financing activities	$ 28,561	$ (540)	$ 10,348

Net Cash (Used in) Provided by Activities

Our net loss and cash flows from operating activities are significantly influenced by the Acquisition and our investments in headcount and infrastructure to support anticipated growth.

For the Successor Period, net cash used in operations was $57.2 million resulting from our net loss of $95.7 million and offset by changes in operating assets and liabilities of $1.1 million and net non-cash expenses of $37.3 million. The $37.3 million of non-cash expenses was comprised of a $32.2 million goodwill impairment charge, $12.8 million of amortization of intangible assets acquired as a result of the Acquisition and $5.4 million from share-based compensation offset by $8.6 million of deferred tax benefits related to the tax and book basis difference on the amortization of intangible assets and $6.1 million benefit from the change in fair value of contingent consideration.

For the Predecessor Period, net cash provided by operations was $0.3 million resulting from our changes in operating assets and liabilities of $1.6 million and net non-cash expenses of $0.4 million offset by our net loss of $1.7 million. The $1.6 million of net cash flows provided as a result of changes in our operating assets and liabilities was primarily due to a $2.2 million decrease in accounts receivable resulting from seasonality in billings and offset by a $0.7 million decrease in contract and other long-term liabilities. The $0.4 million of non-cash expenses was primarily comprised of $0.2 million of depreciation of property and equipment.

For the year ended December 31, 2018, net cash used in operations was $8.9 million resulting from our net loss of $16.5 million and offset by changes in operating assets and liabilities of $3.9 million and net non-cash expenses of $3.7 million. The $3.9 million of net cash flows provided as a result of changes in our operating assets and liabilities was due to a $3.1 million increase in accounts payable and accrued liabilities and a $2.0 million increase in contract and other long-term liabilities offset by a $0.7 million increase in prepaid expenses and a $0.4 million increase in accounts receivable. The $3.7 million of non-cash expenses was primarily comprised of $1.4 million of the change in fair value of notes payable converted to stock, $0.9 million of share-based compensation, and $0.6 million of depreciation of property and equipment.

Net Cash Provided by Investing Activities

Our primary investing activities have consisted of investments in marketable securities and capital expenditures. In February 2019, we completed our Acquisition and the resulting cash flow impact is described below in the Successor Period.

For the Successor Period, cash provided by investing activities was $36.8 million resulting from $217.6 million of proceeds from cash held in a trust and offset primarily due to the Acquisition which had a cash purchase price of $179.4 million net of cash acquired and $1.4 million of capital expenditures and capitalization of internal-use software.

For the Predecessor Period, cash provided by investing activities was $1.5 million due to a $1.5 million sale of marketable securities by Questica.

For the year ended December 31, 2018, there was no material change in cash provided by investing activities.

Net Cash Provided By (Used in) Financing Activities

For the Successor Period, cash provided by financing activities was $28.6 million primarily as a result of the private placement of Class A shares of $125.3 million and proceeds received from the successful registered direct offering of common stock of $25.5 million, net of costs and offset primarily by the redemption of shares in the amount of $114.0 million and $4.2 million of common stock repurchases.

For the Predecessor Period, cash used in financing activities was $0.5 million primarily as a result of member distributions of $0.5 million.

For the year ended December 31, 2018, cash provided by financing activities was $10.3 million primarily as a result of $10.0 million of issuances of predecessor preferred shares and $6.3 million of proceeds from borrowings and offset by $3.5 of repayments of borrowings and $0.9 million of dividends.

Critical Accounting Policies and Use of Estimates

See Note 3 of the notes to our consolidated financial statements.

Recent Accounting Pronouncements

The impact of recently issued accounting standards is set forth in Note 3, Summary of Significant Accounting Policies, of the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet transactions. Other than the guarantees described in Note 11, we have no guarantees or obligations other than those which arise out of normal business operations.

Contractual Obligations

Our principal commitments consist primarily of obligations under operating and financing leases, which include among others, our offices and leased kiosks. The following table summarizes our commitments to settle contractual obligations in cash as of December 31, 2019:

		Payment Due by Period					
	Total	2020	2021	2022	2023	2024	Thereafter
Operating lease obligations	$ 7,456	$ 1,867	$ 1,655	$ 785	$ 372	$ 357	$ 2,420
Finance lease obligations (including interest)	1,607	714	680	212	1	—	—

As of December 31, 2019, we also had contingent obligations in the form of potential earnout payments to individuals associated with each of Bonfire, CityBase, eCivis, Questica and Sherpa. See Note 3 of the Financial Statements for additional information regarding the accounting treatment of such contingent obligations.

Individuals associated with Bonfire may receive, based on Bonfire's revenues and EBIT for the fiscal years ended December 31, 2019 and 2020, respectively, earnout payments up to $5.0 million for each of the fiscal years ended December 31, 2019 and December 31, 2020, payable 50% in cash and 50% in our common stock. The aggregate earnout payments shall not exceed $10.0 million. For the year ended December 31, 2019, individuals associated with Bonfire will not receive any payments associated with the earnout.

Individuals associated with CityBase may receive, upon CityBase's trailing twelve-month net revenue exceeding $37.0 million, or the CityBase threshold, on or prior to December 31, 2048, an earnout payment equal to a number of shares (or, in the case of certain individuals associated with CityBase who are not accredited investors, the cash value thereof) of our common stock calculated by dividing $60 million by: (i) $10.00 if the CityBase threshold is met on or prior to December 31, 2021 or (ii) the greater of (x) $10.00 or (y) the volume-weighted average closing price for the shares of our common stock for the 30 trading days immediately preceding the payment date if the CityBase threshold is met after December 31, 2021.

Individuals associated with eCivis may receive, based on eCivis' achievement of certain "tiers" of revenues and EBITDA for the year ending December 31, 2020, an earnout payment equal to a number of shares of our common stock determined by dividing (x) either $10.0 million, $20.0 million, $30.0 million, $40.0 million or $50.0 million (depending on the "tier" of revenues and EBITDA achieved) by (y) $10.00.

As of December 31, 2019, 1,000,000 Class B shares of Questica Exchangeco became eligible to be converted into 1,550,338 Class A shares of Questica Exchangeco when Questica's aggregate revenue and aggregate EBIT for the year ended December 31, 2019 was greater than the aggregate revenue and aggregate EBIT for year ended December 31, 2018. The 1,550,338 Class A shares of Questica Exchangeco are convertible, at the option of the holder, into shares of our common stock on a one-to-one basis.

As of December 31, 2019, we became obligated to issue 336,965 of our common stock to individuals associated with Sherpa in satisfaction of an earnout obligation. The earnout obligation was triggered by Sherpa's aggregate revenues for the year ended December 31, 2019 exceeding Sherpa's aggregate revenues for the year ended December 31, 2018. Once the 336,965 shares are issued, the Company will no longer have any contingent obligations in respect of Sherpa.

Off-Balance Sheet Arrangements

As of December 31, 2019 and 2018, the Company did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K and did not have any commitments or contractual obligations

JOBS Act

On April 5, 2012, the Jumpstart GTY's Business Startups Act of 2012 (the "JOBS Act") was signed into law. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for qualifying public companies. We qualify as an "emerging growth company" and under the JOBS Act are allowed to comply with new or revised accounting pronouncements based on the effective date for private (not publicly traded) companies. We are electing to delay the adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As such, GTY's consolidated financial statements may not be comparable to companies that comply with public company effective dates. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year (a) following November 1, 2021, the fifth anniversary of the GTY Cayman IPO, (b) in which we have total annual gross revenue of at least $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our prior second fiscal quarter, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The company qualifies as a smaller reporting company and is not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
GTY Technology Holdings Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of GTY Technology Holdings, Inc. (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended and the related consolidated notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its consolidated operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered losses from operations and has an accumulated deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ WithumSmith+Brown, PC

We have served as the Company's auditor since 2016

Whippany, New Jersey
March 13, 2020

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)

	Successor December 31, 2019	Predecessor December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 8,374	$ 13,217
Investments	—	1,398
Accounts receivable, net	9,184	5,988
Prepaid expenses and other current assets	3,047	1,250
Total current assets	20,605	21,853
Property and equipment, net	3,185	1,124
Right of use assets	5,876	—
Loan receivable - related party	—	177
Intangible assets, net	115,788	1,564
Goodwill	286,635	2,518
Other assets	2,304	2,332
Total assets	$ 434,393	$ 29,568
Liabilities, Temporary Equity and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued expenses	$ 8,443	$ 5,969
Contract liabilities - current portion	17,346	11,732
Warrant liability	—	87
Financing lease obligations - current portion	555	138
Lease liability - current portion	1,851	—
Contingent consideration - current portion	12,680	—
Notes payable	—	450
Total current liabilities	40,875	18,376
Contract and other long-term liabilities	1,264	3,215
Deferred rent	—	62
Long-term debt, less current portion	—	433
Deferred tax liability	20,276	—
Financing lease obligations - less current portion	811	268
Lease liability - less current portion	4,311	—
Contingent consideration - less current portion	41,233	2,092
Total liabilities	108,770	24,446
Commitments and contingencies		
Preferred stock	—	42,264
Shareholders' equity (deficit):		
Common stock, par value $0.0001; 400,000,000 shares authorized; 52,920,228 shares issued and 52,303,862 shares outstanding as of December 31, 2019, net of treasury stock	5	—
Exchangeable shares, no par value, 5,568,096 shares issued and outstanding as of December 31, 2019	45,681	—
Acquired Companies' common stock	—	148
Additional paid in capital	369,756	7,835
Accumulated other comprehensive income (loss)	370	(174)
Treasury stock, at cost, 616,366 shares as of December 31, 2019	(5,174)	—
Accumulated deficit	(85,015)	(44,951)
Total shareholders' equity (deficit)	325,623	(37,142)
Total liabilities, temporary equity and shareholders' equity (deficit)	$ 434,393	$ 29,568

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share amounts)

	Successor	Predecessor	
	February 19, 2019 through December 31, 2019	January 1, 2019 through February 18, 2019	Year Ended December 31, 2018
Revenues	$ 31,515	$ 4,928	$ 29,810
Cost of revenues	11,928	1,614	10,395
Gross Profit	19,587	3,314	19,415
Operating expenses			
Sales and marketing	13,088	1,394	8,386
General and administrative	23,010	1,712	14,327
Research and development	11,546	1,580	9,957
Amortization of intangible assets	12,809	32	395
Acquisition costs	36,988	151	1,964
Goodwill impairment expense	32,198	—	—
Change in fair value of contingent consideration	(6,135)	—	—
Total operating expenses	123,504	4,869	35,029
Loss from operations	(103,917)	(1,555)	(15,614)
Other income (expense)			
Interest income (expense)	225	(170)	(506)
Loss from repurchase of shares	(1,032)	—	—
Other income (loss)	472	12	377
Total other expense, net	(335)	(158)	(129)
Net loss before income taxes	(104,252)	(1,713)	(15,743)
Benefit from (provision for) income taxes	8,595	—	(777)
Net loss	(95,657)	(1,713)	(16,520)
Other comprehensive loss:			
Foreign currency translation gain	370	—	—
Total other comprehensive loss	370	—	—
Comprehensive loss	$ (95,287)	$ (1,713)	$ (16,520)
Net loss	$ (95,657)	$ (1,713)	$ (16,520)
Cumulative preferred stock dividends	—	—	(1,421)
Deemed dividend for Exchangeable Shares - Series C	(183)	—	—
Deemed dividend on Series Seed preferred stock	—	—	(37)
Net loss applicable to common shareholders	$ (95,840)	$ (1,713)	$ (17,978)
Net loss per share, basic and diluted	$ (1.88)		
Weighted average common shares outstanding, basic and diluted	50,867,302		

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands, except share and per share amounts)

Year Ended December 31, 2019

	Common Stock		Class A		Class B		Exchangeable Shares		Additional Paid in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity (Deficit)
Successor	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**					
Balance - December 31, 2018	**—**	**$ —**	**898,984**	**$ —**	**13,568,821**	**$ 1**	**—**	**$ —**	**$ —**	**$ —**	**$ 9,920**	**$ —**	**$ 9,921**
Net loss	—	—	—	—	—	—	—	—	—	—	(95,657)		**(95,657)**
Ordinary shares no longer subject to possible redemption	—	—	9,216,438	1	—	—	—	—	88,190	—	722	—	**88,913**
Private placement of Class A shares, net of costs			12,863,098	2	—	—	—	—	125,256	—	—	—	**125,258**
Exchange of shares in GTY Merger	36,547,341	4	(22,978,520)	(3)	(13,568,821)	(1)	—	—	—	—	—	—	**—**
Common Stock issued for acquisitions	11,969,004	1	—	—	—	—	—	—	119,688	—	—	—	**119,689**
Shares convertible into Common Stock issued for acquisitions	—	—	—	—	—	—	5,761,741	47,617	—	—	—	—	**47,617**
Common Stock issued for Exchangeable Shares - Class C	500,000	—	—	—	—	—	—	—	3,860	—	—	—	**3,860**
Share-based compensation	—	—	—	—	—	—	—	—	5,429	—	—	—	**5,429**
Private placement of Common Stock, net of costs	3,500,000	—	—	—	—	—	—	—	25,450	—	—	—	**25,450**
Common stock repurchases	(616,366)	—	—	—	—	—	—	—	—	(5,174)	—	—	**(5,174)**
Stock option exercises	112,643	—	—	—	—	—	—	—	130	—	—	—	**130**
Vesting of restricted stock units	97,595	—	—	—	—	—	—	—	—	—	—	—	**—**
Exchangeable shares converted to Common Stock	193,645	—	—	—	—	—	(193,645)	(1,936)	1,936	—	—	—	**—**
Foreign currency translation gain	—	—	—	—	—	—	—	—	—	—	—	370	**370**
Deemed dividend for Exchangeable Shares - Class C	—	—	—	—	—	—	—	—	(183)	—	—	—	**(183)**
Balance - December 31, 2019	**52,303,862**	**$ 5**	**—**	**$ —**	**—**	**$ —**	**5,568,096**	**$ 45,681**	**$ 369,756**	**$ (5,174)**	**$ (85,015)**	**$ 370**	**$ 325,623**

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY – CONTINUED
(Amounts in thousands, except share and per share amounts)

<u>Predecessor from December 31, 2018 to February 18, 2019</u>

	Predecessor
Balance as of December 31, 2018	**$ (37,142)**
Net loss	(1,713)
Share-based compensation	61
Stock option exercises	13
Shareholders'/Members' equity activity	5,629
Balance as of February 18, 2019	**$ (33,152)**

<u>Predecessor from December 31, 2017 to December 31, 2018</u>

	Predecessor
Balance as of December 31, 2017	**$ (18,613)**
Net loss	(16,520)
Share-based compensation	926
Stock option exercises	113
Shareholders'/Members' equity activity	(2,982)
Other	(66)
Balance as of December 31, 2018	**$ (37,142)**

The accompanying notes are an integral part of these consolidated financial statements.

GTY TECHNOLOGY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Successor	Predecessor	
	February 19, 2019 through December 31, 2019	January 1, 2019 through February 18, 2019	Year Ended December 31, 2018
Cash flows from operating activities:			
Net loss	$ (95,657)	$ (1,713)	$ (16,520)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation of property and equipment	480	177	603
Amortization of intangible assets	12,809	32	395
Amortization of right of use assets	1,173	165	—
Share-based compensation	5,429	61	926
Deferred income tax benefit	(8,595)	—	43
Bad debt expense	(49)	6	39
Loss on disposal of property and equipment	2	—	3
Foreign exchange loss on payment of vested options	21	—	(189)
Goodwill impairment expense	32,198	—	—
Change in fair value of contingent consideration	(6,135)	(37)	220
Change in fair value of warrant liability	—	(18)	178
Gain on sale of marketable securities	—	—	(3)
Accrual of Paid In Kind interest	—	—	12
Repayments of Paid In Kind interest	—	—	(23)
Change in fair value of notes payable converted to stock	—	—	1,387
Interest expense from notes payable converted to stock	—	—	160
Other	—	—	(21)
Changes in operating assets and liabilities:			
Accounts receivable	(5,276)	2,190	(439)
Prepaid expenses and other assets	(1,536)	202	(714)
Accounts payable and accrued liabilities	(1,000)	(58)	3,075
Contract and other long-term liabilities	9,985	(723)	1,975
Lease liabilities	(1,079)	—	(7)
Net cash (used in) provided by operating activities	(57,230)	284	(8,900)
Cash flows from investing activities:			
Proceeds from cash held in trust	217,642	—	—
Proceeds from sale/disposal of property and equipment	—	1	16
Purchase of marketable securities	—	—	(749)
Proceeds from related party loan	—	—	(25)
Proceeds from the sales of marketable securities	—	1,531	1,145
Payment of internal use software	(793)	—	—
Acquisitions, net of cash acquired	(179,423)	—	—
Capital expenditures	(639)	(15)	(352)
Net cash provided by investing activities	36,787	1,517	35
Cash flows from financing activities:			
Proceeds from borrowings	—	35	6,319
Repayments of borrowings	(486)	(69)	(3,519)
Stock options exercises	130	13	113
Contingent consideration payments	(920)	—	(571)
Shareholder advances	—	—	—

Proceeds from issuances of Predecessor preferred shares	—	—	9,960
Member distribution	—	(500)	(759)
Dividends	—	—	(872)
Borrowings issuance cost	—	—	(24)
Deferred cash payment for acquisitions	—	—	(150)
Common Stock repurchases	(4,174)	—	—
Note repayment for common stock repurchases	(1,000)		
Redemption of Class A Ordinary Shares	(113,982)	—	—
Redemption of Exchangeable Shares - Class C	(1,323)	—	—
Proceeds received from private placement of Class A shares, net of costs	125,258	—	—
Proceeds received from private placement of Common Stock, net of costs	25,450	—	—
Repayments of finance lease obligations	(392)	(19)	(149)
Net cash provided by (used in) financing activities	28,561	(540)	10,348
Effect of foreign currency on cash	204	(9)	(707)
Net change in cash and cash equivalents	8,322	1,252	776
Cash and cash equivalents, beginning of period	52	13,217	12,441
Cash and cash equivalents, end of period	**$ 8,374**	**$ 14,469**	**$ 13,217**
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ —	$ —	$ —
Cash paid for income taxes	$ —	$ —	$ —
Noncash Investing Activity:			
Shares issued for the Acquisition	$ 172,307	$ —	$ —
Reduction in convertible note liability	$ 1,000	$ —	$ —
Exchangeable shares converted to Common Stock	$ 1,936	$ —	$ —
Common Stock issued for Exchangeable Shares - Class C	$ 3,860	$ —	$ —
Deemed dividend for Exchangeable Shares - Class C	$ 183	$ —	$ —
Note payable issuance for common stock repurchases	$ 1,000	$ —	$ —
Capital leases	$ 2,714	$ —	$ —

The accompanying notes are an integral part of these consolidated financial statements.

Note 1. Organization and Business Operations

GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.), a Massachusetts corporation ("GTY", the "Company" or "Successor"), is headquartered in Las Vegas, Nevada.

On February 19, 2019 (the "Closing Date"), the Company consummated several acquisitions (collectively, the "Acquisition"), pursuant to which it (i) acquired each of Bonfire Interactive Ltd. ("Bonfire"), CityBase, Inc. ("CityBase"), eCivis Inc. ("eCivis"), Open Counter Enterprises Inc. ("Open Counter"), Questica Inc. and Questica USCDN Inc. (together, "Questica") and Sherpa Government Solutions LLC ("Sherpa" and together with Bonfire, CityBase, eCivis, Open Counter and Questica, the "Acquired Companies") and (ii) became the parent company of its predecessor entity, GTY Technology Holdings Inc., a blank check company incorporated in the Cayman Islands ("GTY Cayman"). Until the Acquisition, GTY Cayman did not engage in any operations nor generate any revenues.

In connection with the closing of the Acquisition, the Company changed its name from GTY Govtech, Inc. to GTY Technology Holdings Inc. and became a successor issuer to GTY Cayman and continued the listing of its common stock and warrants on the Nasdaq Capital Market ("NASDAQ") under the symbols "GTYH" and "GTYHW," respectively. As of June 2019, the Company's warrants are no longer listed on any exchange.

GTY is a public sector SAAS company which offers a cloud-based suite of solutions primarily for North American state and local governments. GTY's cloud-based suite of solutions for state and local governments addresses functions in procurement, payments, grant management, budgeting and permitting. The following is a brief description of each of the Acquired Companies.

Bonfire

Bonfire Interactive Ltd. was incorporated on March 5, 2012 under the laws of the Province of Ontario, and its wholly-owned subsidiary, Bonfire Interactive US Ltd., was incorporated in the United States on January 8, 2018. Bonfire is a provider of strategic sourcing and procurement software, serving customers in government, the broader public sector, and various highly-regulated commercial vertical markets.

Bonfire offers customers and their sourcing professionals a modern SaaS application that helps find, engage, evaluate, negotiate and award vendor and supplier contracts. Bonfire delivers workflow automation, data collection and analysis, and collaboration to drive cost savings, compliance, and strategic outcomes. All of Bonfire's applications are delivered as a SaaS offering, and Bonfire offers implementation and premium support services.

CityBase

CityBase, a Delaware corporation headquartered in Chicago, provides dynamic content, digital services, and integrated payments via a SaaS platform that includes technological functionality accessible via web and mobile, kiosk, point-of-sale, and other channels. CityBase software integrates its platform to underlying systems of record, billing, and other source systems, and configures payments and digital services to meet the requirements of its customers, which include government agencies and utility companies.

eCivis

eCivis, a Delaware corporation headquartered in Los Angeles, California, is a leading SaaS provider of grants management and indirect cost reimbursement solutions that enable its customers to standardize and streamline complex grant processes in a fully integrated platform. The eCivis platform consists of four core cloud-based products including grants research, grants management, sub-recipient management, and cost allocation and recovery. To assist its customers in the implementation of its cloud-based products, eCivis offers one-time implementation services, including data integration, grants migration and change management. Additionally, eCivis provides ongoing grants management training, cost allocation plan consulting and cost recovery services.

Open Counter

Open Counter, a Delaware corporation headquartered in San Francisco, California, is a developer and provider of software tools for cities to streamline permitting and licensing services for municipal governments. Open Counter provides customers with software through a hosted platform and also provides professional services related to software implementation.

Questica

Questica, Inc., Questica USCDN Inc., and its wholly-owned subsidiary Questica Ltd., design and develop budgeting software that supports the unique requirements of the public sector. The Questica suite of products are part of a comprehensive web-based budgeting preparation, performance, management and data visualization solution that enables public sector and non-profit organizations to improve and shorten their budgeting cycles.

Questica Inc. was organized in 1998 as an Ontario corporation, maintains two offices located in Burlington, Ontario, Canada and serves the healthcare, K-12, higher education and local government verticals primarily in North America. Questica USCDN was organized in 2017 as an Ontario corporation and Questica Ltd. was incorporated in 2017 in the United States as a Delaware corporation. Questica Ltd. is located in Huntington Beach, California, primarily serving the non-profit market and services a limited number of customers in the public and private sector. The majority of the Questica Ltd.'s customers are located in the United States and Canada, and as well as some international customers, primarily located in the United Kingdom and Africa.

Sherpa

Sherpa is a Colorado limited liability company headquartered in Denver, Colorado, established in 2004. Sherpa is a leading provider of public sector budgeting software and consulting services that help state and local governments create and manage budgets and performance. Customers purchase Sherpa's software and then engage its consulting services to configure the software and receive training on how to manage the software going forward. Following implementation, customers continue to use the software in exchange for maintenance or subscription fees.

Note 2. Going Concern and Liquidity

The Company's consolidated financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the consolidated financial statements, the Company had an accumulated deficit of approximately $85.0 million at December 31, 2019, a net loss of approximately $95.7 million and approximately $57.2 million net cash used in operating activities for the successor period from February 19, 2019 through December 31, 2019. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company is attempting to further expand its customer base; scale up its production of various products; and increase revenues; however, the Company's cash position may not be sufficient to support its daily operations through the next twelve months from the date of filing this Form 10-K. The ability of the Company to continue as a going concern is dependent upon its ability to raise additional funds by way of a public or private offering and its ability to further generate sufficient revenues. While the Company believes in the viability of its platform and in its ability to raise additional funds by way of a public or private offering, there can be no assurances to that effect. On February 14, 2020, the Company entered into an unsecured term loan credit facility that provides for term loans in an aggregate principal amount of $12.0 million. See Note 13.

The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the SEC.

The Acquisition was accounted for as a business combination using the acquisition method of accounting. The Company's financial statement presentation distinguishes the results of operations into two distinct periods: (i) the period before the consummation of the Acquisition, which includes the period from January 1, 2019 to the Closing Date (the "2019 Predecessor Period"), the year ended December 31, 2018 (the "2018 Predecessor Period") and (ii) the period after consummation of the Acquisition which includes the period including and after the Closing Date to December 31, 2019 ("2019 Successor Period"). The accompanying consolidated financial statements include a black line division which indicates that the Acquired Companies and the Company's financial information are presented on a different basis and are therefore, not comparable.

Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions. See Note 4 – Business Combination for a discussion of the estimated fair values of assets and liabilities recorded in connection with the Acquisition.

The historical financial information of GTY Cayman prior to the Acquisition is not being reflected in the Predecessor financial statements as these historical amounts have been determined not to be useful to a user of the financial statements. GTY Cayman's operations prior to the Acquisition, other than income from the Trust Account (as defined in Note 11. Shareholders' Equity) investments and transaction expenses, were nominal.

The Company believes that Predecessor activities related to investments, intangible assets, share-based compensation, goodwill, fair value measurements and notes payable were either quantitatively or qualitatively immaterial. Therefore, the Company did not disclose these Predecessor activities in the following unaudited footnotes.

Principles of Consolidation

The Successor Period consolidated financial statements include all accounts of the Company and its subsidiaries. The Predecessor Period consolidated financial statements include all accounts of the Acquired Companies and the Acquired Companies' subsidiaries. All material intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

Segments

The Company has six operating segments. The Company's Chief Executive Officer and Chief Financial Officer, who jointly are the Company's chief operating decision maker, review financial information for each of the Acquired Companies, together with certain consolidated operating metrics, to make decisions about how to allocate resources and to measure the Company's performance. See Note 12.

Emerging Growth Company

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Further, section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable.

The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's consolidated financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accountant standards used.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash includes cash held in checking and savings accounts. Cash equivalents are comprised of investments in money market mutual funds. Cash and cash equivalents are recorded at cost, which approximates fair value.

Accounts Receivable

Accounts receivable consists of amounts due from our customers, which are primarily located throughout the United States and Canada. Accounts receivable are recorded at the invoiced amount, do not require collateral, and do not bear interest.

The Company estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the Company's customers may have an inability to meet financial obligations, such as bankruptcy and significantly aged receivables outstanding. Uncollectible receivables are written-off in the period management believes it has exhausted every opportunity to collect payment from the customer. Bad debt expense is recorded when events or circumstances indicate an additional allowance is required based on the Company's specific identification approach.

The allowance for doubtful accounts for the Successor as of December 31, 2019 and for the Predecessor as of December 31, 2018 was immaterial. Bad debt expense for all periods presented was immaterial.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents, and accounts receivable. Cash accounts in a financial institution at times may exceed the Federal depository insurance coverage of $250,000. As of December 31, 2019 and 2018, the Company had not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts. Additionally, all Canadian Dollars ("CDN") institution amounts are covered by Canada Deposit Insurance Corporation, or CDIC insurance.

Use of Estimates

The preparation of the consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheets and the reported amounts of revenue and expenses during the reporting periods.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the consolidated financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred, and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of operations in the period realized. Property, plant and equipment is depreciated using the straight-line method over five (5) to fifteen (15) years. Internal-use software is amortized on a straight-line basis over its estimated useful life of five (5) years.

Leasehold improvements are amortized over the shorter of the useful lives or the term of the respective leases.

Capitalized Software Costs

The Company capitalizes costs incurred during the application development stage related to the development of internal-use software and enterprise cloud computing services. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. For the 2019 Successor Period, the Company capitalized $0.8 million for internal use software.

Intangible Assets (Successor)

Intangible assets consist of acquired customer relationships, acquired developed technology, trade names and non-compete agreements which were acquired as part of the Acquisition. The Company determines the appropriate useful life of its intangible assets by performing an analysis of expected cash flows of the acquired assets. Intangible assets are amortized over their estimated useful lives using the straight-line method, which approximates the pattern in which the economic benefits are consumed.

Goodwill (Successor)

Goodwill represents the excess of the purchase price of an entity over the estimated fair value of the assets acquired and liabilities assumed, and it is presented as Goodwill in the accompanying consolidated balance sheet of the Successor. Under ASC 350, *Intangibles – Goodwill and Other* ("ASC 350"), goodwill is not amortized but is subject to periodic impairment testing. ASC 350 requires that an entity assign its goodwill to reporting units and test each reporting unit's goodwill for impairment at least on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. In our evaluation of goodwill for impairment, which will be performed annually during the fourth quarter, we first assess qualitative factors to determine whether the existence of events or circumstances led to a determination that it was more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company is required to perform the quantitative goodwill impairment test. As a result of the Acquisition, the Company acquired goodwill during the Successor Period. There was minimal goodwill prior to the Acquisition. As a result of our goodwill impairment assessment, the Company recorded a goodwill impairment expense of $18.0 million, $12.9 million and $1.3 million of its CityBase, Bonfire and eCivis segments, respectively, for the 2019 Successor Period.

Business Combinations (Successor)

The Company accounts for business acquisitions using the acquisition method of accounting based on Accounting Standards Codification ("ASC") 805 — Business Combinations, which requires recognition and measurement of all identifiable assets acquired and liabilities assumed at their fair value as of the date control is obtained. The Company determines the fair value of assets acquired and liabilities assumed based upon its best estimates of the acquisition-date fair value of assets acquired and liabilities assumed in the acquisition. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. Subsequent adjustments to fair value of any contingent consideration are recorded to the Company's consolidated statements of operations.

Based on the acquisition date and the complexity of the underlying valuation work, certain amounts included in the Company's consolidated financial statements may be provisional and thus subject to further adjustments within the permitted measurement period (a year from the date of acquisition), as defined in ASC 805. During the Successor Period ended December 31, 2019, adjustments were made within the permitted measurement period that resulted in (i) an increase in the aggregate consideration of the Acquisition of $0.4 million relating to the settlement of the working capital adjustments, (ii) the conversion of $0.04 million stock consideration to cash consideration for the correction of an investor's status to a non-accredited investor, (iii) a decrease in intangible assets $4.4 million, (iv) a decrease in contingent consideration as a result of the Acquisition of $7.5 million and (v) a decrease in the related deferred tax liability of $11.0 million due to updated information regarding facts and circumstances which existed as of the date of the business combination (the "Measurement Period Adjustments). These Measurement Period Adjustments have been reflected as current period adjustments in the Successor Period ended December 31, 2019 in accordance with the guidance in ASU 2015-16 "Business Combinations." The Measurement Period Adjustments primarily impacted goodwill, with no effect on earnings or cash in the current period. See Note 4.

Impairment of long-lived assets

The Company reviews long-lived assets, including property and equipment and intangible assets and goodwill for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss is recognized when the asset's carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value. During the Successor 2019 Period, the Company incurred a $32.2 million goodwill impairment charge.

Leases

Effective January 1, 2019, the Company accounts for its leases under ASC 842, Leases. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases, and are recorded on the consolidated balance sheet as both a right of use asset and a lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right of use asset results in straight-line rent expense over the lease term. Variable lease expenses are recorded when incurred.

In calculating the right of use asset and lease liability, the Company elects to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election, and recognizes rent expense on a straight-line basis over the lease term.

The Company accounted for leases prior to January 1, 2019 under ASC Topic 840.

Fair Value (Successor)

The fair value of an asset or liability is the price that would be received to sell an asset or transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value and defines three levels of inputs that may be used to measure fair value.

- Level 1 — uses quoted prices in active markets for identical assets or liabilities.
- Level 2 — uses observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — uses one or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment.

The Company's only material financial instruments carried at fair value as of December 31, 2019, with changes in fair value flowing through current earnings, consist of contingent consideration liabilities recorded in conjunction with business combinations and are as follows (in thousands):

		Fair Value Measurement at Reporting Date Using		
	Balance as of December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contingent consideration – current	$ 12,680	$ —	$ —	$ 12,680
Contingent consideration – long term	41,233	—	—	41,233
Total liabilities measured at fair value	$ 53,913	$ —	$ —	$ 53,913

There were no transfers made among the three levels in the fair value hierarchy during the period after consummation of the Acquisition, which includes the period including and after the Closing Date to December 31, 2019.

The following table presents additional information about Level 3 liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealized gains and losses for liabilities within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

Changes in Level 3 liabilities measured at fair value from February 19, 2019 to December 31, 2019 were as follows (in thousands):

Contingent consideration - February 18, 2019	$	2,685
Fair value of contingent consideration – Bonfire		325
Fair value of contingent consideration – CityBase		48,410
Fair value of contingent consideration – eCivis		5,859
Fair value of contingent consideration – Questica		9,311
Fair value of contingent consideration – Sherpa		1,898
Payments of contingent consideration		(920)
Measurement period adjustment		(7,535)
Change in valuation		(6,135)
Change due to fluctuation in foreign currency		15
Contingent consideration – December 31, 2019	$	53,913

The change in valuation was due, in part, to the decreased probabilities of the achievement of certain milestones of some of the acquired entities.

The fair value of the Company's contingent consideration liabilities recorded as part of the Acquisition has been classified within Level 3 in the fair value hierarchy. The contingent consideration represents the estimated fair value of future payments due to the sellers based on each company's achievement of annual earnings targets in certain years and other events considered in certain transaction documents. The initial fair values of the contingent consideration were calculated through the use of either Monte Carlo simulation or modified Black-Scholes analyses based on earnings projections for the respective earn-out periods, corresponding earnings thresholds, and approximate timing of payments as outlined in the purchase agreements for each of the Acquired Companies. The analyses utilized the following assumptions: (i) expected term; (ii) risk-adjusted net sales or earnings; (iii) risk-free interest rate; and (iv) expected volatility of earnings. Estimated payments, as determined through the respective models, were further discounted by a credit spread assumption to account for credit risk. The contingent consideration is revalued to fair value each period, and any increase or decrease is recorded in operating income (loss). The fair value of the contingent consideration may be impacted by certain unobservable inputs, most significantly with regard to discount rates, expected volatility and historical and projected performance. Significant changes to these inputs in isolation could result in a significantly different fair value measurement.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates fair value because of the short-term nature of these instruments.

The Company measures certain assets at fair value on a non-recurring basis, generally annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include goodwill and other intangible assets.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As a result of our annual goodwill impairment assessment, the Company recorded a goodwill impairment expense of \$18.0 million, \$12.9 million and \$1.3 million of its CityBase, Bonfire and eCivis segments, respectively, for the year ended December 31, 2019. This measurement was performed on a non-recurring basis using significant unobservable inputs (Level 3). See Note 5.

Foreign Currency Translation and Transactions

The assets, liabilities and results of operations of certain consolidated entities are measured using their functional currency, which is the currency of the primary foreign economic environment in which they operate. Upon consolidating these entities with the Company, their assets and liabilities are translated to U.S. dollars at currency exchange rates as of the consolidated balance sheet date and their revenues and expenses are translated at the weighted average currency exchange rates during the applicable reporting periods. Translation adjustments resulting from the process of translating these entities' consolidated financial statements are reported in accumulated other comprehensive income (loss) in the consolidated balance sheets and total other comprehensive loss on the consolidated statements of operations.

Revenue Recognition

The Company adopted the Financial Accounting Standards Board ("FASB") new revenue recognition framework, ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), on January 1, 2017 using the full retrospective approach. The adoption of this standard did not have a material impact on prior revenue recognition or on opening equity, as the timing and measurement of revenue recognition for the Company is materially the same under ASC 606 as it was under the prior relevant guidance.

With the adoption of Topic 606, revenues are recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. If the consideration promised in a contract includes a variable amount, the Company includes an estimate of the amount it expects to receive for the total transaction price if it is probable that a significant reversal of cumulative revenues recognized will not occur.

The Company determines the amount of revenues to be recognized through application of the following steps:

- Identification of the contract, or contracts with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenues when or as the Company satisfies the performance obligations.

For contracts where the period between when the Company transfers a promised service to the customer and when the customer pays is one year or less, the Company has elected the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component.

The Company has made a policy election to exclude from the measurement of the transaction price all taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue producing transaction and collected by the Company from a customer. Such taxes may include but are not limited to sales, use, value added and certain excise taxes.

Amounts in tables in thousands, except share and per share amounts)

Disaggregation of Revenues

	Successor	Predecessor	
	February 19, 2019 through December 31, 2019	January 1, 2019 through February 18, 2019	Year Ended December 31, 2018
Subscriptions, support and maintenance	$ 21,207	$ 3,253	$ 20,857
Professional services	8,326	1,269	6,363
License	1,930	383	2,173
Asset sales	52	23	417
Total revenues	$ 31,515	$ 4,928	$ 29,810

Revenues

Subscription, support and maintenance. The Company provides software hosting services that provide customers with access to software related support and updates during the term of the arrangement. Revenues are recognized ratably over the contract term as the customer simultaneously receives and consumes the benefits of the subscription service, as the service is made available to the Company. The first year of subscription fees are typically payable within 30 days after the execution of a contract, and thereafter upon renewal. The Company initially records subscription fees as contract liabilities and recognize revenues on a straight-line basis over the term of the agreement.

Our contracts may include variable consideration in the form of usage fees, which are constrained and recognized once the uncertainties associated with the constraint are resolved, which is when usage occurs and the fee is known.

Subscription, support and maintenance revenues also includes kiosk rentals and on-premise support or maintenance pertaining to license sales. Revenues from kiosk rentals and on-premise support are recognized on a straight-line basis over the support period.

Revenues from subscription, support and maintenance comprised approximately 67% of total revenues for the 2019 Successor Period.

Professional services. The Company's professional services contracts generate revenues on a time and materials, fixed fee or subscription basis. Revenues are recognized as the services are rendered for time and materials contracts. Revenues are recognized when the milestones are achieved and accepted by the customer or on a proportional performance basis for fixed fee contracts. Revenues are recognized ratably over the contract term for subscription contracts. The milestone method for revenue recognition is used when there is substantive uncertainty at the date the contract is entered into whether the milestone will be achieved. Training revenues are recognized as the services are performed. Revenues from professional services comprised approximately 26% of total revenues for the 2019 Successor Period.

License. Revenues from distinct licenses are recognized upfront when the software is made available to the customer, which normally coincides with contract execution, as this is when the customer has the risks and rewards of the right to use the software. Revenues from licenses comprised approximately 6% of total revenues for the 2019 Successor Period.

Asset sales. Revenues from asset sales are recognized when the asset, typically a kiosk, has been received by the client and is fully operational and ready to accept transactions, which is when the customer obtains control and has the risks and rewards of the asset. Asset sales were less than 1% of total revenues for the 2019 Successor Period.

Contract Liabilities

Contract liabilities primarily consist of amounts that have been billed to or received from customers in advance of revenue recognition and prepayments received from customers in advance for subscription services to the Company's

Amounts in tables in thousands, except share and per share amounts)

SaaS offerings and related implementation and training. The Company recognizes contract liabilities as revenues when the services are performed, and the corresponding revenue recognition criteria are met. The Company receives payments both upfront and over time as services are performed. Customer prepayments are generally applied against invoices issued to customers when services are performed and billed. Contract liabilities are reduced as services are provided and the revenue recognition criteria are met. Contract liabilities that are expected to be recognized as revenues during the succeeding twelve-month period are recorded in current liabilities as contract liabilities, and the remaining portion is recorded in long-term liabilities as contract liabilities, non-current. Revenues of approximately $8.6 million, $2.2 million, and $7.8 million were recognized for the 2019 Successor Period, the 2019 Predecessor Period, and the year ended December 31, 2018, respectively, that was included in the contract liabilities balances at the beginning of the respective periods.

Cost of revenues

Cost of revenues primarily consists of salaries and benefits of personnel relating to our hosting operations and support, implementation, and grants research. Cost of revenues includes data center costs including depreciation of the Company's data center assets, third-party licensing costs, consulting fees, and the amortization of acquired technology from recent acquisitions.

Share-based Compensation

The Company expenses share-based compensation over the requisite service period based on the estimated grant-date fair value of the awards. Share-based awards with graded-vesting schedules are recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award.

The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model. The assumptions used in calculating the fair value of share-based awards represent management's best estimates, involve inherent uncertainties and the application of management's judgment.

Expected Term — The expected term of options represents the period that the Company's share-based awards are expected to be outstanding based on the simplified method, which is the half-life from vesting to the end of its contractual term.

Expected Volatility — The Company computes share price volatility over expected terms based on comparable companies' historical common stock trading prices.

Risk-Free Interest Rate — The Company bases the risk-free interest rate on the U.S. Treasuries implied yield with an equivalent remaining term.

Expected Dividend — The Company has never declared or paid any cash dividends on common shares and does not plan to pay cash dividends in the foreseeable future, and, therefore, uses an expected dividend yield of zero in valuation models.

The following are the assumptions used for the stock option grant on February 19, 2019:

Exercise price	$	1.82
Expected term (years)		5.1
Expected stock price volatility		73.5 %
Risk-free rate of interest		2.5 %

In accordance with ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting,* the Company records forfeitures as they occur.

Amounts in tables in thousands, except share and per share amounts)

Net Loss per Share

Net loss per common share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per common share is computed similar to basic net income per common share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. Due to the net loss for the Successor Period, diluted and basic loss per share are the same.

Securities that could potentially dilute loss per share in the future that were not included in the computation of diluted loss per share at December 31, 2019 are as follows:

Warrants to purchase common stock	27,093,334
Unvested restricted stock units	3,278,324
Options to purchase common stock	274,559
Total	30,646,217

Income Taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns using the asset liability method. In estimating future tax consequences, all expected future events other than enactments of changes in the tax laws or rates are considered. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are to be recognized for temporary differences that will result in deductible amounts in future years and for tax carryforwards if, in the opinion of management, it is more likely than not that the deferred tax assets will be realized.

The Company has recorded a valuation allowance to reduce their deferred tax assets to the net amount that they believe is more likely than not to be realized. The Company considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing tax planning strategies in assessing the need for a valuation allowance

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company recognizes interest and / or penalties related to income tax matters in income tax expense.

As a result of the Acquisition, a temporary difference between the book fair value and tax basis for the assets acquired of $39.9 million was created, resulting in a deferred tax liability and additional goodwill. During the 2019 Successor Period, the Company recorded a measurement period adjustment decreasing the deferred tax liability and goodwill by $11.0 million due to a decrease in intangible assets and updated information regarding facts and circumstances which existed as of the date of the business combination. See Note 4.

The following is a rollforward of the Company’s deferred tax liability from February 19, 2019 to December 31, 2019 (in thousands):

Balance - February 19, 2019	$ (39,908)
Measurement period adjustment	11,037
Income tax benefit (associated with the amortization of intangible assets)	8,595
Balance - December 31, 2019	$ (20,276)

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) in order to increase transparency and comparability among organizations by, among other provisions, recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. For public companies, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 (including interim periods within those periods) using a modified retrospective approach and early adoption is permitted. In transition, entities may also elect a package of practical expedients that must be applied in its entirety to all leases commencing before the adoption date, unless the lease is modified, and permits entities to not reassess (a) the existence of a lease, (b) lease classification or (c) determination of initial direct costs, as of the adoption date, which effectively allows entities to carryforward accounting conclusions under previous GAAP. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides entities an optional transition method to apply the guidance under Topic 842 as of the adoption date, rather than as of the earliest period presented. The Company adopted Topic 842 on January 1, 2019, using the optional transition method to apply the new guidance as of January 1, 2019, rather than as of the earliest period presented, and elected the package of practical expedients described above. Based on the analysis, on January 1, 2019, the Company recorded right of use assets of approximately $3.9 million, lease liability of approximately $4.0 million.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820), – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement,” which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with the movement amongst or hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted upon issuance of the update. The Company has not determined the impact of this guidance on its financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40) - Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract" ("ASU 2018-15"). ASU 2018-15 aligns the accounting for implementation costs incurred in a hosting arrangement that is a service contract with the accounting for implementation costs incurred to develop or obtain internal-use software under ASC 350-40, in order to determine which costs to capitalize and recognize as an asset and which costs to expense. ASU 2018-15 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2019, and can be applied either prospectively to implementation costs incurred after the date of adoption or retrospectively to all arrangements. The Company is currently evaluating the impact of the adoption of ASU 2018-15 on its consolidated financial statements and expects to adopt the new standard in the first quarter of 2020.

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (“ASU 2019-12”), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses". The ASU sets forth a "current expected credit loss" (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. Recently, the FASB issued the final ASU to delay adoption for smaller reporting companies to calendar year 2023. The Company is currently assessing the impact of the adoption of this ASU on its financial statements.

Note 4. Business Combination

Successor

Business Combination

On February 19, 2019, the Company consummated the Business Combination, pursuant to which it acquired each of Bonfire, CityBase, eCivis, Open Counter, Questica, and Sherpa. In connection with the closing of the Business Combination (the "Closing"), pursuant to the GTY Agreement between the Company, GTY Cayman, and GTY Technology Merger Sub, Inc. ("GTY Merger Sub"), merged with and into GTY Cayman, with GTY Cayman surviving the merger as a direct, wholly-owned subsidiary of the Company, and in connection therewith the Company changed its name from GTY Govtech, Inc. to GTY Technology Holdings Inc. This acquisition qualifies as a business combination under ASC 805. Accordingly, the Company recorded all assets acquired and liabilities assumed at their acquisition-date fair values, with any excess recognized as goodwill.

Bonfire Acquisition

Under the Bonfire Agreement, at Closing, the Company acquired Bonfire for aggregate consideration of approximately $48.0 million in cash and 2,156,014 shares of Company common stock (valued at $10.00 per share) and 2,161,741 shares of Bonfire Exchangeco, each of which is exchangeable for shares of Company common stock on a one-for-one basis at any time of the holder's choosing. Of the shares issued to Bonfire Holders, 2,008,283 shares of Company common stock and 2,093,612 exchangeable shares in the capital stock of Bonfire Exchangeco (the "Bonfire Exchangeco Shares") are subject to transfer restrictions for one year, which such transfer restrictions may be lifted earlier if, subsequent to the Closing, (i) the last sale price of the Company common stock equals or exceeds $12.00 per share (as adjusted for share splits, share dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after Closing, or (ii) the Company consummates a subsequent liquidation, merger, share exchange or other similar transaction which results in all of its shareholders having the right to exchange their shares of Company common stock for cash, securities or other property. In addition, approximately $3.1 million in cash and 690,000 shares of Company common stock were deposited into escrow for a period of up to one year to cover certain indemnification obligations of the Bonfire Holders.

Additionally, in accordance with the Bonfire Agreement, 1,218,937 unvested options to purchase shares of Bonfire common stock were converted into 408,667 options to purchase shares of Company common stock.

During the 2019 Successor Period, 193,645 shares of the Bonfire Exchangeco Shares were converted into the Company's Common Stock on a one-for-one basis. The Bonfire Exchangeco Shares were subject to the transfer restrictions described above, and the Common Stock issued for these shares is subject to the same transfer restrictions, discussed above.

During the 2019 Successor Period, the Company recorded a measurement period adjustment for the decrease in aggregate consideration of $0.1 million relating to the settlement of the working capital adjustment in accordance with the Bonfire Agreement.

CityBase Acquisition

Under the CityBase Agreement, at Closing, the Company acquired CityBase for aggregate consideration of approximately $62.2 million in cash and 3,155,961 shares of Company common stock (valued at $10.00 per share). Each CityBase Holder may elect to have their shares subject to transfer restrictions for up to one year or to have their shares subject to redemption at the Company's option for a promissory note in an amount equal to $10.00 per share redeemed, which note would bear interest at a rate of 8% per annum in the first year after issuance and 10.0% per annum thereafter (subject to an increase of 1% for each additional 6 months that has elapsed without full payment of such note(s)) (which option was not exercised and expired on the 90th day after the Closing). Prior to the consummation of the Business Combination, certain of the CityBase Holders agreed to purchase 380,937 Class A Ordinary Shares of GTY Cayman with the proceeds they would have otherwise received from the closing of the CityBase Transaction, which resulted in an approximate $3.8 million reduction to the amount of cash payable to the CityBase Holders. In addition, approximately $2.1 million in cash and 1,000,000 shares of Company common stock were deposited into escrow for a period of up to one year to cover certain indemnification obligations of the CityBase Holders.

During the 2019 Successor Period, the Company recorded measurement period adjustments for (i) the increase in the aggregate consideration of $0.2 million relating to the settlement of the working capital adjustment in accordance with the CityBase Agreement, and (ii) the conversion of $0.04 stock consideration to cash consideration for the correction of an investor's status to a non-accredited investor.

eCivis Acquisition

Under the eCivis Agreement and the eCivis Letter Agreement, at Closing, the Company acquired eCivis for aggregate consideration of approximately $14.0 million in cash and 2,883,433 shares of Company common stock (valued at $10.00 per share) (including 703,631 shares of the Company's common stock which are redeemable for cash at any time in the sole discretion of the Company for a price of $10.00 per share (the "Redeemable Shares"). Upon redemption of the Redeemable Shares, the Company will simultaneously redeem additional shares from the holder equal to 40% of the number of Redeemable Shares being redeemed (the "Additional Shares") at $10 per share. For the 2019 Successor Period, 178,571 Redeemable Shares and 71,428 Additional Shares have been redeemed. If the Redeemable Shares are not redeemed by February 12, 2020 and February 12, 2021, the Company will be subject to issuing additional shares, as calculated based on the number of outstanding Redeemable Shares. See Note 13. The shares not subject to a redemption right are subject to transfer restrictions for one year, provided; however, such transfer restrictions may be lifted earlier if, subsequent to the Closing, (i) the last sale price of the Company common stock equals or exceeds $12.00 per share (as adjusted for share splits, share dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after Closing, or (ii) the Company consummates a subsequent liquidation, merger, share exchange or other similar transaction which results in all of its shareholders having the right to exchange their shares of Company common stock for cash, securities or other property. In addition, approximately $3.6 million in cash and 242,200 shares of Company common stock were deposited into escrow for a period of up to one year to cover certain indemnification obligations of the eCivis Holders.

During the 2019 Successor Period, the Company recorded a measurement period adjustment for the increase in aggregate consideration of $0.5 million relating to the settlement of the working capital adjustment in accordance with the eCivis Agreement and the eCivis Letter Agreement.

Open Counter Acquisition

Under the Open Counter Agreement and the Open Counter Letter Agreement, at Closing, the Company acquired Open Counter for aggregate consideration of approximately $9.7 million in cash and 1,580,990 shares of Company common stock (valued at $10.00 per share) which were redeemable at the sole discretion of the Company (the "OC Redeemable Shares")). In March 2019, the OC Redeemable Shares were redeemed for a promissory note, which was subsequently repaid in March 2019. The shares that were not subject to a redemption right are subject to transfer restrictions for one year, provided; however, such transfer restrictions may be lifted earlier if, subsequent to the Closing, (i) the last sale price of the Company common stock equals or exceeds $12.00 per share (as adjusted for share splits, share dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after Closing, or (ii) the Company consummates a subsequent liquidation, merger, share exchange or other similar transaction which results in all of its shareholders having the right to exchange their shares of Company common stock for cash, securities or other property. In addition, approximately $1.3 million in cash and 164,554 shares of Company common stock were deposited into escrow for a period of one year to cover certain indemnification obligations of the Open Counter Holders.

During the 2019 Successor Period, the Company recorded a measurement period adjustment for the decrease in aggregate consideration of $0.1 million relating to the settlement of the working capital adjustment in accordance with the Open Counter Agreement and the Open Counter Letter Agreement.

Questica Acquisition

Under the Questica Agreement and the Questica Letter Agreement, at Closing, the Company indirectly acquired Questica for aggregate consideration of approximately $44.4 million in cash and an aggregate of 2,600,000 Class A exchangeable shares in the capital stock of Questica Exchangeco, which is exchangeable into shares of the Company's common stock, and 1,000,000 Class B shares in the capital stock of Questica Exchangeco, which is not exchangeable into shares of Company common stock, that were issued to the holders of Questica capital stock (the "Questica Holders"). In accordance with the Questica Shareholder Agreement, dated as of February 12, 2019, by and among the Company and certain Questica Holders (the "Questica Shareholder Agreement"), 500,000 Class C exchangeable shares in the capital stock of Questica Exchangeco had been redeemable at the sole discretion of the Company at any time for $5.0 million plus all accrued and unpaid dividends, and may be exchanged for shares of Company common stock beginning on the sixty-first day following the Closing for a number of shares of Company common stock equal to $5.0 million plus accrued and unpaid dividends divided by the lesser of (i) $10.00 or (ii) the 5-day volume weighted average price ("VWAP") at the time of exchange. In June 2019, these shares were redeemed for 500,000 shares of the Company common stock at the market price of $7.72, or $3.9 million, and transferred to permanent equity, and $1.3 million of cash. The incremental $0.2 million above the stated redemption price was recorded as a deemed dividend in the accompanying condensed consolidated financial statements. The Class A exchangeable shares in the capital stock of Questica Exchangeco are subject to transfer restrictions for one year, provided; however, such transfer restrictions may be lifted earlier if, subsequent to the Closing, (i) the last sale price of the Company common stock equals or exceeds $12.00 per share (as adjusted for share splits, share dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after Closing, or (ii) the Company consummates a subsequent liquidation, merger, share exchange or other similar transaction which results in all of its shareholders having the right to exchange their shares of Company common stock for cash, securities or other property. In addition, approximately $0.1 million in cash and 800,000 of the exchangeable shares described above were deposited into escrow for a period of one year to cover certain indemnification obligations of the Questica Holders.

Sherpa Acquisition

Under the Sherpa Agreement and the Sherpa Letter Agreement, at Closing, the Company indirectly acquired Sherpa for aggregate consideration of approximately $4.2 million in cash and 100,000 shares of Company common stock (valued at $10.00 per share) all of which are redeemable for a promissory note bearing interest equal to 5.5% per annum in the first year subsequent to issuance and 8.0% per annum thereafter at the sole discretion of the Company within seven days of the Closing. In addition, approximately $0.9 million in cash was deposited into escrow for a period of one year to cover certain indemnification obligations of the Questica Holders.

During the 2019 Successor Period, the Company recorded a measurement period adjustment for the decrease in aggregate consideration of $0.2 million relating to the settlement of the working capital adjustment in accordance with the Sherpa Agreement and the Sherpa Letter Agreement.

The following is a summary of the initial consideration paid and issued to each Acquired Company (in thousands):

	Cash Consideration	Stock Consideration	Contingent Consideration	Total	Adjusted Net Assets	Goodwill	Intangibles	Deferred Tax Liability
Bonfire	$ 51,068	$ 50,078 (1)	$ 325	$ 101,471	$ 3,639	$ 81,964	$ 22,668	$ 6,800
CityBase	64,261	41,560	48,410	154,231	782	119,741	48,155	14,447
eCivis	17,592	31,256	5,859	54,707	(1,788)	47,397	12,997	3,899
OpenCounter	10,958	17,455	—	28,413	(1,441)	22,524	10,471	3,141
Questica	44,494	31,000 (2)	9,311	84,805	3,652	57,479	33,821	10,147
Sherpa	5,105	1,000	1,898	8,003	1,066	3,497	4,914	1,474
Total	$ 193,478	$ 172,349	$ 65,803	$ 431,630	$ 5,910	$ 332,602	$ 133,026	$ 39,908

(1) Includes $21.6 million of convertible stock consideration
(2) Includes $31.0 million of convertible stock consideration

During the 2019 Successor Period, the Company made the Measurement Period Adjustments that resulted in (i) an increase in the aggregate consideration of the Acquisition of $0.4 million relating to the settlement of the working capital adjustments, (ii) the conversion of $0.04 stock consideration to cash consideration for the correction of an investor's status to a non-accredited investor, and (iii) a decrease in intangible assets $4.4 million, (iv) a decrease in contingent consideration as a result of the Acquisition of $7.5 million and (v) a decrease in the related deferred tax liability of $11.0 million due to updated information regarding facts and circumstances which existed as of the date of the business combination. The Measurement Period Adjustments resulted in a net decrease to goodwill of $13.8 million.

The following table is a summary of the measurement period adjustments to consideration paid and issued to each Acquired Company (in thousands):

	Cash Consideration	Stock Consideration	Contingent Consideration	Total	Adjusted Net Assets	Goodwill	Intangibles	Deferred Tax Liability
Bonfire	$ (97)	$ —	$ —	$ (97)	$ —	$ (299)	$ 202	$ —
CityBase	246	(42)	(7,535)	(7,331)	—	(13,384)	(2,241)	(8,294)
eCivis	481	—	—	481	—	990	(1,071)	(562)
OpenCounter	—	—	—	—	—	(568)	(139)	(707)
Questica	—	—	—	—	—	492	(492)	—
Sherpa	(214)	—	—	(214)	—	(1,000)	(688)	(1,474)
Total	$ 416	$ (42)	$ (7,535)	$ (7,161)	$ —	$ (13,769)	$ (4,429)	$ (11,037)

The following table is a summary of the revised consideration paid and issued to each Acquired Company including the Measurement Period Adjustments (in thousands):

	Cash Consideration	Stock Consideration	Contingent Consideration	Total	Adjusted Net Assets	Goodwill	Intangibles	Deferred Tax Liability
Bonfire	$ 50,971	$ 50,078 (1)	$ 325	$ 101,374	$ 3,639	$ 81,665	$ 22,870	$ 6,800
CityBase	64,507	41,518	40,875	146,900	782	106,357	45,914	6,153
eCivis	18,073	31,256	5,859	55,188	(1,788)	48,387	11,926	3,337
OpenCounter	10,958	17,455	—	28,413	(1,441)	21,956	10,332	2,434
Questica	44,494	31,000 (2)	9,311	84,805	3,652	57,971	33,329	10,147
Sherpa	4,891	1,000	1,898	7,789	1,066	2,497	4,226	—
Total	$ 193,894	$ 172,307	$ 58,268	$ 424,469	$ 5,910	$ 318,833	$ 128,597	$ 28,871

(1) Includes $21.6 million of convertible stock consideration
(2) Includes $31.0 million of convertible stock consideration

The following table represents the revised preliminary allocation of consideration to the assets acquired and liabilities assumed at their estimated acquisition-date fair values, including the Measurement Period Adjustments discussed above. The following revised allocations are considered preliminary and may change within the permissible measurement period, not to exceed one year (in thousands):

	Bonfire	CityBase	eCivis	OpenCounter	Questica	Sherpa	Total
Cash	$ 4,641	$ 2,191	$ 136	$ 107	$ 6,762	$ 632	$ 14,469
Accounts receivable, net	323	1,018	720	46	1,257	587	3,951
Prepaid expense and other current assets	607	170	340	—	77	33	1,227
Fixed assets	118	500	56	29	182	2	887
Loan receivable - related party	—	175	—	—	—	—	175
Right of use assets	1,315	—	901	—	296	—	2,512
Other assets	369	783	30	—	1,061	—	2,243
Intangible assets	22,870	45,914	11,926	10,332	33,329	4,226	128,597
Goodwill	81,665	106,357	48,387	21,956	57,971	2,497	318,833
Accounts payable and accrued expenses	(1,085)	(1,192)	(586)	(124)	(909)	(188)	(4,084)
Contract liabilities	(1,221)	(816)	(1,635)	(483)	(2,774)	—	(6,929)
Lease liability - short term	(366)	—	—	—	(296)	—	(662)
Deferred tax liability	(6,800)	(6,153)	(3,337)	(2,434)	(10,147)	—	(28,871)
Other current liabilities	—	—	(3)	(491)	(767)	—	(1,261)
Capital lease obligations - current portion	—	(139)	—	—	—	—	(139)
Contract and other long-term liabilities	(60)	(1,646)	(56)	—	—	—	(1,762)
Capital lease obligation, less current portion	—	(262)	—	—	—	—	(262)
Long term debt	—	—	—	(525)	—	—	(525)
Lease liability - long term	(1,002)	—	(901)	—	—	—	(1,903)
Contingent consideration - pre-existing	—	—	(790)	—	(1,237)	—	(2,027)
Total consideration	$ 101,374	$ 146,900	$ 55,188	$ 28,413	$ 84,805	$ 7,789	$ 424,469

Transaction Costs

Transaction costs incurred by the Company associated with the Acquisition were $37.0 million for the 2019 Successor Period.

Note 5. Goodwill and Intangible Assets (Successor)

In connection with the business combinations on February 19, 2019, the Company recognized goodwill and certain identifiable intangible assets, which were subsequently adjusted with measurement period adjustments. See Note 4.

Goodwill

The following table provides a rollforward of Goodwill for the 2019 Successor Period (in thousands):

	Bonfire	CityBase	eCivis	OpenCounter	Questica	Sherpa	Total
Balance at February 18, 2019	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Goodwill from initial purchase price allocation	81,964	119,741	47,397	22,524	57,479	3,497	332,602
Measurement period adjustment	(299)	(13,384)	990	(568)	492	(1,000)	(13,769)
Goodwill impairment	(12,921)	(18,030)	(1,247)	—	—	—	(32,198)
Balance at December 31, 2019	$ 68,744	$ 88,327	$ 47,140	$ 21,956	$ 57,971	$ 2,497	$ 286,635

Intangible Assets

Identifiable intangible assets consist of the following as of December 31, 2019 for the Successor (in thousands):

	Economic Life (Years)	Weighted average remaining economic life (years)	Bonfire	CityBase	eCivis	OpenCounter	Questica	Sherpa	Gross Total	Intangible Asset Amortization for the Period February 19, 2019 Through December 31, 2019	Net Total
Patents / Developed Technology	8	7.1	$ 11,964	$ 31,987	$ 3,315	$ 5,829	$ 6,090	$ 899	$ 60,084	$ 6,496	$ 53,588
Trade Names / Trademarks	1 - 10	9.1	3,491	7,816	1,722	1,222	1,880	217	16,348	1,579	14,769
Customer Relationships	10	9.1	7,172	5,660	6,744	3,174	25,229	3,024	51,003	4,400	46,603
Non-Compete Agreements	3	2.1	243	451	145	107	130	86	1,162	334	828
			$ 22,870	$ 45,914	$ 11,926	$ 10,332	$ 33,329	$ 4,226	$ 128,597	$ 12,809	$ 115,788

Amortization expense recognized by the Company related to intangible assets for the 2019 Successor Period was $12.8 million. Amortization expense recognized by the Predecessor for the 2019 Predecessor Period and the year ended December 31, 2018 was $32,000 and $0.4 million, respectively. There were no impairment charges recorded for amortizable intangible assets for the 2019 Successor Period, the 2019 Predecessor Period or the year ended December 31, 2018.

The estimated aggregate future amortization expense for intangible assets is as follows (in thousands):

Year ended December 31, 2020	$ 14,685
Year ended December 31, 2021	14,655
Year ended December 31, 2022	14,655
Year ended December 31, 2023	14,655
Year ended December 31, 2024	14,655
Thereafter	42,483
	$ 115,788

Note 6. Related Party Transactions

Convertible Note

On August 8, 2018, GTY Cayman issued the Convertible Note to GTY Investors, LLC (the "Sponsor"), pursuant to which GTY Cayman was able to borrow up to $1 million from the Sponsor from time to time. The Convertible Note did not bear interest. The Sponsor has the option to convert any amounts outstanding under the Convertible Note, up to $1.0 million in the aggregate, into warrants at a conversion price of $1.50 per warrant. The terms of such warrants were identical to the private placement warrants. During the period ended March 31, 2019, GTY drew down $0.4 million on the Convertible Note, resulting in $1.0 million principal amount outstanding. The $1.0 million principal amount was offset against amounts due from the Sponsor (see "Agreements and Arrangements with Certain Institutional Investors") and, as of December 31, 2019, there was no amount outstanding under the Convertible Notes.

Agreements and Arrangements with Certain Institutional Investors

On February 13, 2019, GTY Cayman, the Sponsor, William D. Green, Joseph M. Tucci and Harry L. You (Messrs. Green, Tucci and You, collectively, the "Founders") entered into agreements and arrangements with certain institutional investors pursuant to which a total of 1,500,000 Class A Ordinary Shares of GTY Cayman were not redeemed in connection with the business combination (the "Outstanding Cayman Shares"). The holder of Outstanding Cayman Shares which were converted into shares of the Company's common stock on the Closing Date on a one-for-one basis is entitled to put such shares to the Sponsor and the Founders for a purchase price equal to the price at which GTY Cayman redeemed Class A Ordinary Shares in connection with the business combination, $10.29 (the "redemption price"), payment of such purchase price is guaranteed by the Company, and to receive from the Company a cash payment, if and to the extent necessary, but not to exceed $250,000, in order to provide such shareholder with at least a 5% return on such shares above the redemption price. With respect to 1,000,000 of the Outstanding Cayman Shares, GTY Cayman engaged a broker-dealer to facilitate the purchase of the Outstanding Cayman Shares by an institutional investor prior to the Closing for $9.90 per share and agreed to pay such broker-dealer an amount per share in cash equal to the difference between the redemption price and $9.90. In addition, the Sponsor and the Founders entered into agreements prior to the Closing pursuant to which they were obligated to reimburse the holders of an additional 1,942,953 Class A Ordinary Shares that were not redeemed in connection with the business combination (the "Outstanding Class A Shares") for losses that may be incurred upon the sale of the Outstanding Class A Shares within a specified period following the Closing, up to an agreed-upon limit, and the Company has agreed to guarantee such reimbursement obligations of the Sponsor. During the Q1 2019 Successor Period, the Company, on behalf of the Sponsor, paid $4.0 million for losses incurred upon the sale of the Outstanding Class A Shares and, in turn, the Company reduced its convertible note liability for $1.0 million (see "Convertible Note"). During the 2019 Successor Period, the Sponsor reimbursed the Company for the remaining $3.0 million for such losses on the Outstanding Class A Shares. As of December 31, 2019, the Outstanding Class A Shares are no longer guaranteed by the Founders or the Company.

Note 7. Share-Based Compensation

Stock Options

In connection with the Acquisition, the Company adopted a stock option plan and issued 408,667 stock options to employees. The total fair value of the stock options at the grant date was $3.6 million.

Amounts in tables in thousands, except share and per share amounts)

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Total Intrinsic Value
Outstanding as of February 18, 2019	—	$ —	—	$ —
Granted	408,667	1.82	8.0	—
Exercised	(112,643)	1.16		—
Forfeited/expired	(21,465)	1.16		—
Outstanding as of December 31, 2019	274,559	$ 2.14	7.9	$ 1,293
Options vested and exercisable	103,699	$ 2.12	7.9	$ 490

For the period from February 19, 2019 to December 31, 2019, the Company recorded approximately $2.6 million of share-based compensation expense related to the options. As of December 31, 2019, the Company has $0.9 million of unrecognized share-based compensation cost which will be recognized over 1.1 years. During the Successor Period, share-based compensation expense is recorded as a component of general and administrative expenses.

Restricted Stock Units

During the Successor Period, the Company issued 3,480,194 restricted stock units (“RSUs”) to employees as annual performance awards. A portion of the RSUs will vest in ratable annual installments over either two or four years, as applicable, from the grant date, and the remaining RSUs will vest subject to the achievement of certain performance conditions over a three-year performance period, in each case, assuming continuous service by the employees through the applicable vesting dates. The RSUs granted to the Company’s Chief Executive Officer are subject to two different sets of performance-vesting criteria: (i) one RSU grant will vest on the last day of any 120-day trading period ending prior to the third anniversary of the grant date, to the extent that during such period, the average closing price per share of the Company’s common stock equals or exceeds $20, and under certain circumstances, the RSUs may vest if the stock price hurdle is achieved prior to the fourth anniversary of the grant date; and (ii) the other RSU grant will vest subject to the achievement of certain performance conditions over a one-year performance period. In each case, vesting of the RSUs is generally subject to the Chief Executive Officer’s continuous service through each vesting date.

A summary of the Company's restricted stock units and related information is as follows:

	Number of Shares	Weighted Average Grant Price
Unvested as of as of February 18, 2019	—	$ —
Granted	3,480,194	6.61
Vested	(97,595)	5.35
Forfeited/expired	(104,275)	9.59
Unvested as of December 31, 2019	3,278,324	$ 6.55

For the period from February 19, 2019 to December 31, 2019, the Company recorded approximately $2.8 million of share-based compensation expense related to the RSUs. As of December 31, 2019, the Company had unrecognized share-based compensation expense related to all unvested restricted stock units of $12.0 million. The weighted average remaining contractual term of unvested RSUs that is time based is approximately 1.8 years at December 31, 2019. 1,327,178 of the RSUs granted above contained performance conditions. The Company recorded $0.1 million of share-based compensation expense during the 2019 Successor Period ended December 31, 2019 for these performance RSUs.

Note 8. Leases

The Company leases office space under agreements classified as operating leases that expire on various dates through 2023. Such leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of the Company's leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and right of use assets as the Company is not reasonably certain to exercise the options. Variable expenses generally represent the Company's share of the landlord's operating expenses. The Company does not act as a lessor or have any leases classified as financing leases.

At December 31, 2019, the Company had operating lease liabilities of approximately $6.2 million and right of use assets of approximately $5.9 million, which are included in the condensed consolidated balance sheet.

The following summarizes quantitative information about the Company's operating leases (dollars in thousands):

Year Ended December 31, 2019 (Successor/Predecessor Period)

	Bonfire	CityBase	eCivis	Questica	Total
Operating leases					
Operating lease cost	$ 429	$ 616	$ 309	$ 290	$ 1,644
Variable lease cost	—	—	—	—	—
Operating lease expense	429	616	309	290	1,644
Short-term lease rent expense	—	—	—	—	—
Total rent expense	$ 429	$ 616	$ 309	$ 290	$ 1,644

	Bonfire	CityBase	eCivis	Questica	Total
Operating cash flows from operating leases	$ 431	$ 650	$ 309	$ 136	$ 1,526
Right-of-use assets exchanged for operating lease liabilities	$ 1,331	$ 1,541	$ 920	$ 3,450	$ 7,242
Weighted-average remaining lease term – operating leases	2.5	1.9	2.4	10.5	6.8
Weighted-average discount rate – operating leases	9.9 %	10.0 %	8.0 %	4.8 %	6.8 %

As of December 31, 2019, future minimum lease payments under non-cancellable operating are as follows (in thousands):

	Bonfire	CityBase	eCivis	Questica	Total
Year Ended December 31, 2020	$ 461	$ 662	$ 309	$ 435	$ 1,867
Year Ended December 31, 2021	472	458	309	416	1,655
Year Ended December 31, 2022	239	—	128	418	785
Year Ended December 31, 2023	—	—	—	372	372
Year Ended December 31, 2024	—	—	—	357	357
Thereafter	—	—	—	2,420	2,420
Total	1,172	1,120	746	4,418	7,456
Less present value discount	(136)	(98)	(70)	(990)	(1,294)
Operating lease liabilities	$ 1,036	$ 1,022	$ 676	$ 3,428	$ 6,162

Amounts in tables in thousands, except share and per share amounts)

Note 9. Income Taxes

The components of the income tax provision (benefit) are as follows:

Domestic	
Federal	
Current	$ —
Deferred	(6,605)
State	
Current	3
Deferred	(3,459)
Foreign	
Current	(56)
Deferred	1,522
Total	$ (8,595)

A reconciliation of the US federal statutory tax rates and the effective tax rates is as follows:

Statutory federal income tax provision	21.0%
State taxes, net of federal income tax effect	2.6%
Foreign taxes	(8.8%)
Goodwill impairment expense	(3.9%)
Nondeductible merger expenses	(3.3%)
Valuation allowance	(0.7%)
Other	1.3%
Total	8.2%

Amounts in tables in thousands, except share and per share amounts)

Deferred tax assets (liabilities) were comprised of the following temporary differences between the financial statement carrying amounts and the tax basis of assets at December 31 and income tax attributes:

Deferred tax assets:		
Depreciation	$	1,035
Settlement amount		985
Stock-based compensation		487
Lease liability		510
Net operating losses		19,094
Tax credits		238
Other		(32)
Total deferred tax assets		22,317
Less: valuation allowance		(794)
Deferred tax assets, net of valuation allowance		21,523
Deferred tax liabilities:		
Intangible Assets		(41,316)
Right of use assets		(483)
Total deferred tax liabilities		(41,799)
Net deferred taxes	$	(20,276)

The Company's valuation allowance was approximately $0.8 million relating to U.S. tax credits and federal net operating losses that we do not believe a tax benefit is more likely than not to be realized.

Utilization of the Company's net operating loss and tax credit carryforwards may be subject to substantial annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such annual limitations could result in the expirations of the net operating loss and tax credit carryforwards before their utilization. The events that may cause ownership changes includes, but are not limited to, a cumulative stock ownership change of greater than 50% over a three-year period.

The Company and its subsidiaries are subject to Canadian and United States federal income tax, as well as income and franchise tax in multiple state and provincial jurisdictions. The Canadian and United States federal tax years ended December 31, 2016, and subsequent years, are open for the assessment of taxes and various state and provincial tax years ended December 31, 2015, and subsequent years, are open for the assessment of taxes.

The 2017 Tax Cuts and Jobs Act (Tax Act) imposed a mandatory transition tax on accumulated foreign earnings and generally eliminated U.S. taxes on foreign subsidiary distribution. As a result, accumulated earnings in foreign jurisdictions are available for distribution to the U.S. without incremental U.S. taxes.

As of December 31, 2019, the Company had no unrecognized tax benefits and does not anticipate any significant change to the unrecognized tax benefit balance. The Company would classify interest and penalties related to uncertain tax positions as income tax expense, if applicable. There was no interest expense or penalties related to unrecognized tax benefits recorded through December 31, 2019.

Note 10. Commitments and Contingencies

Successor

Legal Proceedings

From time to time, the Companies may become involved in legal proceedings arising in the ordinary course of its business. The Company is not presently a party to any legal proceedings that, if determined adversely to the Company, would have a material adverse effect on the Company.

In connection with the Business Combination, the Company has been involved in legal proceedings with OpenGov, Inc ("OpenGov"). On February 19, 2020, the Company entered into a settlement agreement with OpenGov to resolve all pending claims without any admission or concession of wrongdoing by the Company or other defendants. Pursuant to the settlement agreement, the Company recorded $3.3 million in acquisition costs for the 2019 Successor Period and accrued expenses as of December 31, 2019. See Note 12.

Indemnification

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to customers, vendors, investors, directors and officers with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is indeterminable. The Company has never paid a material claim, nor have it been sued in connection with these indemnification arrangements.

As of December 31, 2019 and 2018, the Company has not accrued a liability for these indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with these indemnification arrangements is not probable or reasonably estimable.

Note 11. Shareholders' Equity

Initial Public Offering Redemption Shares

In connection with a shareholder meeting called to approve the business combination, the Company provided the holders of its outstanding Class A ordinary shares sold in the Company's initial public offering (the "public shareholders") with the opportunity to redeem all or a portion of their public shares. The public shareholders were entitled to redeem their public shares for a pro rata portion of the remaining balance in the trust account established in connection with the Company's initial public offering for the benefit of the Company's public shareholders and into which substantially all of the proceeds from the initial public offering were deposited (the "Trust Account"). The remaining 20,289,478 GTY Cayman public shares were recorded at a redemption value and classified as temporary equity upon the completion of the initial public offering, in accordance with Accounting Standards Codification ("ASC") Topic 480 "Distinguishing Liabilities from Equity." In connection with the Business Combination, 11,073,040 Class A ordinary shares of GTY were redeemed for $114.0 million, at a per share price of approximately $10.29. The remaining 9,216,438 shares with a redemption value of $88.9 million were transferred to permanent equity.

Subscription Agreement

Immediately prior to the Closing, pursuant to subscription agreements (the "Subscription Agreements"), dated as of various dates from January 9, 2019 through February 12, 2019, by and among GTY and certain institutional and accredited investors party thereto (the "Subscribed Investors"), GTY Cayman issued to the Subscribed Investors an aggregate of

12,863,098 Class A ordinary shares of GTY for $10.00 per share, for an aggregate cash purchase price of approximately $126.4 million and paid fees of $1.1 million, including three such Subscription Agreements with certain CityBase holders (including Michael Duffy, the chief executive officer of CityBase) for an aggregate of 380,937 Class A ordinary shares of GTY at a price of $10.00 per share, for an aggregate cash purchase price of approximately $3.8 million. The Class A ordinary shares of GTY issued to the Subscribed Investors were cancelled and exchanged on a one-for-one basis for shares of Company common stock at the Closing.

In connection with the Subscription Agreements, immediately prior to the Closing, the Sponsor surrendered to GTY Cayman for cancellation (at no cost to GTY) 231,179 Class B (founder) shares, which have been retroactively adjusted in the accompanying statement of stockholders equity, and sold 500,000 private placement warrants held by it to an accredited investor in a private placement for an aggregate of $250,000 or $0.50 per warrant (which was $1.00 per warrant less than the price originally paid for such warrants).

GTY Merger Share Exchange

In connection with the GTY Merger, all of the issued and outstanding shares of GTY Cayman were exchanged for an equal number of shares of GTY common stock and immediately before the exchange, each outstanding unit was separated into its component Class A ordinary share and warrant. Upon the exchange, 22,978,520 Class A and 13,568,821 Class B shares of GTY Cayman were exchanged for an aggregate of 36,547,341 shares of common stock of GTY.

Shares issued in the Acquisition

As part of the consideration for the Acquisition, the Company issued (a) 11,973,154 shares of common stock (as adjusted by the Measurement Period Adjustment below), of which 3,955,442 are redeemable at the option of the Company (the “Acquisition Redemption Shares”) (see Note 4), (b) 2.6 million Class A and 0.5 million Class C shares (the “Class C Shares”) of Questica Exchangeco (the “Questica Shares”) and 2,161,741 shares of Bonfire Exchangeco shares (collectively, the “Exchange Shares”) that are exchangeable into an equal number of common stock. The Exchange Shares are recorded as common shares of the Company. The Company also issued 1,000,000 Class B shares of Questica Shares which are not exchangeable for common stock and thus have no value. The shares issued as consideration in the Acquisition were valued at $10 per share in the accompanying condensed consolidated financial statements.

The 0.5 million Class C Shares were redeemable at the option of the shareholder at $10 per share, and thus the Company had classified the Class C Shares in the capital stock of Questica Exchangeco as temporary equity in accordance with ASC 480 - "Distinguishing Liabilities from Equity." In June 2019, these shares were redeemed for 0.5 million shares of Common Stock at the market price of $7.72, or $3.9 million, and transferred to permanent equity, and $1.3 million of cash. The incremental $0.2 million above the stated redemption price was recorded as a deemed dividend in the accompanying condensed consolidated financial statements.

In April 2019, 193,645 shares of the Bonfire Exchangeco Shares were converted into the Company’s Common Stock on a one-for-one basis (see Note 4).

For the 2019 Successor Period ended December 31, 2019, there was a Measurement Period Adjustment to change $41,500, or 4,150 shares, of stock consideration to cash consideration (see Note 4).

During the year-ended December 2019, the option to redeem 3,155,961 shares from the acquisition of CityBase was not exercised and expired and the 100,000 OC Redeemable Shares were redeemed. As of December 31, 2019, 525,060 shares of the Acquisition Redemption Shares, resulting from the Redeemable Shares from the acquisition of eCivis, remain redeemable at the option of the Company. The Redeemable Shares from the acquisition of eCivis require the Company to simultaneously redeem the Additional Shares (equal to 40% of the number of Redeemable Shares being redeemed). If the Redeemable Shares are not redeemed by February 12, 2020 and February 12, 2021, respectively, the Company is required to issue additional shares, as calculated based on the number of outstanding Redeemable Shares. See Notes 4 and 12.

Common Stock – GTY is authorized to issue 400,000,000 shares of common stock with a par value of $0.0001 per share.

In June 2019, the Company issued 3.5 million shares of common stock in a registered direct offering for $25.5 million, at a price of $7.70 per share, net of $1.5 million of offering costs.

In June 2019, two Bonfire employees cashless exercised 284 stock options and the Company issued 117 shares of common stock. For the year ended December 31, 2019, Bonfire employees exercised 112,526 stock options for the issuance of 112,526 shares of common stock. See Note 7.

In December 2019, 97,595 shares of common stock were issued for the vesting of RSUs. See Note 7.

Share Repurchases

In March 2019, the Company redeemed 100,000 shares of common stock, the OC Redeemable Shares (See Note 4), for a promissory note in the principal amount of $1,000,000, which was subsequently repaid in March 2019, and included these in Treasury Stock in the accompanying condensed consolidated balance sheets.

In July 2019, in accordance with the eCivis Agreement and the eCivis Letter Agreement, the Company repurchased 250,000 shares of common stock (178,571 Redeemable Shares and 71,428 Additional Shares) for $2.5 million. These shares were included in Treasury Stock in the accompanying condensed consolidated balance sheets at the stock price on the date of the repurchases, or $1.7 million, and the remaining $0.8 million is included in Loss from repurchase of shares in the condensed consolidated statements of operations and comprehensive loss.

For the 2019 Successor Period, the Company repurchased 266,366 shares of common stock for $2.6 million. These shares were included in Treasury Stock in the accompanying condensed consolidated balance sheets at the stock price on the date of the repurchases, or $2.4 million, and the remaining $0.2 million is included in Loss from repurchase of shares in the condensed consolidated statements of operations and comprehensive loss.

Preferred Shares – GTY is authorized to issue 1,000,000 preferred shares with a par value of $0.0001 per share. As of December 31, 2019, there were no preferred shares issued or outstanding.

Warrants

At December 31, 2019, there were a total of 27,093,334 warrants outstanding. The warrants were originally sold as part of the units offered in the IPO. Each warrant entitles the holder thereof to purchase one share of common stock at a price of $11.50 per share, subject to adjustments. The warrants may be exercised only for a whole number of shares of common stock. No fractional shares will be issued upon exercise of the warrants.

The Company may call the warrants for redemption, in whole and not in part, at a price of $0.01 per warrant, upon not less than 30 days' prior written notice of redemption to each warrant holder, if, and only if, the reported last sale price of common stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sends the notice of redemption to the warrant holders. The warrants were determined to be equity classified in accordance with ASC 815, *Derivatives and Hedging*.

Note 12. Segment Reporting

The Company conducts the business through the following six operating segments: Bonfire, CityBase, eCivis, Open Counter, Questica and Sherpa.

The accounting policies of the operating segments are the same as those described in Note 3. Non-allocated interest expense and various other administrative costs are reflected in Corporate. Corporate assets include cash and cash equivalents, prepaid expenses and other current assets. The following provides operating information about the Company's reportable segments for the periods presented (in thousands):

	GTY	Bonfire	CityBase	eCivis	OpenCounter	Questica	Sherpa	Eliminations	Total
Successor									
February 19, 2019 through December 31, 2019									
Total revenue	$ —	$ 3,863	$ 7,122	$ 4,742	$ 1,408	$ 10,005	$ 4,375	$ —	$ 31,515
Cost of goods sold	—	1,003	5,063	1,744	367	2,375	1,376	—	11,928
Loss from operations	(28,752)	(22,860)	(32,666)	(772)	(2,159)	(14,346)	(2,362)	—	(103,917)
Predecessor									
January 1, 2019 through February 18, 2019									
Total revenue	$ —	$ 593	$ 820	$ 673	$ 298	$ 1,913	$ 631		$ 4,928
Cost of goods sold	—	124	746	267	51	296	130	—	1,614
Loss from operations	—	(741)	(1,499)	(265)	46	550	354	—	(1,555)
Predecessor									
Year Ended December 31, 2018									
Total revenue	$ —	$ 3,190	$ 6,773	$ 4,951	$ 1,707	$ 10,099	$ 3,090	$ —	$ 29,810
Cost of goods sold	—	809	5,181	1,732	498	1,746	429	—	10,395
Loss from operations	—	(4,889)	(11,452)	(1,194)	(365)	1,296	990	—	(15,614)
Successor									
As of December 31, 2019									
Goodwill	$ —	$ 68,744	$ 88,327	$ 47,140	$ 21,956	$ 57,971	$ 2,497	$ —	$ 286,635
Assets	25,899	92,803	122,851	59,456	29,995	97,013	6,376	—	434,393
Predecessor									
As of December 31, 2018									
Goodwill	$ —	$ —	$ 123	$ 585	$ —	$ 1,810	$ —	$ —	$ 2,518
Assets	—	6,329	7,215	2,621	316	11,710	1,377	—	29,568

Revenues from North America customers accounted for greater than 90% of the Company's revenues for the periods presented.

Note 13. Subsequent Events

On February 10, 2020, the Compensation Committee of the Board of Directors approved restricted stock unit grants to employees totaling 403,254 shares. Each restricted stock unit entitles the recipient to receive one share of common stock upon vesting of the award.

On February 14, 2020, the Company entered into an unsecured term loan credit facility that provides for borrowing of term loans in an aggregate principal amount of $12.0 million. The credit facility has a maturity date of twelve months from the borrowing date of the term loans. On the closing date, the Company fully drew on the credit facility net of deferred issuance costs of $0.4 million. Amounts outstanding under the credit facility bear interest from the date the term loans are first made until the last day of the fiscal month immediately following the six month anniversary of such initial borrowing date at a rate per annum equal to twelve percent. Commencing on the first day of each fiscal month thereafter, the interest rate shall increase by one percent per annum until the term loans have been paid in full and all commitments under the credit agreement have terminated.

On February 19, 2020, the Company entered into a settlement agreement with OpenGov, Inc. to resolve all pending claims without any admission or concession of wrongdoing by the Company or other defendants. Pursuant to the settlement agreement, the Company will pay $3.3 million, net of amounts to be paid to OpenGov, Inc. by the Company's insurers, in exchange for a full and complete release of all claims that were or could have been asserted. This amount has been accrued as of December 31, 2019. See Note 9.

On February 20, 2020, the Company issued 334,254 shares pursuant to the eCivis Cash Waiver Letter, which required the Company to issue additional shares to the holders of the Redeemable Shares if the Redeemable Shares were not redeemed. See Notes 4 and 11.

In February 2020, the Questica Holders converted 1,000,000 exchangeable shares to 1,550,338 Class A exchangeable shares in accordance with the terms in the Questica Agreement and the Questica Letter Agreement.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2019. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. Based on its assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information regarding our Directors is incorporated by reference from the information under the captions "Board of Directors" and "Corporate Governance" in our Proxy Statement for our 2020 Annual Meeting of Stockholders, which will be filed with the SEC within 120 days of December 31, 2019 ("2020 Proxy Statement"). Information regarding our Audit Committee and its Financial Experts is incorporated by reference from the information under the captions "Board Committees" and "Audit Committee Report" in our 2020 Proxy Statement. Information regarding our Executive Officers is incorporated by reference from the information under the caption "Executive Officers" in our 2020 Proxy Statement. Information regarding compliance with Section 16(a) of the Exchange Act is incorporated by reference from the information under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2020 Proxy Statement.

Item 11. Executive Compensation

Incorporated by reference from the information under the captions "Named Executive Officer Compensation," "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in our 2020 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated by reference from the information under the captions "Information Regarding Beneficial Ownership of Principal Stockholders, Directors and Management" and "Equity Compensation Plan Information" in our 2020 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated by reference from the information under the captions "Corporate Governance at Groupon," "Board Independence and Expertise" and "Certain Relationships and Related Party Transactions" in our 2020 Proxy Statement.

Item 14. Principal Accountant Fees and Services

Incorporated by reference from the information under the caption "Independent Registered Public Accounting Firm" in our 2020 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements: See “Index to Consolidated Financial Statements” at “Item 8. Consolidated Financial Statements and Supplementary Data” herein.

(b) Consolidated Financial Statement Schedules. All schedules are omitted for the reason that the information is included in the consolidated financial statements or the notes thereto or that they are not required or are not applicable.

(c) Exhibits: The exhibits listed in the Exhibit Index below are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Index

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated September 12, 2018, by and among GTY Cayman, GTY Technology Holdings Inc. (Massachusetts) and GTY Technology MergerSub, Inc. (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018).
2.2	Arrangement Agreement, dated September 12, 2018, by and among Bonfire Interactive Ltd., GTY Cayman, 1176370 B.C. Unlimited Liability Company, 1176363 B.C. Ltd. and the Bonfire Holders' Representative named therein (incorporated by reference to Exhibit 2.2 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018), as amended by Amendment No. 1 thereto, dated as of October 31, 2018 (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on November 5, 2018) and Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019).
2.3	Agreement and Plan of Merger, dated September 12, 2018, by and among CityBase, Inc., GTY Cayman, GTY Technology Holdings Inc. (Massachusetts), GTY CB Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.3 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018), as amended by Amendment No. 1 thereto, dated October 31, 2018 (incorporated by reference to GTY Cayman's Current Report on Form 8-K filed with the SEC on November 5, 2018), Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.2 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019) and Amendment No. 3 thereto, dated February 12, 2019 (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.4	Amended and Restated Agreement and Plan of Merger, dated December 28, 2018, by and among eCivis Inc., GTY Cayman, GTY EC Merger Sub, Inc. and the eCivis Holders' Representative named therein. (incorporated by reference to Exhibit 2.3 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019), as amended by Amendment No. 1 thereto, dated January 8, 2018 (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 14, 2019).
2.5	Amended and Restated Agreement and Plan of Merger, dated December 28, 2018, by and among Open Counter Enterprises Inc., GTY Cayman, OC Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.4 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019).
2.6	Share Purchase Agreement, dated September 12, 2018, by and among Questica Inc., Questica USCDN Inc., GTY Cayman, Fernbrook Homes (Hi-Tech) Limited, 1176368 B.C. Ltd. and each of the Questica Holders named therein (incorporated by reference to Exhibit 2.6 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018) as amended by Amendment No. 1 thereto, dated October 31, 2018 (incorporated by reference to the Exhibit 2.5 to GTY Cayman's Current Report on Form 8-K filed with the SEC on November 5, 2018), Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.5 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019) and Amendment No. 3 thereto, dated July 29, 2019 (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 7, 2019).

2.7	Unit Purchase Agreement, dated September 12, 2018, by and among Sherpa Government Solutions LLC, GTY Cayman, the Sherpa Holders named therein and the Sherpa Holders' Representative named therein (incorporated by reference to Exhibit 2.7 to GTY Cayman's Current Report on Form 8-K filed with the SEC on September 12, 2018) as amended by Amendment No. 1 thereto, dated October 31, 2018 (incorporated by reference to the Exhibit 2.6 to GTY Cayman's Current Report on Form 8-K filed with the SEC on November 5, 2018) and Amendment No. 2 thereto, dated December 28, 2018 (incorporated by reference to Exhibit 2.6 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 4, 2019).
2.8	Form of eCivis Shareholder Agreements (incorporated by reference to Exhibit 2.2 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.9	Form of Open Counter Shareholder Agreements (incorporated by reference to Exhibit 2.3 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.10	Questica Shareholder Agreement, dated February 12, 2019, by and among GTY Cayman, GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.), Shockt Inc. and 1176368 B.C. Ltd. (incorporated by reference to Exhibit 2.4 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.11	Sherpa Shareholder Agreement, dated February 12, 2019, by and among GTY Cayman, GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) and David Farrell (incorporated by reference to Exhibit 2.5 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
2.12	Amendment No. 1, dated February 19, 2019, to the Amended and Restated Agreement and Plan of Merger, dated December 28, 2018, by and among Open Counter Enterprises Inc., GTY Cayman, OC Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.12 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
2.13	Amendment No. 3, dated February 12, 2019, to the Agreement and Plan of Merger, dated September 12, 2018, by and among CityBase, Inc., GTY Cayman, GTY Technology Holdings Inc. (Massachusetts), GTY CB Merger Sub, Inc. and Shareholder Representative Services LLC (incorporated by reference to Exhibit 2.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).
3.1	Articles of Organization of GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
3.2	Restated Articles of Organization of GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).
3.3	Bylaws of GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) (incorporated by reference to Annex J to the Company's Registration Statement on Form S-4 (File No. 333-229189), filed with the SEC on January 11, 2019).
4.1	Specimen Stock Certificate of GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-4 (File No. 333-229189), filed with the SEC on January 11, 2019).
4.2	Specimen Warrant Certificate (incorporated by reference to the Exhibit 4.3 to GTY Cayman's Registration Statement on Form S-1 (File No. 333-213809), filed with the SEC on September 26,2016).
4.3	Warrant Agreement between GTY Cayman and Continental Stock Transfer & Trust Company, dated as of October 26, 2016 (incorporated by reference to Exhibit 4.4 to GTY Cayman's Current Report on Form 8-K, filed with the SEC on November 1, 2016).

4.4 Assignment and Assumption Agreement, dated February 19, 2019, by and between GTY Cayman, GTY Technology Holdings Inc. (f/k/a GTY Govtech, Inc.) and Continental Stock Transfer and Trust Company (incorporated by reference to Exhibit 2.12 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).

4.5 Description of Securities

10.1 Form of Letter Agreement, by and between GTY Cayman and certain investors of City Base (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on October 16, 2018).

10.2 Form of Subscription Agreement, by and between GTY Cayman and certain institutional and accredited investors (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on January 14, 2019).

10.3 Subscription Agreement, dated February 13, 2019, by and among GTY Cayman and Michael Duffy (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K filed with the SEC on February 14, 2019).

10.4 Letter Agreement among GTY Cayman, its officers and directors and GTY Investors, LLC, dated as of October 26, 2016 (incorporated by reference to Exhibit 10.1 to GTY Cayman's Current Report on Form 8-K, filed with the SEC on November 1, 2016).

10.5 Registration Rights Agreement among GTY Cayman, GTY Investors, LLC and the Holders signatory thereto, dated as of October 26, 2016 (incorporated by reference to Exhibit 10.3 to GTY Cayman's Current Report on Form 8-K, filed with the SEC on November 1, 2016).

10.6 Form of GTY Technology Holdings Inc. 2019 Omnibus Incentive Plan (incorporated by reference to Annex K to the Company's Registration Statement on Form S-4 (File No. 333-229189), filed with the SEC on January 11, 2019).

10.7 Form of GTY Technology Holdings Inc. 2019 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).

10.8 Form of Indemnity Agreement (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed with the SEC on March 18, 2019).

10.9 Letter Agreement, dated May 7, 2019, by and between the Company and Stephen Rohleder (incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on May 13, 2019).

10.10 Letter Agreement, dated July 29, 2019, by and between the Company and John J. Curran (incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on August 14, 2019).

10.11 Amendment, dated October 25, 2019, to the Letter Agreement, dated July 29, 2019, by and between the Company and John J. Curran.

10.12 Form of Subscription Agreement (incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on June 5, 2019).

21.1 Subsidiaries of the Company (incorporated by reference to Exhibit 21.1 to the Company's Current Report on Form 8-K filed with the SEC on February 25, 2019).

24.1	Powers of Attorney (included on the signature page of the Registration Statement).
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

GTY TECHNOLOGY HOLDINGS INC.

Date: March 13, 2020

By: /s/ Stephen Rohleder
Stephen Rohleder
Chief Executive Officer and Chairman

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Stephen Rohleder and Harry L. You and each or any one of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the United States Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

/s/ Stephen Rohleder Stephen Rohleder	Chief Executive Officer, President and Chairman (principal executive officer)	March 13, 2020
/s/ Harry L. You Harry L. You	Vice-Chairman	March 13, 2020
/s/ John J. Curran John J. Curran	Chief Financial Officer, Treasurer (principal financial officer)	March 13, 2020
/s/ Justin Kerr Justin Kerr	Controller and Chief Accounting Officer (principal accounting officer)	March 13, 2020
/s/ Randolph Cowen Randolph Cowen	Director	March 13, 2020
/s/ William D. Green William D. Green	Director	March 13, 2020
/s/ Joseph M. Tucci Joseph M. Tucci	Director	March 13, 2020
/s/ Charles Wert Charles Wert	Director	March 13, 2020

Exhibit 4.5

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following summary of the capital stock and warrants of GTY Technology Holdings Inc. does not purport to be complete and is qualified in its entirety by reference to our restated articles of organization (as amended, our "charter"), our bylaws (our "bylaws", and together with our charter, our "organizational documents"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part, and certain provisions of Massachusetts law. Unless the context requires otherwise, all references to "we", "us," "our" and "GTY" in this section refer solely to GTY Technology Holdings Inc. and not to our subsidiaries.

General

Under our charter, our authorized capital stock consists of 400,000,000 shares of common stock, par value $0.0001 per share and 25,000,000 shares of preferred stock, par value $0.0001 per share. As of March 11, 2020, there were 52,887,912 shares of common stock outstanding and no shares of preferred stock outstanding. As of March 11, 2020, there were 27,093,334 warrants to purchase shares of our common stock outstanding. The Transfer Agent and Registrar for our common stock and our warrants is Continental Stock Transfer & Trust Company, 1 State Street, 30th Floor, New York, New York 10004.

Common Stock

The holders of shares of our common stock are entitled to one vote for each share held and each share of our common stock is entitled to participate equally in dividends out of funds legally available therefor, as and when declared by our board of directors, and in the distribution of assets in the event of liquidation. The shares of our common stock have no preemptive or conversion rights, redemption provisions or sinking fund provisions. The outstanding shares of our common stock are duly and validly issued, fully paid and nonassessable, and any shares of our common stock issued upon exercise of our warrants will be duly and validly issued, fully paid and nonassessable. Our common stock is listed on the Nasdaq Capital Market under the symbol "GTYH."

Preferred Stock

Our board of directors is authorized to create and issue one or more series of preferred stock and to determine the rights and preferences of each series, to the extent permitted by our charter. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could also adversely affect the voting power and dividend and liquidation rights of the holders of common stock. The issuance of preferred stock could also, under certain circumstances, have the effect of delaying, deferring or preventing a change of control of the GTY or the removal of existing management or otherwise adversely affect the market price of our common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of common stock until the board of directors determines the specific rights of that series of preferred stock.

You should refer to the amendment to our charter establishing a particular series of preferred stock which will be filed with the Secretary of State of the State of Massachusetts and the Securities and Exchange Commission in connection with any offering of preferred stock.

Each prospectus relating to a series of preferred stock may describe material U.S. federal income tax considerations applicable to the purchase, holding and disposition of such series of preferred stock.

Warrants

Each whole warrant is exercisable to purchase one share of common stock at $11.50 per share. We may call the warrants for redemption, in whole and not in part, at a price of $0.01 per warrant, upon not less than 30 days' prior written notice of redemption to each warrant holder, if, and only if, the reported last sale price of common stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date we send the notice of redemption to the warrant holders. The warrants were determined to be equity classified in accordance with ASC 815, Derivatives and Hedging.

Public Warrants

Upon the closing of our initial business combination, we had 18,400,000 public warrants outstanding. Each public warrant entitles the registered holder to purchase one share of our common stock at a price of $11.50 per whole share, subject to adjustment as discussed below, at any time commencing on March 21, 2019. A warrant holder may exercise its warrants only for a whole number of shares. The warrants will expire on February 19, 2024, which is five years after the closing date of the business combination, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

We will not be obligated to deliver any shares of common stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act of 1933, as amended (the "Securities Act") with respect to the shares of common stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to its satisfying its obligations described below with respect to registration. No warrant will be exercisable and we will not be obligated to issue a share of common stock upon exercise of a warrant unless the share issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless. In no event will we be required to net cash settle any warrant.

We were obligated to file with the Securities and Exchange Commission (the "SEC") as soon as practicable, but in no event later than March 12, 2019, a registration statement for the registration, under the Securities Act, of the shares of common stock issuable upon exercise of the warrants, and are obligated to cause the same to become effective and to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the expiration of the warrants in accordance with the provisions of the warrant agreement. A registration statement covering the shares of common stock issuable upon exercise of the warrants was declared effective by the SEC on May 28, 2019. During any period when we may fail to maintain an effective registration statement, warrant holders may, until such time as there is again an effective registration statement, exercise warrants on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act or another exemption.

Private Placement Warrants

At the time of our initial public offering, our sponsor purchased 8,693,334 warrants in a private placement at a price of $1.50 per warrant. The private placement warrants are identical to the public warrants, except that the private placement warrants and the shares issuable upon exercise of the private placement warrants were not transferable, assignable or salable until 30 days after the completion of the business combination, subject to certain limited exceptions. Additionally, the private placement warrants will be non-redeemable so long as they are held by the initial purchasers or such purchasers' permitted transferees. If the private placement warrants are held by someone other than the initial shareholders or their permitted transferees, the private placement warrants will be redeemable by us and exercisable by such holders on the same basis as the public warrants.

Redemption

We may call the warrants for redemption (except with respect to the private placement warrants):

- in whole and not in part;
- at a price of $0.01 per warrant;
- upon a minimum of 30 days' prior written notice of redemption; and

- if, and only if, the last reported closing price of our shares equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders.

If we call the public warrants for redemption, management will have the option to require all holders that wish to exercise the public warrants to do so on a "cashless basis," as described in the warrant agreement.

The exercise price and number of shares issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a share dividend, or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuance of shares at a price below its exercise price. Additionally, in no event will we be required to net cash settle the warrants shares.

Provisions of the Restated Articles of Organization and Bylaws that May Have an Anti-Takeover Effect

We are a corporation incorporated under the laws of the Commonwealth of Massachusetts, subject to the provisions of the Massachusetts General Laws.

Chapter 110F of the Massachusetts General Laws generally provides that, if a person acquires 5% or more of the stock of a Massachusetts corporation without the approval of the board of directors of that corporation, such person may not engage in certain transactions with the corporation for a period of three years following the time that person becomes a 5% shareholder, with certain exceptions. A Massachusetts corporation may elect in its articles of organization or bylaws not be governed by Chapter 110F.

Under the Massachusetts control share acquisitions statute (Chapter 110D of the Massachusetts General Laws), a person who acquires beneficial ownership of shares of stock of a corporation in a threshold amount equal to one-fifth or more but less than one-third, one-third or more but less than a majority, or a majority or more of the voting stock of the corporation, referred to as a control share acquisition, must obtain the approval of a majority of shares entitled to vote generally in the election of directors (excluding (1) any shares owned by any person acquiring or proposing to acquire beneficial ownership of shares in a control share acquisition, (2) any shares owned by any officer of the corporation and (3) any shares owned by any employee of the corporation who is also a director of the corporation) for the purpose of acquiring voting rights for the shares that such person acquires in crossing the foregoing thresholds.

The Massachusetts control share acquisitions statute permits the corporation, to the extent authorized by its articles of organization or bylaws, to redeem all shares acquired by an acquiring person in a control share acquisition for fair value (which is to be determined in accordance with procedures adopted by the corporation) if (1) no control share acquisition statement is delivered by the acquiring person or (2) a control share acquisition statement has been delivered and voting rights were not authorized for such shares by the shareholders in accordance with the applicable provision of the control share acquisitions statute.

If the voting rights for shares acquired in a control share acquisition are authorized by a majority of shareholders, the acquirer has acquired beneficial ownership of a majority or more of all voting power in the election of directors, then each stockholder of record, other than the acquirer, who has not voted in favor of authorizing voting rights for the control may demand payment for his or her stock and an appraisal in accordance with M.G.L. Chapter 156D.

The Massachusetts control share acquisition statute permits a Massachusetts corporation to elect not to be governed by the statute's provisions by including a provision in the corporation's articles of organization or bylaws pursuant to which the corporation opts out of the statute.

Massachusetts law provides that the board of directors of a public corporation be staggered into three groups having terms of three years. This could make it difficult to replace a majority of the board in any one year. A corporation may elect not to be governed by this provision by a vote of the board of directors, or by two-thirds of each class of stock outstanding at a meeting duly called for the purpose of voting on an exemption.

Chapter 110C of the Massachusetts General Laws (1) subjects an offeror to certain disclosure and filing requirements before such offeror can proceed with a takeover bid, defined to include any acquisition of or offer to acquire stock by which, after acquisition, the offeror would own more than 10% of the issued and outstanding equity securities of a target company and (2) provides that, if a person (together with its associates and affiliates) beneficially owns more than 5% of the stock of a Massachusetts corporation, such person may not make a takeover bid if during the preceding year such person acquired any of the subject stock with the undisclosed intent of gaining control of the corporation. The statute contains certain exceptions to these prohibitions, including if the board of directors approves the takeover bid, recommends it to the corporation's shareholders and the terms of the takeover are furnished to shareholders. The validity of Chapter 110C has been called into questioned by a 1982 US Supreme Court decision that invalidated a similar law in the state of Illinois.

Elimination of Liability in Certain Circumstances

Our charter contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Massachusetts law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors to the extent provided by applicable law, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- distributions to shareholders not in compliance with the MBCA; or
- any transaction from which the director derived an improper personal benefit.

Our charter provides that we are required to indemnify our directors and officers, in each case to the fullest extent permitted by Massachusetts law. We expect to enter into agreements to indemnify our directors, executive officers and other employees as determined by our Board. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our charter may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and our stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage.

Exhibit 10.11

GTY TECHNOLOGY

October 25, 2019

John.Curran

Re: Amendment to Offer of Employment Letter

Dear John:

On behalf of GTY Technology Holdings Inc. (the "Company"), I am writing to confirm the amendment to the letter dated July 29, 2019, from the Company pursuant to which you became Executive Vice President and Chief Financial Officer of the Company. (the "Offer Letter").

The first paragraph of Section 3 of the Offer Letter is hereby amended and restated in its entirety to read as follows: "3. Equity Compensation. You will, subject to approval by the Committee, be granted an equity award under the GTY Technology Holdings Inc. 2019 Omnibus Incentive Plan (the "Incentive Plan") in the form of 157,233 restricted stock units (the "Initial Equity Award"). The Initial Equity Award will vest in substantially equal installments on July 29, 2020 and July 29, 2021, subject to your continued employment on such dates except as specifically set forth herein."

Except as specifically modified by this letter, all of the terms and conditions of your Offer Letter shall remain in full force and effect.

This letter agreement may be executed in any number of counterparts, all of which taken together shall constitute one instrument. Execution and delivery of this letter agreement by facsimile or other electronic signature is legal, valid and binding for all purposes.

Please acknowledge your acceptance of the amendment to the Offer Letter by returning a signed copy of this letter agreement.

Very truly yours,
GTY Technology Holdings Inc.

Stephen J. Rohleder

Accepted and agreed:

/s/ John Curran
John Curran

EXHIBIT 31.1

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Stephen Rohleder, certify that:

1. I have reviewed this Annual Report on Form 10-K of GTY Technology Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepting accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 13, 2020

By: /s/ Stephen Rohleder
Stephen Rohleder
Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, John J. Curran, certify that:

1. I have reviewed this Annual Report on Form 10-K of GTY Technology Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepting accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 13, 2020

By:/s/ John J. Curran
John J. Curran
Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Annual Report of GTY Technology Holdings Inc. (the "Company") on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen Rohleder, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78*o*(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 13, 2020

/s/ Stephen Rohleder
Name: Stephen Rohleder
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Annual Report of GTY Technology Holdings Inc. (the "Company") on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John J. Curran, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78*o*(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 13, 2020

/s/ John J. Curran
Name: John J. Curran
Title: Chief Financial Officer
(Principal Financial Officer)

APPENDIX B

Terms and Conditions (Sample)

GTY Technology Holdings Inc.

GTY TECHNOLOGY HOLDINGS INC. SOFTWARE SUBSCRIPTION AGREEMENTS – TERMS AND CONDITIONS

1. **DEFINITIONS**

"Affiliate" means any entity which directly or indirectly controls, is controlled by, or is under common control with the subject entity. "Control," for the purposes of this definition, means direct or indirect ownership or control of more than 50% of the voting interests of the subject entity.

"Malicious Code" means viruses, worms, time bombs, Trojan horses, and other harmful or malicious code, files, scripts, agents or programs.

"Order Form" means the documents for placing orders hereunder, including addenda thereto, that are entered into between You and Us from time to time, including addenda and supplements thereto.

"Services" means the products and services that are ordered by You or Your Affiliates under an Order Form and made available by Us online.

"User Guide" means the on-line users guide for the Services, made available on-line.

"Users" means individuals who are authorized by You to use the Services, for whom subscriptions to a Service have been ordered, and who have been supplied user identifications and passwords by You, (or by Us at your request). Users may include but are not limited to Your employees, consultants, contractors and agents, and third parties with which You transact business.

"We," "Us", "Our", "**GTY Technology Holdings Inc. Inc.",** or "**GTY Technology Holdings Inc.**" means the company or entity providing the Services in the Agreement

"You", "Your", "Subscriber" means the company or other legal entity for which you are accepting the Agreement and Affiliates of that company or entity.

"Your Data" means all electronic data or information submitted by You to the Services, including but not limited to any data, content (including user content), information and files.

2. **PROVISION OF SERVICES**

2.1 **Terms of Service.** Terms, provisions, or conditions on any purchase order, acknowledgement, or other business form or writing that Customer may use in connection with the provision of Services (or software) by GTY Technology Holdings Inc. will have no effect on the rights, duties, or obligations of the parties hereunder, regardless of any failure of GTY Technology Holdings Inc. to object to such terms, provisions, or conditions.

2.2 **Provision of Services.** We shall make the Services available to You pursuant to this Agreement and the relevant Order Forms during a subscription term. By entering into an Order Form hereunder, an Affiliate agrees to be bound by the terms of this Agreement as if it were an original party hereto. Order Forms shall be deemed incorporated herein by reference. You agree that Your purchases hereunder are neither contingent on the delivery of any future functionality or features nor dependent on any oral or written public comments made by Us regarding future functionality or features.

2.3 **User Subscriptions.** Unless otherwise specified in the applicable Order Form, (i) Services are purchased as User subscriptions and may be accessed by no more than the specified number of Users, (ii) additional User subscriptions may be added during the applicable subscription term at the same price as that for the preexisting subscriptions thereunder, prorated for the remainder of the subscription term in effect at the time the additional User subscriptions are added and (iii) the added User subscriptions shall terminate on the same day as the pre-existing subscriptions. User subscriptions are for designated Users only and cannot be shared or used by more than one user but may be reassigned to new Users replacing former Users who no longer require ongoing use of the Services.

2.4 **Hosting, Product Maintenance and Support.** For the first year of this Agreement, upon paying the Subscription Fee and for each year thereafter, provided that Subscriber continues to pay the Subscription Fees in accordance with the fees set out in Appendix A, GTY Technology Holdings Inc. shall provide Hosting, Maintenance and Technical Support Services for the software as outlined in Appendix B, if the Subscriber is not otherwise in breach of the provisions of this Agreement.

2.5 **Implementation Services**. GTY Technology Holdings Inc. shall provide the professional service as defined in the Scope of Work ("SOW"), Appendix C, in a professional manner, consistent with industry standards. Unless otherwise agreed upon by both parties, or as the result of a delay on the part of GTY Technology Holdings Inc., the obligation to provide professional services to the Subscriber expires the earlier of:

1) completion of the services described in the SOW

2) 12 months from the effective date of the relevant Order Form.

2.6 **Acceptance of Custom Work.** Within fifteen (15) business days from the delivery of each individual Custom Work, the Customer/Subscriber shall, in its sole discretion, review the Product Customization and notify GTY Technology Holdings Inc. whether it finds the Customizations satisfactory or unsatisfactory. If its determined that the Customizations are unsatisfactory, then it shall state in writing the reasons for its determination, including identifying any nonconformance with the Subscriber's specifications or expectations. GTY Technology Holdings Inc. will promptly correct the deficiencies and reinstall the Customizations, and the approval procedure shall be reapplied until Subscriber finally declares the Customizations satisfactory. In the absence of a written response within 15 Business Days after the delivery of the Customizations or once the Subscriber has declared the Customizations satisfactory, the Customizations shall be considered 'Accepted'.

3. USE OF THE SERVICES

3.1 **Our Responsibilities.** We shall: (i) provide Our basic support for the Services to You at no additional charge, and/or upgraded support if purchased separately, (ii) use commercially reasonable efforts to make the Services available 24 hours a day, 7 days a week, except for: (a) planned downtime (of which We shall give at least 8 hours' notice via the Services and which We shall schedule to the extent practicable during the weekend hours from 9:00 pm Friday to 6:00 am Monday Eastern Time), or (b) any unavailability caused by circumstances beyond Our reasonable control, including without limitation, acts of God, acts of government, floods, fires, earthquakes, civil unrest, acts of terror, strikes or other labor problems (other than those involving Our employees), Internet services provider failure or delays, or denial of service attacks, and (iii) provide the Services only in accordance with applicable laws and government regulations.

3.2 **Our Protection of Your Data**. We shall maintain reasonable administrative, physical and technical safeguards for protection of the security, confidentiality and integrity of Your Data. We shall not (a) modify Your Data, (b) disclose Your Data except as compelled by law in accordance with Section 6.3 (Compelled Disclosure) or as expressly permitted in writing by You, or (c) access Your Data except to provide the Services and prevent or address service or technical problems, or at Your request in connection with customer support matters.

3.3 **Your Responsibilities.** You shall (i) be responsible for Users' compliance with this Agreement, (ii) be responsible for the accuracy, quality and legality of Your Data and of the means by which You acquired Your Data, (iii) use commercially reasonable efforts to prevent unauthorized access to or use of the Services, and notify Us promptly of any such unauthorized access or use, and (iv) use the Services only in accordance with the User Guide and applicable laws and government regulations. You shall not (a) make the Services available to anyone other than Users, (b) sell, resell, rent or lease the Services, (c) use the Services to store or transmit material in violation of third-party privacy rights, (d) use the Services to store or transmit Malicious Code, (e) interfere with or disrupt the integrity or performance of the Service or third-party data contained therein, or (f) attempt to gain unauthorized access to the Services or their related systems or networks.

4. FEES AND PAYMENTS FOR SERVICES

4.1 **Fees.** You shall pay all fees specified in all Order Forms as set out in Appendix A. Except as otherwise specified herein or in an Order Form, (i) fees are based on services purchased and actual usage, (ii) payment obligations are non-cancelable and fees paid are non-refundable, and (iii) the number of User subscriptions purchased cannot be decreased during the relevant subscription term stated on the Order Form. User subscription fees are based on monthly periods that begin on the subscription start date and each monthly anniversary thereof;

therefore, fees for User subscriptions added in the middle of a monthly period will be charged for the full monthly period and the monthly periods remaining in the subscription term.

4.2 **Invoicing and Payment.** You will provide Us with a valid purchase order or alternative document reasonably acceptable to Us. We will invoice You in advance and otherwise in accordance with the relevant Order Form. Unless otherwise stated in the Order Form, invoiced charges are due net 30 days from the invoice date. You are responsible for providing complete and accurate billing and contact information to Us and notifying Us of any changes to such information.

4.3 **Overdue Charges.** If any charges are not received from You by the due date, then at Our discretion, (a) such charges may accrue late interest at a rate of 1.5% of the outstanding balance per month, or the maximum rate permitted by law, whichever is lower, from the date such payment was due until the date paid, and/or (b) We may condition future subscription renewals and Order Forms on payment terms shorter than those specified in Section 4.2 (Invoicing and Payment)

4.4 **Suspension of Service and Acceleration.** If any amount owing by You under this or any other agreement for Our services is 30 or more days overdue, We may, without limiting Our other rights and remedies, accelerate Your unpaid fee obligations under such agreements so that all such obligations become immediately due and payable, and suspend Our services to You until such amounts are paid in full. We will give You at least 7 days prior notice that Your account is overdue, in accordance with Section 11.1 (Manner of Giving Notice), before suspending services to You.

4.5 **Payments and Disputes.** We shall not exercise Our rights under Section 4.3 (Overdue Charges) or 4.4 (Suspension of Service and Acceleration) if You are disputing the applicable charges reasonably and in good faith and are cooperating diligently to resolve the dispute.

4.6 **Taxes.** Unless otherwise stated, Our fees do not include any taxes, levies, duties or similar governmental assessments of any nature, including but not limited to value-added, sales, use or withholding taxes, assessable by any local, state, provincial, federal, or foreign jurisdiction (collectively, "**Taxes**"). You are responsible for paying all Taxes associated with Your purchases hereunder. If We have the legal obligation to pay or collect Taxes for which You are responsible under this paragraph, the appropriate amount shall be invoiced to and paid by You, unless You provide Us with a valid tax exemption certificate authorized by the appropriate taxing authority. For clarity, We are solely responsible for taxes assessable against it based on Our income, property and employees.

4.7 **Travel Costs.** Unless noted otherwise, this quotation does not include any travel, lodging, or on-site expenses. If such travel is required and subsequently authorized, GTY Technology Holdings Inc.'s standard travel and per diem rates shall apply. Air Travel, Rental Car (with associated fuel and parking costs), and Lodging costs shall be reimbursed at cost. GTY Technology Holdings Inc. is not responsible for unpredictable (including Commercial Airline Travel) delays which may increase travel cost.

5. PROPRIETARY RIGHTS

5.1 **Reservation of Rights in Services.** Subject to the limited rights expressly granted hereunder, We reserve all rights, title and interest in and to the Services, including all related intellectual property rights. No rights are granted to You hereunder other than as expressly set forth herein.

5.2 **Restrictions.** You shall not (i) permit any third-party to access the Services except as permitted herein or in an Order Form (ii) create derivative works based on the Services except as contained herein, (iii) copy, frame or mirror any part or content of the Services, other than copying or framing on Your own intranets or otherwise for Your own internal business purposes, (iv) reverse engineer the Services, or (v) access the Services in order to (a) build a competitive product or service, or (b) copy any features, functions or graphics of the Services.

5.3 **Your Applications and Code.** If You, a third party acting on Your behalf, or a User creates applications or program code using the Services, You authorize Us to host, copy, transmit, display and adapt such applications and program code, solely as necessary for Us to provide the Services in accordance with this Agreement. Subject to the above, We acquire no right, title or interest from You or Your licensors under this Agreement in or to such applications or program code, including any intellectual property rights therein.

5.4 **Your Data.** Subject to the limited rights granted to You hereunder, We acquire no right, title or interest from You or Your licensors under this Agreement in or to Your Data, including any intellectual property rights therein.

5.5 **Suggestions.** We shall have a royalty-free, worldwide, irrevocable, perpetual license to use and incorporate into the Services any suggestions, enhancement requests, recommendations or other feedback provided by You, including Users, relating to the operation of the Services. We may additionally develop, modify, improve, support, and operate Our Services based on Your use, as applicable, of any Services.

6. CONFIDENTIALITY

6.1 **Definition of Confidential Information.** As used herein, **"Confidential Information**" means all confidential information disclosed by a party ("**Disclosing Party**"), whether orally or in writing, that is designated as confidential or that reasonably should be understood to be confidential given the nature of the information and the circumstances of disclosure. Your Confidential Information shall include Your Data; Our Confidential Information shall include the Services; and Confidential Information of each party shall include the terms and conditions of this Agreement and all Order Forms, as well as business and marketing plans, technology and technical information, product plans and designs, and business processes disclosed by such party. However, Confidential Information (other than Your Data) shall not include any information that (i) is or becomes generally known to the public without breach of any obligation owed to the Disclosing Party, (ii) was known to the Receiving Party prior to its disclosure by the Disclosing Party without breach of any obligation owed to the Disclosing Party (iii) is received from a third party without breach of any obligation owed to the Disclosing Party, or (iv) was independently developed by the Receiving Party.

6.2 **Protection of Confidential Information.** The Receiving party shall use the same degree of care that uses to protect the confidentiality of its own confidential information of like kind (but in no event less than reasonable care) (i) not to use any Confidential Information of the Disclosing Party for any purpose outside the scope of this Agreement, and (ii) except as otherwise authorized by the Disclosing Party in writing, to limit access to Confidential Information of the Disclosing Party to those of its and its Affiliates' employees, contractors and agents who need such access for purposes consistent with this Agreement and who have signed confidentiality agreements with the Receiving Party containing protections no less stringent than those herein. Neither party shall disclose the terms of this Agreement or any Order Form to any third party other than its Affiliates and their legal counsel and accountants without the other party's prior written consent.

6.3 **Compelled Disclosure.** The Receiving Party may disclose Confidential Information of the Disclosing Party if it is compelled by law to do so, provided the Receiving Party gives the Disclosing Party prior notice of such compelled disclosure (to the extent legally permitted) and reasonable assistance, at the Disclosing Party's cost, if the Disclosing Party wishes to contest such disclosure. If the Receiving Party is compelled by law to disclose the Disclosing Party's Confidential Information as part of a civil proceeding or otherwise to which the Disclosing Party is a party, and the Disclosing Party is not contesting the disclosure, the Disclosing Party will reimburse the Receiving Party for its reasonable costs of compiling and providing secure access to such Confidential Information.

7. REPRESENTATIONS, WARRANTIES AND DISCLAIMERS

7.1 **Our Warranties.** We represent and warrant that (i) We have validly entered into this Agreement and have the legal authority to do so, (ii) the Services shall perform materially in accordance with the User Guide, (iii) the functionality of the Services will not be materially decreased during a subscription term, and (iv) We will not transmit Malicious Code to You, provided you are not in breach of this subsection (iv) if You or a User uploads a file containing Malicious Code into the Services and later downloads that file containing Malicious Code. For any breach of a warranty above, Your exclusive remedy shall be as provided in Section 10.3 (Termination for Cause) and Section 10.4 (Refund or Payment upon Termination) below.

7.2 **Your Warranties.** You represent and warrant that (i) You have validly entered into this Agreement and have the legal authority to do so; (ii) You will use the Services in accordance with applicable laws; and (ii) You have all necessary rights to use and upload any Data for use with the Services.

7.3 **Disclaimer.** EXCEPT AS EXPRESSLY PROVIDED HEREIN, NEITHER PARTY MAKES ANY REPRESENTATIONS, WARRANTIES OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND EACH PARTY SPECIFICALLY DISCLAIMS ALL IMPLIED REPRESENTATIONS AND WARRANTIES, INCLUDING ANY REPRESENTATIONS AND WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW.

8. MUTUAL INDEMNIFICATION

8.1 **Indemnification by Us.** We shall defend You against any claim, demand, suit, or proceeding made or brought against You by a third party alleging that the use of the Services as permitted hereunder infringes or misappropriates any Canadian or United States' registered patents, copyrights or trade-mark rights of a third party (a "**Claim Against You**"), and shall indemnify You for any damages, legal fees and costs finally awarded against You as a result of, and for amounts paid by You under a court-approved settlement of, a Claim Against You; provided that You (a) promptly give Us written notice of the Claim Against You; (b) Give Us sole control of the defense and settlement of the Claim Against You (provided that We may not settle any Claim Against You unless the settlement unconditionally releases You of all liability); and (c) provide to Us all reasonable assistance, at Our expense. In the event of a Claim against You, or if we reasonably believe the Services may

infringe or misappropriate, We may in Our discretion and at no cost to you (i) modify the Services so that they no longer infringe or misappropriate , without breaching Our warranties under "Our Warranties" above, (II) obtain a license for Your continued use of the Services in accordance with this Agreement, or (iii) terminate Your User subscriptions for such services upon 30 days' written notice and refund to You any prepaid fees covering the remainder of the term of such User subscriptions after the effective date of termination.

8.2 **Indemnification by You**. You shall defend Us against any claim, demand, suit or proceeding made or brought against Us by a third party alleging that Your Data, or Your use of the Services in breach of this Agreement, infringes or misappropriates the intellectual property rights of a third party or violates applicable law (a "**Claim Against Us**"), and shall indemnify Us for any damages, legal fees and costs finally awarded against us as a result of, or for any amounts paid by Us under a court-approved settlement of, a Claim Against Us; provided that We (a) promptly give You written notice of the Claim Against Us; (b) give You sole control of the defense and settlement of the Claim Against Us (provided that You not settle any Claim Against Us unless the settlement unconditionally releases Us of all liability); and (c) provide to You all reasonable assistance, at Your expense.

8.3 **Exclusive Remedy**. This Section 8 (Mutual Indemnification) states the indemnifying party's sole liability to, and the indemnified party's exclusive remedy against, the other party for any type of claim described in this Section.

9. LIMITATION OF LIABILITY

9.1 **Limitation of Liability.** NEITHER PARTY'S CUMULATIVE LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT (WHETHER IN CONTRACT OR TORT OR UNDER ANY OTHER THEORY OF LIABILITY) SHALL EXCEED THE AMOUNT PAID BY YOU HEREUNDER IN THE 12 MONTHS PRECEDING THE INCIDENT, PROVIDED THAT IN NO EVENT SHALL EITHER PARTY'S AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT (WHETHER IN CONTRACT OR TORT OR UNDER ANY OTHER THEORY OF LIABILITY) EXCEED THE TOTAL AMOUNT PAID BY YOU HEREUNDER. THE FOREGOING SHALL NOT LIMIT YOUR PAYMENT OBLIGATIONS UNDER SECTION 4 (FEES AND PAYMENT FOR SERVICES).

9.2 **Exclusion of Consequential and Related Damages.** IN NO EVENT SHALL EITHER PARTY HAVE ANY LIABILITY TO THE OTHER PARTY FOR ANY LOST PROFITS OR REVENUES OR FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, COVER OR PUNITIVE DAMAGES HOWEVER CAUSED, WHETHER IN CONTRACT, TORT OR ANY OTHER THEORY OF LIABILITY, AND WHETHER OR NOT THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE FOREGOING DISCLAIMER SHALL NOT APPLY TO THE EXTENT PROHIBITED BY LAW.

10. TERM AND TERMINATION

10.1 **Term of Agreement.** This Agreement commences on the date You accept it and continues until all User subscriptions granted in accordance with this Agreement have expired or been terminated.

10.2 **Term of Purchased User Subscriptions.** User subscriptions purchased by You commence on the effective date of this Agreement and continue for 5 years. Additional user subscriptions will be prorated from the applicable order date through the remainder of the 5-year term. All user subscriptions shall automatically renew for additional one-year at the end of the then current term, unless either party gives the other notice of non-renewal at least 30 days before the end of the relevant subscription term. The per-unit pricing during any such renewal term shall be the same as that during the prior term unless We have given You written notice of a pricing increase at least 60 days before the end of such prior term, in which case the pricing increase shall be effective upon renewal and thereafter. Any such pricing increase shall not exceed 7% of the pricing for the relevant Services in the immediately prior subscription term, unless the pricing in such prior term was designated in the relevant Order Form as promotional or one-time.

10.3 **Termination for Cause.** A party may terminate this Agreement for cause: (i) upon 30 days written notice to the other party of a material breach if such breach remains uncured at the expiration of such period, or (ii) if the other party becomes the subject of a petition in bankruptcy or any other proceedings relating to insolvency, receivership, liquidation or assignment for the benefit of creditors.

10.4 **Termination for Convenience**. Subscriber may terminate this Agreement without cause by giving sixty (60) days advance written notice to Us of its election to terminate this Agreement pursuant to this provision. In the event of such termination, Subscriber agrees to pay a SaaS Recovery Amount equivalent to 50% of the Subscription fees for the remainder of the initial term of the Agreement.

10.5 **Refund or Payment upon Termination.** Upon any termination for cause by You, We shall refund You any prepaid fees covering the remainder of the term of all subscriptions after the effective date of termination.

Upon any termination for cause by Us, You shall pay any unpaid fees covering the remainder of the term of all Order Forms after the effective date of termination. In no event shall any termination relieve You of the obligation to pay any fees payable to Us for the period prior to the effective date of termination.

10.6 **Return of Your Data.** Upon request made by You within 30 days after termination of a Services subscription, We will make available to You for download a file of Your Data in comma separated value (.csv) format along with attachments in their native format. After such 30-day period, We shall have no obligation to maintain or provide any of Your Data and shall thereafter, unless legally prohibited, delete all of Your Data in Our systems or otherwise in Our possession or under Our control.

10.7 **Surviving Provisions.** Section 4 (Fees and Payment for Services), 5 (Proprietary Rights), 6 (Confidentiality), 7.3 (Disclaimer), 8 (Mutual Indemnification), 9 (Limitation of Liability, 10.5 (Refund or Payment upon Termination), 10.6 (Return of Your Data), 10.7 (Surviving Provisions), 11 (Notices, Governing Law, Jurisdiction) and 12 (General Provisions) shall survive any termination or expiration of the Agreement.

11. NOTICES, GOVERNING LAW AND JURISDICTION

11.1 **Manner of Giving Notice.** Except as otherwise specified in this Agreement, all notices, permissions and approvals hereunder shall be in writing and shall be deemed to have been given upon: (i) personal delivery, (ii) the second business day after mailing, (iii)the second business day after sending by confirmed facsimile, (iv) the first business day after sending by email (provided that email shall not be sufficient for notices of termination or an indemnifiable claim) Billing- related notices to You shall be addressed to the relevant billing contact designated by You. All other notices to You shall be addressed to the relevant Services system administrator designated by You.

11.2 **Dispute Resolution/Arbitration.** In the event of any dispute arising out of or relating to and/or in connection with this Agreement, the parties' project managers shall use every reasonable effort to resolve such dispute in good faith within 10 Business Days. If the project managers have failed to resolve the dispute within such time frame, then the dispute shall be escalated to the next escalation level. At each escalation level, the designated executives shall negotiate in good faith in an effort to resolve the dispute. For the purposes of this Agreement, a "**Business Day**" means a day other than a Saturday, Sunday, or statutory holiday in California.

Escalation Level	GTY Technology Holdings Inc. Management Level	Subscriber Management Level	Period of Resolution Efforts
First Level	Project Manager	Project Manager	10 Business Days
Second Level	Customer Success Director	Finance Department Manager	10 Business Days
Third Level	VP, Professional Services	Director of Finance or Treasurer	10 Business Days

If the above escalation periods have elapsed and there continues to be a dispute as to any matter herein, the matter in dispute shall be referred to arbitration by a single arbitrator.

(a) Except as provided above, or any other circumstance in which a party seeks an injunction or other equitable relief from the courts, Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in (State/City) before one arbitrator, including lawyers with 10 years of active practice in relevant information technology or intellectual property matters. The arbitration shall be administered by (i) JAMS pursuant to JAMS' Streamlined Arbitration Rules and Procedures if You are U.S. based or if You are from outside the United States, in accordance with the JAMS International Arbitration Rules. Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction. The arbitrator shall not award punitive or exemplary damages, except where permitted by statute, and the parties waive any right to recover any such damages. The parties shall maintain the confidential nature of the arbitration proceeding and any award, except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision. The parties acknowledge that this Agreement evidences a transaction involving interstate commerce.

(b) Notwithstanding the provision in Section 11.2(a) with respect to applicable substantive law, any arbitration conducted pursuant to the terms of this Agreement shall be governed by the Federal Arbitration Act (9 U.S.C., Secs. 1-16).

(c) In the event of any action or proceeding (including arbitration) brought in connection with this Agreement, the prevailing party shall be entitled to recover its costs and reasonable legal fees arising from such action or proceeding.

11.3 **Governing Law and Jurisdiction.** This Agreement shall be governed by the laws of the (Name of /State/agency) and the federal laws of the United States of America without regard to the conflict of law provisions thereof. The United Nations Convention on Contracts for the International Sale of Goods will not apply to this Agreement. Subject to Section 11.2 above, the parties attorn to the exclusive jurisdiction of the courts of (Agency/State) in respect of this Agreement.

11.4 **Waiver of Jury Trial.** Each party hereby waives any right to jury trial in connection with any action or litigation in any way arising out of or related to this Agreement.

12. GENERAL PROVISIONS

12.1 **Anti-Corruption.** You have not received or been offered any illegal or improper bribe, kickback, payment, gift, or thing of value from any of Our employees or agents in connection with this Agreement. Reasonable gifts and entertainment provided in the ordinary course of business do not violate the above restriction.

12.2 **Relationship of the Parties.** The parties are independent contractors. This Agreement does not create a partnership, franchise, joint venture, agency, fiduciary or employment relationship between the parties.

12.3 **No Third-Party Beneficiaries.** There are no third-party beneficiaries to this Agreement.

12.4 **Export Compliance.** The Services, other technology We make available, and derivatives thereof may be subject to export laws and regulations of the United States, Canada and other jurisdictions. Each party represents that it is not named on any US or Canadian government denied-party list. You shall not permit Users to access or use Services in a US or Canada embargoed country or in violation of any US or Canadian export law or regulation.

12.5 **Waiver.** No failure or delay by either party in exercising any right under this Agreement shall constitute a waiver of that right**.**

12.6 **Severability**. If any provision of this Agreement is held by a court of competent jurisdiction to be contrary to law, the provision shall be modified by the court and interpreted so as best to accomplish the objectives of the original provision to the fullest extent permitted by law, and the remaining provisions of this Agreement shall remain in effect.

12.7 **Legal Fees.** You shall pay on demand all of Our reasonable legal fees and other costs incurred by Us to collect any fees or charges due Us under this Agreement following Your breach of Section 4.2 (Invoicing and Payment).

12.8 **Assignment.** Neither party may assign any of its rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of the other party (not to be unreasonably withheld). Notwithstanding the foregoing, either party may assign this Agreement in its entirety (including all Order Forms), without consent of the other party, to its Affiliate or in connection with a merger, acquisition, corporate reorganization, or sale of all or substantially all of its assets not involving a direct competitor of the other party. A party's sole remedy for any purported assignment by the other party in breach of this paragraph shall be, at the non-assigning party's election, termination of this Agreement upon written notice to the assigning party. In the event of such a termination, We shall refund to You any prepaid fees covering the remainder of the term of all subscriptions after the effective date of termination. Subject to the foregoing, this Agreement shall bind and inure to the benefit of the parties, their respective successors and permitted assigns.

12.9 **Entire Agreement.** This Agreement, including all exhibits and addenda hereto and all Order Forms, constitutes the entire agreement between the parties and supersedes all prior and contemporaneous agreements, proposals or representations, written or oral, concerning its subject matter. No modification, amendment, or waiver of any provision of this Agreement shall be effective unless in writing and either signed or accepted electronically by the party against whom the modification, amendment or waiver is to be asserted. However, to the extent of any conflict or inconsistency between the provisions in the body of this Agreement and any exhibit or addendum hereto or any Order Form, the terms of such exhibit, addendum or Order Form shall prevail. Notwithstanding any language to the contrary therein, no terms or conditions stated in Your purchase order or other order documentation (excluding Order Forms) shall be incorporated into or form any part of this Agreement, and all such terms or conditions shall be null and void.

12.10 **Cooperative Statement.** Other government organizations and educational or health care institutions may elect to participate in this Agreement (piggyback) at their discretion, provided We also agrees to do so.

12.11 **Authorized reseller status; Option to purchase affiliate products**. GTY Technology Holdings Inc. is a subsidiary of GTY Technology Holdings Inc. ("GTY") and an authorized reseller of products and services produced and provided by other subsidiaries of GTY (such subsidiaries, "GTY Technology Holdings Inc. Affiliates"). These products and services include software-as-a-service technology for the procurement and vendor supplier sourcing industry, digital services and payment technology through a software-as-a-service platform, software solutions for grants management and indirect cost reimbursement and related implementation and consulting services, software tools to streamline permitting and licensing services, and additional web-based budgeting preparation, performance, management and data visualization solutions ("Affiliate Products"). GTY Technology Holdings Inc. Affiliates include Bonfire Interactive Ltd., Bonfire Interactive US Ltd., Questica Ltd., CityBase, Inc., Open Counter Enterprise Inc. and Sherpa Government Solutions LLC. In addition to the products and services that are the subject of this Agreement, Subscriber has the option to purchase from either GTY Technology Holdings Inc., as an authorized reseller, or GTY Technology Holdings Inc. Affiliates, Affiliate Products on terms and conditions, including pricing, to be agreed upon in writing by Subscriber and GTY Technology Holdings Inc. or Subscriber and the applicable GTY Technology Holdings Inc. Affiliate.

12.12 **Media Releases.** Neither party shall use the name, trademark or logo of the other party without the prior written consent of the other party. Notwithstanding the foregoing, We may use the Your name and identify You as a GTY Technology Holdings Inc. client in advertising, marketing materials, press releases and similar materials.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

CUSTOMER NAME

Per: ________________________

Name: ________________________

Title: ________________________

Date: ________________________

I have authority to bind the organization

GTY TECHNOLOGY HOLDINGS INC. LTD.

Per: ________________________

Name: ________________________

Title: ________________________

Date: ________________________

I have authority to bind the organization

APPENDIX A – Order Form

APPENDIX B – Hosting, Maintenance and Technical Support Services

(A) **Hosting Services.** GTY Technology Holdings Inc. shall provide technical support and the associated hardware infrastructure to maintain the various GTY Technology Holdings Inc. databases in a hosted environment. This includes performance tuning, database backups, disaster recovery availability, applying software upgrades and patches at the direction of the Subscriber, performing 24X7 server monitoring. Hosting Services do not include:

I. Testing customizations during an upgrade
II. Restoring a database backup required because of a Subscriber error
III. Migrating data or reports among instances (example: from training or testing to production)

GTY Technology Holdings Inc. may at its sole discretion, periodically make reasonable modifications or changes to the Hosting Services provided.

Subscriber is responsible for ensuring that its personnel have sufficient training to attain and maintain competence in the operation of the Software.

Technical support relating to the Hosting Services is available through GTY Technology Holdings Inc.'s normal business hours, Monday through Friday, 8:00am through 8:00pm, Eastern Standard Time on Business Days. Extended coverage is available for an additional fee. GTY Technology Holdings Inc. will provide an initial response to all properly submitted support requests within two (2) business hours of initial submission.

(B) **Product Maintenance.** On an as-available basis, GTY Technology Holdings Inc. will provide enhancements, modifications or upgrades to the Software as GTY Technology Holdings Inc. may from time to time make available to its Subscribers generally ("**Updates**") but excluding any New Product (a "**New Product**" being a solution which, in GTY Technology Holdings Inc.'s determination and subject to general industry standards, does not replace the Software licensed hereunder.) Updates do not include:

I. Platform extensions including product extensions to (i) different hardware platforms; (ii) different windowing system platforms; (iii) different operating system platforms
II. New applications
III. Services associated with the application or installation of Updates

If requested, GTY Technology Holdings Inc. will provide assistance in the testing of any site-specific customizations. GTY Technology Holdings Inc. will provide a quote for any required rework associated with customizations resulting from the upgrade.

(C) **Technical Support Services.** GTY Technology Holdings Inc. will provide phone and e-mail based technical support of a reasonable nature as described herein. A technical support incident or problem is a single user defined problem seeking resolution. It must be related to the original intent and design of the software. Technical Support Services include the support of GTY Technology Holdings Inc. supplied integrations that have not been modified by the Subscriber. Each Technical Support Service incident is deemed closed when a remedy, workaround, or recommendation for the installation of a current maintenance release has been offered, and a commercially reasonable effort has been made to restore operation to the original intent and design of the Software. Technical Support Service does not include:

I. Custom programming services; II. On-site support;
III. Subscriber developed interfaces, API interactions, or customizations;
IV. Subscriber developed reports;
V. End-User training or re-training;
VI. Subscriber hardware or network issues;
VII. Correction of data issues derived from user error or Software misuse;
VIII. Changes to GTY Technology Holdings Inc. developed custom reports or Permitted Customizations (including GTY Technology Holdings Inc. supplied custom business rules or customized user

screens) that are outside the scope of the accepted specification, scope of work, or authorized change requests;

IX. Corrections to GTY Technology Holdings Inc. developed custom reports or Permitted Customizations beyond six (6) months from the date of delivery (the upgrade protection period); and

X. Changes to integration functionality made necessary due to Subscriber server modifications/replacement, or changes by upgrades or changes to the integrated financial system software or hardware.

GTY Technology Holdings Inc. may at its sole discretion, periodically make reasonable modifications or changes to the Technical Support Services and/or Product Maintenance Services provided.

Subscriber is responsible for ensuring that its personnel have sufficient training to attain and maintain competence in the operation of the Software.

Technical Support Service is available through GTY Technology Holdings Inc.'s normal business hours, Monday through Friday, 8:00am through 8:00pm, Eastern Standard Time on Business Days. Extended coverage is available for an additional fee.

APPENDIX C – Scope of Work (SOW)

END OF SOFTWARE SUBSCRIPTION AGREEMENT DOCUMENT

APPENDIX C

Solution Overview & Implementation

GTY Technology Holdings Inc.

Contents

Bonfire – Solution Overview

Bonfire is an eProcurement solution that has the capability to dramatically improve the sourcing process, from request to contract. The following features make up the robust solution.

Intake Requests – Departments interested in running a solicitation can use Bonfire's Intake Request module to easily request a solicitation, and that request is automatically routed to the procurement office. Procurement users can configure the Intake Request Form to capture as much information about a request as they desire, and template that form out for future use. Bonfire offers a plethora of data in the form of past projects which are anonymously analyzed and saved into the platform. This allows procurement officers to compare their project to an existing one, or use an already completed project as the baseline for an upcoming solicitation. Projects can also be saved as templates internally.

Advertising – Every bonfire client will have their own dedicated public portal where their issued solicitations will be displayed. The organization also has the option to issue public solicitations, private solicitations, and invite-only solicitations, and the option to display past opportunities that were awarded, closed, or cancelled. Registered vendors are automatically notified of any new relevant solicitation issued on the portal.

Approvals – Bonfire approvals are built to add additional layers of compliance and collaboration to key parts of the procurement workflow. Users in the platform can tie an approval request to key parts of the process. This might include tying an intake request to procurement leadership before a project is started, or a variety of potential approvals further down in the project development or award phases. This module is built to be dynamic; to ensure that the organization can loop in the proper stakeholders so that necessary workflows are captured, and that a complete record of the project is stored in Bonfire. Teams can create multiple steps of approvals or reviews.

Vendor Management – Bonfire makes is easy for Vendors to register, at no cost to them, which ensures they will be automatically notified of any solicitation that pertains to their offered services, as well as any public notices, addenda, or notices of revision relating to a solicitation they have submitted to. The Bonfire solution also has the option to capture as much information as desired during the vendor registration process, as registration fields are completely configurable. Further, the solution can also track vendor documents, like insurance certificates, as well as DBE status certifications.

Vendor Submission – Bonfire offers a simple, structured, and secure submission process. Vendors only take an average of eight minutes to complete their first submission in Bonfire, and it gets easier from there. Documents are received in an electronically sealed dropbox and cannot be viewed until the project submission deadline has passed. In addition, the unsealing of submission documents is dated and time-stamped for audit purposes, and can upload an unlimited number of files, with no file size limit, and file types can be specified by the organization.

Evaluation – Bonfire offers an in-depth, best-in-class evaluation process that lives in the platform. Purchasing staff can configure the evaluation in several ways. The evaluation process can be broken up into multiple Evaluation Groups, giving purchasing staff the freedom to define who will be seeing what piece of documentation, and what criteria will be used for scoring that group, i.e., the technical stage can be separated from the pricing stage to avoid any bias due to evaluators seeing the price before submitting their technical scores. Criteria can be defined and weighted in the platform and assigned to the appropriate reviewers. Those reviewers can be easily invited to evaluate, whether they are members of the organization, or belong to a third-party firm, and can be segmented into various evaluation groups. Bonfire's BidTables module allows for large and small multi-line-litem bids to be quickly, and automatically tabulated for lowest price bids. Bonfire also offers a powerful Questionnaires module for more qualitative solicitations, which allows for a side-by-side view of vendor responses to issued questions.

BidTables – Bonfire allows for side-by-side comparison and analysis for large commodity purchases in a quantitative manner through multi line-item bids. BidTables will automatically extract every bid data point from a vendor's submissions, allowing the organization to review, filter, and rank received bids quickly and easily. All bids are displayed side-by-side, specifically to the itemized level, and with a heat map highlighting bids with the lowest prices. On top of this side-by-side view, BidTables instantly tabulates the optimal purchase decision (using one or more vendors) and produces a selection summary list of that outcome.

BidTables easily allows you to adjust and instantly test 'what-if' scenarios to ensure you are making the optimal choice. Buyers and evaluators who manage multi line-item bids love the efficiencies gained by this process, as they avoid the necessity of scoring individual spreadsheets or hard copies. The use of bid tables greatly reduces the amount of manual data entry involved in the process, along with the risk of human error.

Questionnaires – Bonfire's Questionnaires feature supports automatic side-by-side scoring to quickly evaluate large amounts of qualitative information. Like BidTables, the Questionnaires feature extracts the information from vendors' submissions and organizes it side-by-side for ease of comparison. Bonfire's Questionnaires module also provides an auto-scoring capability where vendors submit their responses in a formatted Excel file where they must fill in predetermined response fields, such as 'True/False', or 'Does Not Meet/Meets/Exceeds.' Bonfire can then apply predetermined criteria to auto-score the responses, allowing teams to score hundreds of questions in just a matter of seconds. Alternatively, the organization can choose to evaluate manually by scoring the questions sets in the easy-to-use, side-by-side scoring panel.

Award & Contract – Awards can be made within Bonfire, and a notification will go out to the awarded vendor letting them know. The contract can then be generated in Bonfire's Contract Management module, allowing organization staff to view contracts, track expirations of contracts and supporting documents, and issue performance surveys to staff to ensure the awarded vendor is delivering the promised service.

Reporting – Every single aspect of the solicitation is captured in Bonfire, and date and timestamped. The entire sequence can then be downloaded into a Microsoft Word report to ensure complete transparency and defensibility for audits and protests. A complete breakdown of scores and comments can also be downloaded in an excel document.

Community Projects & Cooperative Contracts – Bonfire Community Projects allows organizations to sift through over 63,000 projects by different public sector agencies across North America. To allow for as broad or as narrow of a selection as is desired, results can be filtered by project type, status, and location. All project details and documents can be viewed and downloaded, allowing staff a head start when running a new or unfamiliar solicitation. Bonfire is also integrated with CoProcure, enabling customers to browse over 50,000+ competitively solicited cooperative contracts.

Contract Management – Bonfire Contract Management helps teams digitize all types of contracts and agreements through an easy-to-use, highly configurable dashboard. Like eSourcing and Vendor Management, Contract Management is a highly visual user interface, making it easy to view contract status at a glance, and proactively manage important dates and reminders. Within a contract, you can view a timeline of all your major milestones, actions, lead times, terms/change orders, and reminders, to help keep you on track. All this information can be exported for reporting purposes.

Vendor Performance Management – Bonfire Vendor Performance Management allows the organization to track the performance of vendors they are under contract with. This information is stored in the “Vendors” and "Contracts" sections of Bonfire. Users can also create custom vendor performance surveys for specific vendors, determine the desired respondents and custom scorecard, and set a cadence for surveys to be automatically sent. On the Vendor Records page, users can see how their vendors are performing, at a glance, and flag any risks with their performance.

Bonfire - Implementation

One of the core principles that Bonfire was designed around is simplicity and ease of use. As such, the Bonfire implementation process is focused on training the power users of the system; the buyers who will be managing procurement projects. Casual users, such as evaluators, are guided by Bonfire's user-centric design, and require no formal training before accessing the procurement portal.

All Bonfire implementations are managed by an Implementation Lead who will guide the implementation project from inception to completion. The Implementation Lead acts as the main point of contact for all implementation activities and will personally be involved in every point of the implementation process. The tasks involved in a Bonfire implementation typically fall into three main categories:

General Account Setup (approx. two weeks)

- Customization of Portal Feature Set
- Determining and Configuring the Departments on the Portal
- Determining and Assigning User Roles
- Customizing the Vendor Registration Form
- Customizing Contract Management Attributes and Types

Training (approx. two weeks)

- General training session on the Listing/Evaluation platforms of Bonfire

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- Specialized training on Bonfire's Advanced Evaluation Modules (Multi-Decision, Questionnaires, BidTables)
- Contract Management Training
- Vendor Management Training

Ramp-Up (approx. two weeks)

- Review of RFx templates and changes required
- Assistance with the creation of the first project at each Department
- Bulk import of all pre-existing contracts into the Contracts Management module
- Implementation Debrief to Management for each Department

Bonfire will develop a detailed implementation plan that matches the needs of the client. Over the past 10 years, our team has successfully implemented our procurement platform at hundreds of organizations across North America. Our experience with organizations of all size ands complexities will enable Bonfire to fully implement and run the solution within four to six weeks.

Our implementation approach follows the same path no matter the size of the organization. We focus on providing comprehensive levels of training, covering different aspects of the tool, and, as they set up their first project in Bonfire, one on one sessions with each buyer. The only resources required from the client will be their procurement staff participating in the relevant training sessions outlined above.

Following the ramp-up stage, the client will be ready to 'go live'—this final stage takes place once the portal has been created and users have been added. Please note that many implementation activities will be completed concurrently to minimize the time required to complete onboarding. The full implementation will take anywhere from four to six weeks, depending on the client's staff availability for training, and the speed with which the organization is comfortable.

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eCivis

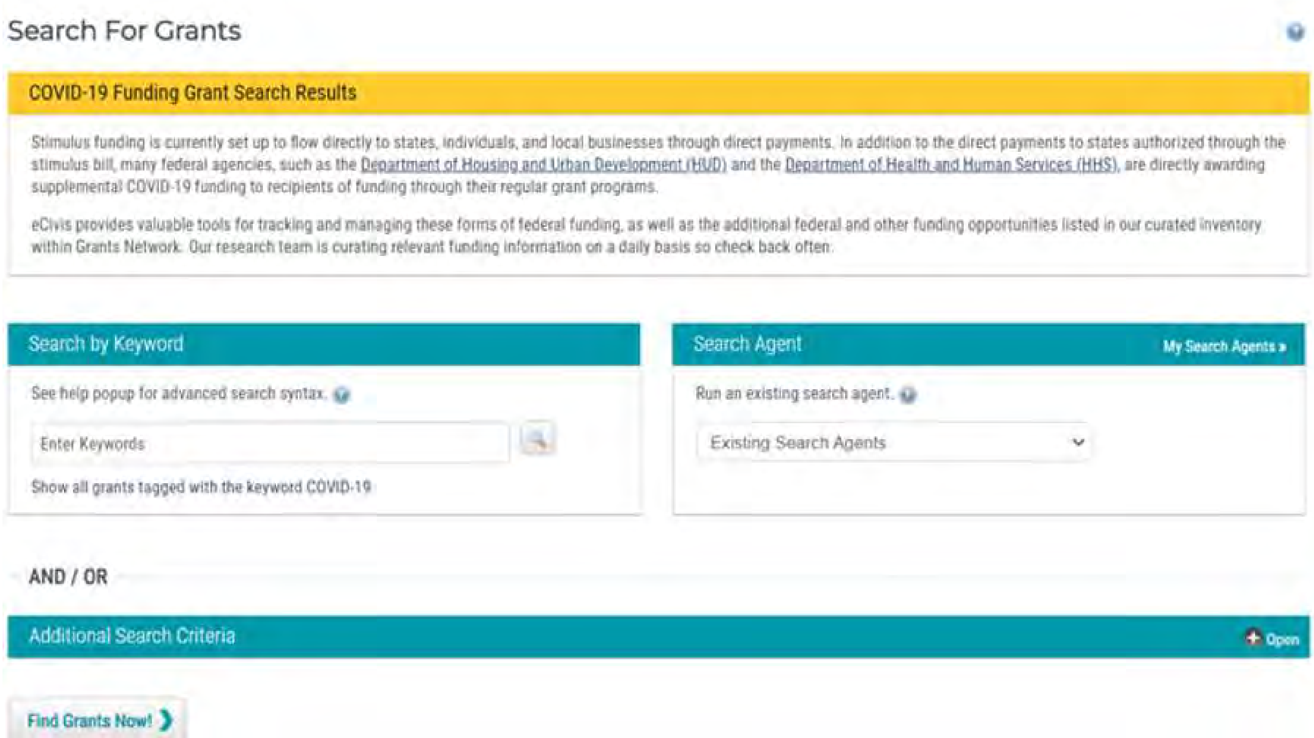
eCivis – Solution Overview

A full Lifecycle Grant Management Solution

Grants Network™ is specifically designed for managing the full grants management lifecycle in state and local governments and will standardize and streamline processes so that the users can save time, increase transparency, reduce redundant data entry, mitigate compliance risk, and improve organizational collaboration, and knowledge. eCivis customers see improved compliance and mission outcomes, operational efficiencies, cost savings, and increase their federal funding. The following screenshots outline a common full lifecycle grants management process from both grantor and grantee perspectives across the pre-award, award and post-award phases.

Pre-Award Module:

Find relevant grant opportunities faster from Federal, State, and Foundations in Grants Network's research database. Automate your search through custom emailed grant alerts and give staff back time to focus on other priorities.



eCivis Grants Network Research Database

Align and track grants to organizational priorities and initiatives to tell the impact grants have on your constituents every day.

Governor's Priority 1: Business and Tourism Development

5 goals displayed

Search:

Type	Title	Description	Year	Target	Current
Goal	Increase funding for small businesses in local community	Disburse funding to local businesses through 15 subrecipient programs.	2022	15 PassThrough Programs	0 PassThrough Programs

Showing 1 to 1 of 1 goals

← Previous 1 Next →

Governor's Priority 2: Reliable and Modernized Infrastructure

5 goals displayed

Search:

Type	Title	Description	Year	Target	Current
Goal	Increase Broadband Connectivity to Households	Increase broadband access to 15,000 households	2022	15,000 People Served	0 People Served
Outcome	Increase miles of paved roads	# of miles of paved roads completed.	2022	5,000 Miles	0 Miles
Goal	Modernized Energy Grid	Work with DOE, DHS, and HUD to work towards 100% renewable energy	2022	0 TBD	0 TBD

Showing 1 to 3 of 3 goals

← Previous 1 Next →

Organization Goals and Metrics

Provide grant administrators with an insight to key grant details across Departments in your Organization, including reporting at a click of a button. Track and manage grant details, application statuses, awarded funding, and reporting across the variety of grants.

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Organization Project Dashboard

Information pertains to active grants in projects currently "open" in Grants Network.

Organization Goals

+ Open

Funding Summary

Applying:	$1,300,250.00
Submitted:	$2,533,120.00
Awarded:	$172,194,903.00
Total:	**$176,028,273.00**

Organization Totals - All Departments

Click on any linked number for a detailed report

		Applications:	Funding:	Reports:
Open Projects	Active Grants	Due | Submitted	Awarded | Allocated	Due | Submitted
62	57	5 | 4	32 | 12	10 | 20

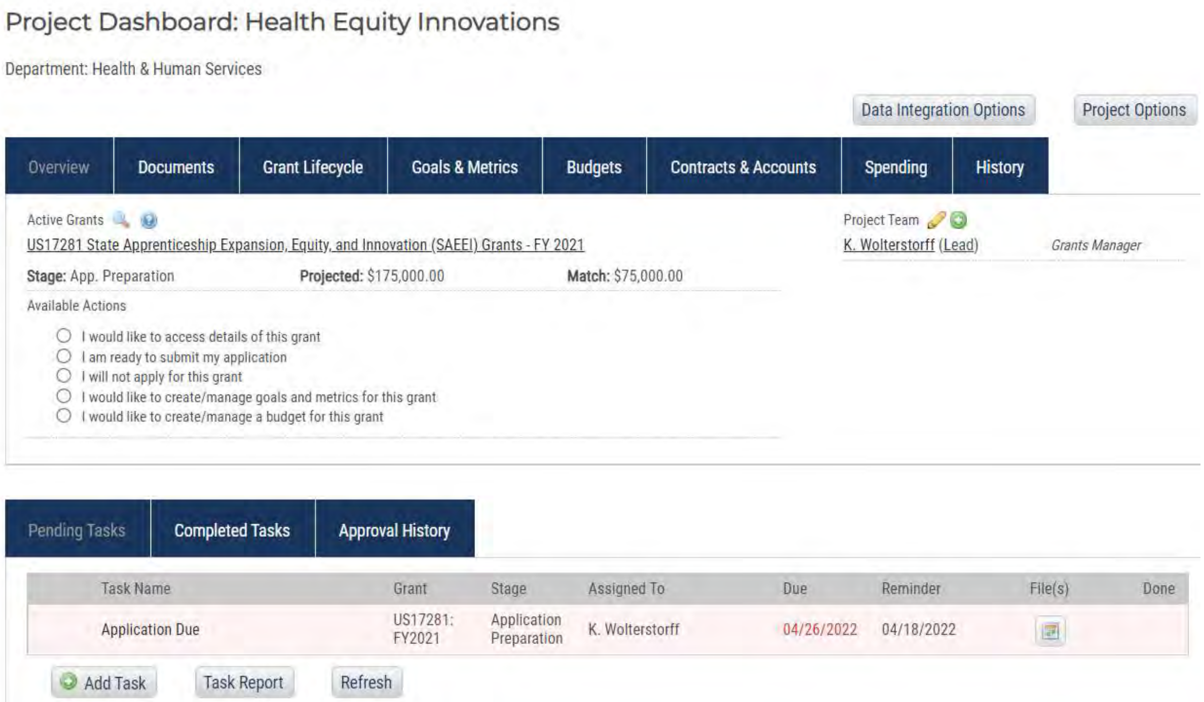
Department Summary

Click on any linked number for a detailed report

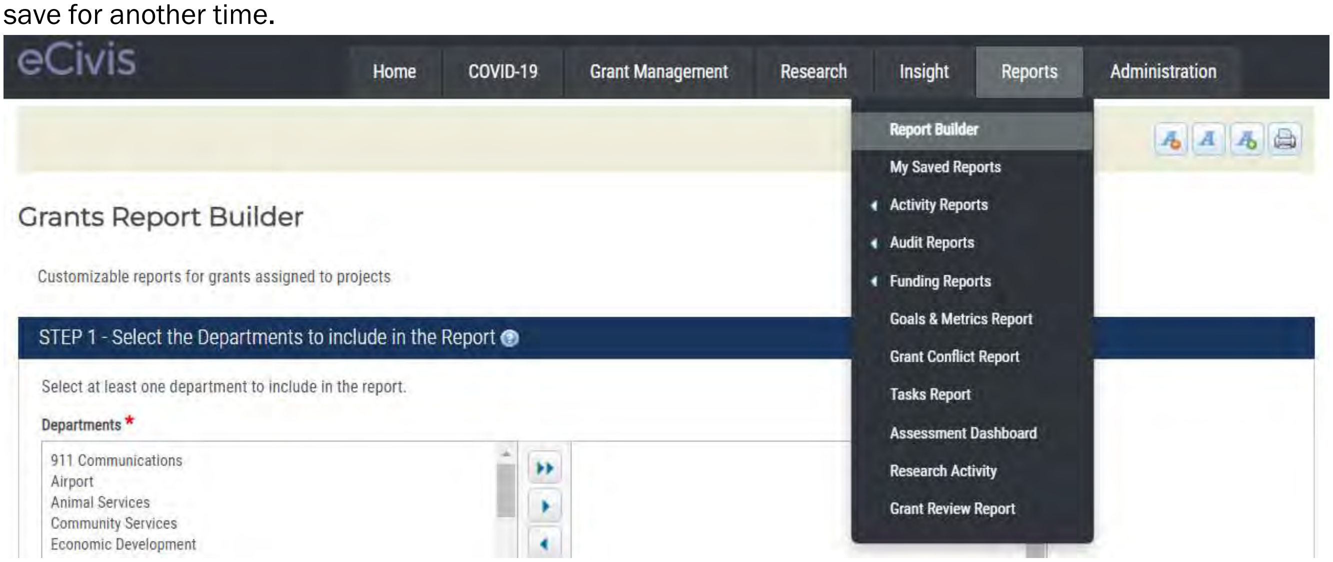
◉ Departments with Grant Activity ○ All Departments

			Applications:	Funding:	Reports:
Department	Open Projects	Active Grants	Due | Submitted	Awarded | Allocated	Due | Submitted
911 Communications	4	3	0 | 0	1 | 0	0 | 0
Airport	3	3	0 | 0	0 | 3	2 | 2
Community Services	1	1	0 | 0	1 | 0	0 | 0
Economic Development	3	2	0 | 0	0 | 2	1 | 0
Education	3	2	0 | 0	2 | 0	0 | 0
Emergency Management Agency	2	3	0 | 0	2 | 0	0 | 0
Engineering	7	5	0 | 0	3 | 2	1 | 0
Environmental Services	2	2	0 | 1	1 | 0	2 | 5

Manage the application process in your project dashboard by creating a project team and assigning tasks to complete such as writing the scope of work, creating the budget utilizing eCivis' built-in budget template, and align grants with Organizational goals and metrics:



Reporting:
Answer key questions regarding your grant portfolio in a click of a button, with Grants Network's standard reports or choose the data points needed and build your report in the Report Builder and save for another time.



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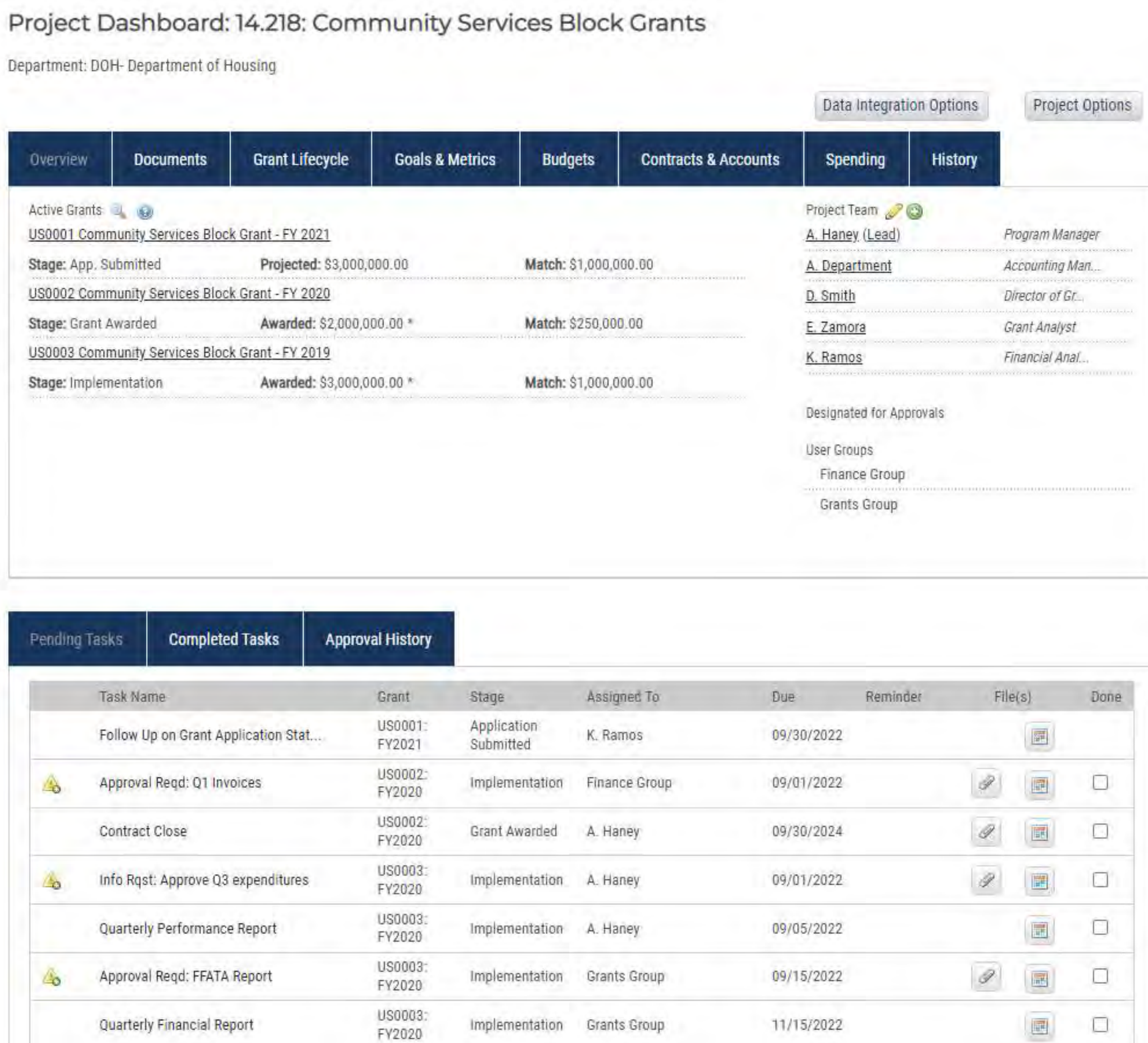
Post-Award Module:

Continue management of your grants through award, implementation, and closeout. Utilize Grants Network’s task management functionality to align with your business processes, internal controls, and individual grant requirements and deliverables. Provide email reminders and calendar integration to manage tasks assigned to grant staff.



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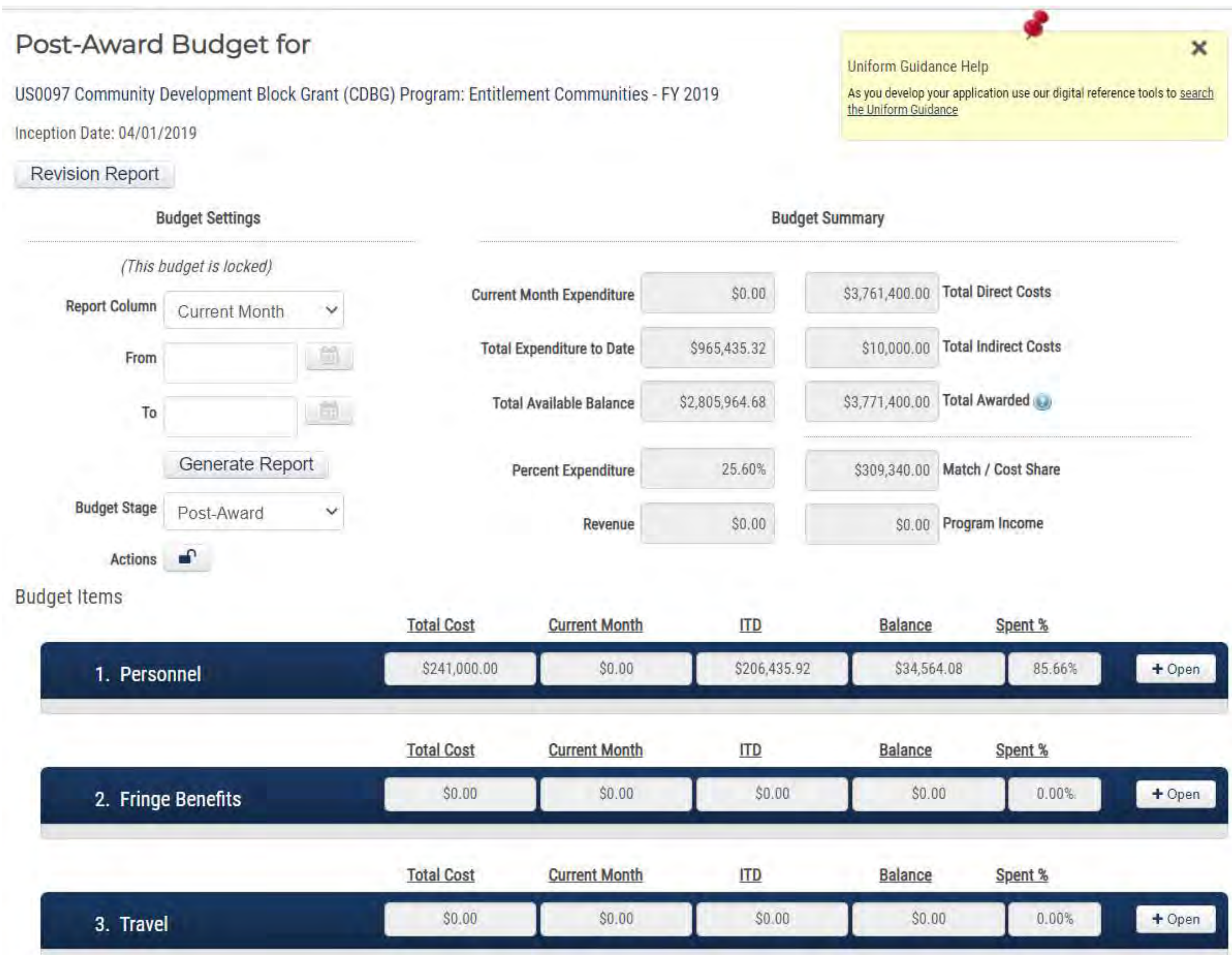
Post Award Dashboard

Track budgets through post-award and integrate with your financial book of record to display information in Grants Network for review and reporting purposes. Integrated Uniform Guidance ensures staff are aware of Federal requirements.



Utilize post-award standard reports to answer key grant questions through-out the post-award phase and manage grant closeout requirements.

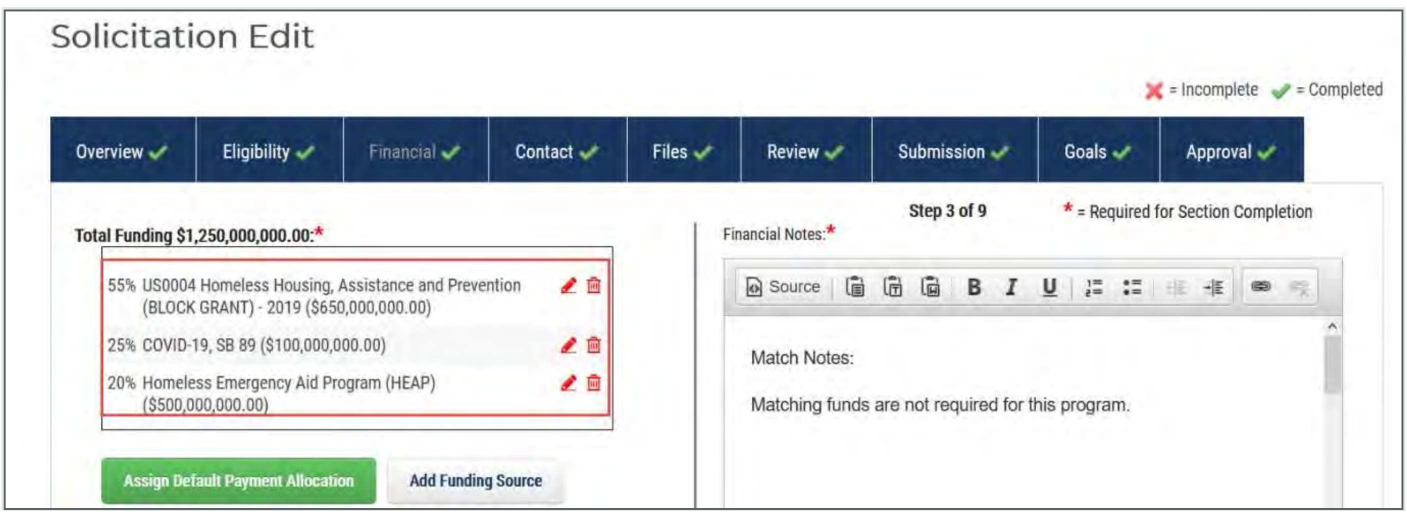
Subrecipient Management Module:

Pre-Award Phase:

eCivis provides robust Pre-Award functionality to support enterprise-wide grants administration in this stage. The system will provide users, applicants, and other stakeholders access to the grants information (NOFO, application and pre-applications, eligibility surveys, risk assessments, presentations, application guidance, etc.) through an intuitive interface. Training from grants specialists and trainers, on-demand online training, and customer support will reinforce and support the Pre-Award process designed through our proposed implementation approach. The following high-level steps outline the Pre-Award process for the Grantors and Applicants.

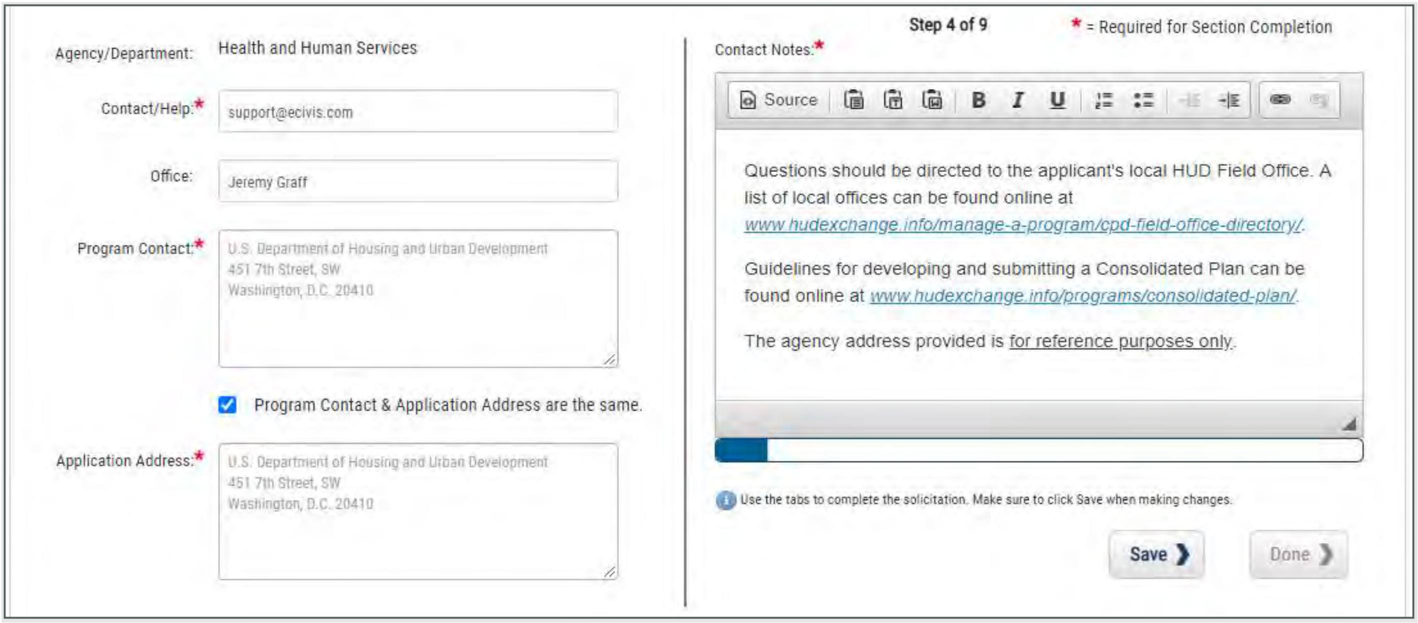
High-level Pre-Award Process

Step 1: Solicitation Setup. During solicitation setup, users will setup the public facing solicitation information and complete key program set up questions. Multiple funding sources can be added to the Program Solicitation, such as multiple years of Federal, State and city grant funds, General Fund, or other special purpose funds. These funds can be managed on a blended or braided basis into a single solicited grant program.



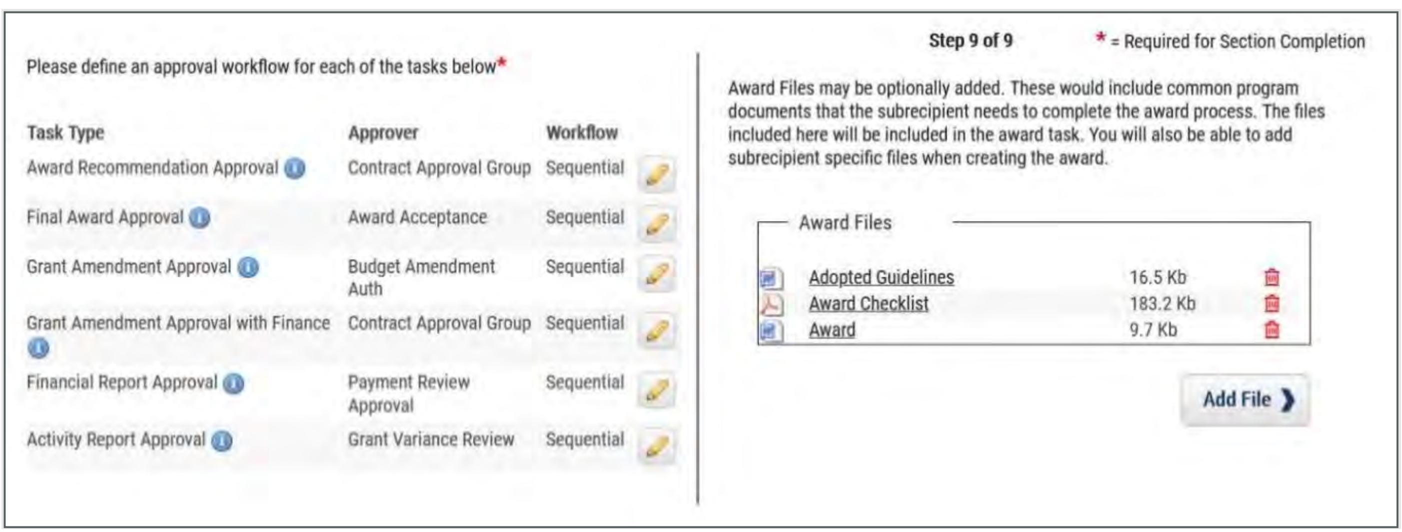
Program and Solicitation Set Up

Step 2: Application Intake, Review, Scoring and Award. The intake, review and scoring process for each grant program will be setup prior to the solicitation being made available to applicants. In this step the program managers can setup application reviewers, scorers, and approvers. These users can be internal or external to the organization and be one or many for each grant program. Contact information for each program manager will be added with any relevant contact notes.



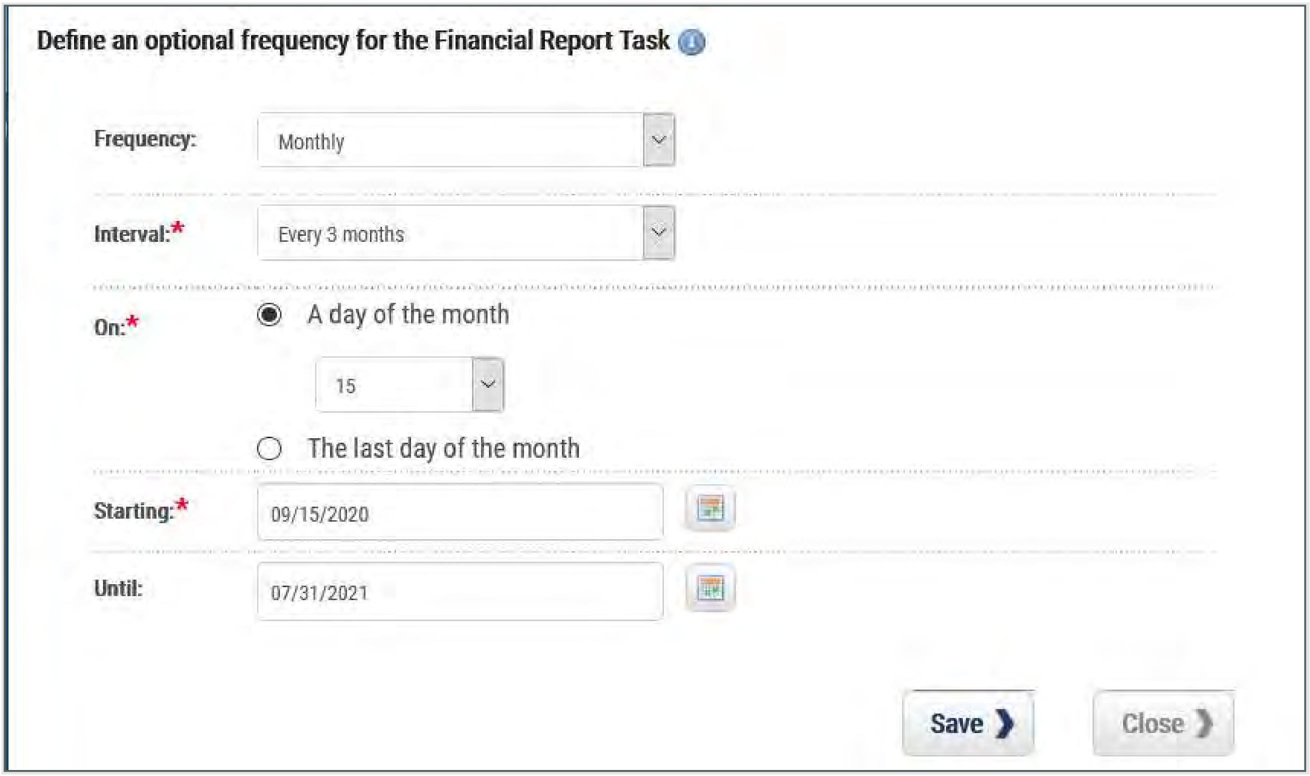
Application Intake Setup Page

Step 3: Pre-Award Grant Application Workflows. For each grant program a series of standard workflows will be setup to automate communication internally and with Applicants/Subrecipients, setup process steps for award acceptance, future amendments (when applicable), align each grant program with Federal and State or City grants reporting schedules, and mapped to the grant policy and procedures.



Standard Approval Workflows

Step 4: Setup Financial and Performance Report Frequency. For each grant program users can setup reporting schedules. These schedules will populate the applicants' tasks should they be awarded.



Define Reporting Cadence for Post-Award Tasks

Step 5: Solicitation Management. Each grant program will be made available on a Public Listings page. Programs can be aggregated to a single listings page, listed on the State's program pages, or both. Additional controls can make each grant program available publicly or through private solicitations.

Grant Solicitation Overview tab (public facing notice of funding availability)

Step 6: Award. Each grant program will be awarded based on the criteria set by the State/City. This criteria and review methodology will be streamlined in eCivis after a review of existing applications, intake and award process, and assessment of how best practice will be incorporated into the Organization's grant process.

Award Phase: eCivis provides robust Award functionality to support enterprise-wide grants administration in this stage. The system will provide the users, awardees, and other stakeholders access to the grants information through an intuitive interface. Training from grants specialists and trainers, on-demand online training, and customer support will reinforce and support the Award process designed through our proposed implementation approach. The figure below shows some of the steps our system can help you manage. The following high-level steps outline the Award process for the Applicant/Subrecipient and the State/City users.

eCivis Implementation

The Grants Network™ solution implementation will be carried out by the highly qualified team of technical experts and certified grants specialists with a proven record of successfully implementing and supporting end-to-end grants management solutions. The eCivis team will work closely with our customers to tailor each implementation to the exact need and timeline and define, action and successfully execute large scale implementation plans to achieve desired outcomes from federal and state funded grants programs and services.
eCivis implementations are designed to rapidly deploy system functionality and train users to quickly adopt the new software and with little to no support from eCivis post-implementation. Here is our general implementation methodology:

eCivis is a flexible product and can be configured out of the box to meet the requirements of its users. To maximize your investment and benefits from our SaaS/COTS solution, we configure the system to a standard grants process and avoid customization to avoid the excessive cost of maintaining customizations and legacy technology.
As a cloud-hosted, Commercial-off-the-shelf (COTS) SaaS grants management platform, eCivis has no software dependencies and is compatible with any hardware device that provides Internet access via a modern web browser. We recommended the following operating system, hardware, network/browsers to provide optimal user experience and to provide customers with up-to-date security, process speeds and updates:

Operating System	Hardware	Network/Browsers
Windows 7	Processor: Dual Core 2.6 GHz or equivalent RAM: 4 GB	Google Chrome (latest version -1) Microsoft Edge (latest version -1) Mozilla Firefox (latest version -1) Internet Explorer 11 (will not be supported 6/15/22)
Mac OS X 10.13	Processor: Dual Core 2.6 GHz or equivalent RAM: 4 GB	Google Chrome (latest version -1) Mozilla Firefox (latest version -1)

eCivis utilizes a comprehensive implementation methodology and software development life cycle (SDLC) specifically for implementing our Grants Management System (GMS). We combine the best of Agile and Waterfall methodologies into one Iterative Development Approach to the SDLC. This means that documentation, sign-off processes, and thoroughness of Waterfall methodology is combined with the speed, flexibility, and results orientation of an agile methodology.

As a SaaS/COTS provider our goal is to avoid overly complex implementations that place a heavy reliance on customer resources to support analysis, design, and testing requirements. eCivis provides a proven implementation methodology that is built around three key realities:

- Limited customer capacity. Our customers might have a limited capacity to support complex implementations. eCivis will leverage proven process design to reduce the overall burden on your staff throughout the engagement. eCivis has implemented over 3,600 public sector grant management systems. Our goal is to deliver a system built on best-practice and ongoing success of other state agencies.
- Compliance-out-of-the-box. eCivis provides configurable process capabilities that are both efficient and compliant. eCivis is compliant with 2 CFR 200 (uniform guidance) requirements, exceeds Data Act requirements, and is already used by hundreds of state agencies across the US and its territories and will recommend the best path forward based on your input and goals.
- Ongoing Innovation. eCivis is a SaaS/COTs solution. Enhancements and new compliance features are updated seamlessly and without any investment of time from the Company's staff.

eCivis will train your project team and validate requirements. System design takes a data-first approach and focuses on the data that needs to be captured in the software application.

The GMS is configured during phases and cycles under which requirements and solutions are defined and configured in a collaborative effort of the combined customer/eCivis team. Our approach relies on the repetition of predetermined configuration design. The software is then configured and improved to achieve acceptance. This approach emphasizes adaptive planning, iterative configuration, incremental delivery of configured GMS modules, and continuous improvement.
The GMS solution will be delivered using a phased approach which allows the GMS to run in parallel with customer's current processes and systems to minimize impacts to business operations, if needed. During the closeout phase of the project, eCivis will work with your staff to determine the timing for cutover, and which applications will be the system of record until all legacy applications are decommissioned.

Implementation Phases:
Our implementation approach entails the following phases:
Initiation Phase: The initiation phase comprises the administrative and organizational steps necessary to initiate the project. It sets the foundation for the entire implementation by confirming the strategy, scope, executive alignment, timeline, and project members and their roles and responsibilities, as well as defining guidelines and standards for project documentation, communications, and issue/risk tracking. We will begin with an overall planning session that generates the Project Management Plan for the entire effort.

Planning and Design Phase: The planning and design phase, interactive workshops will be planned where project team members focus on communicating the project-related, to-be processes and associate them with leading practices available in the GMS solution. User accounts will be provisioned. The Port's standard grants process will be discussed with stakeholders as the organization adapts to the out of the box capabilities of the software. During the design sessions, we will use a structured governance and decision-making approach to make sure they run smoothly and efficiently.

Configuration Phase: During the configuration phase, the team configures the system to support our customers standard grants process. System configuration will take a data-first approach, which focuses on the data to be captured, in conjunction with the accompanying eCivis screens/forms. Test and training planning activities are initiated. The following are some of the key activities that will take place during the Build and Configure Phase.

- System Configuration Review and Testing. Based on outcomes from Planning and Design, eCivis will make sure that the GMS is configured with appropriate setup options.
- Test Plan. eCivis will perform solution and system testing. The goal of this plan is to provide a mature and reliable project standard with the intention of producing quality software. Timely stakeholder communication is an important part of the testing effort.

Testing and Training Phase. The testing and training phase focuses on executing the steps described in the prior phases. Key department stakeholders and users will create and execute validation scripts to ensure the application design is complete and accurate. The following key activities will take place during this phase:
User Acceptance Testing (UAT). User Acceptance Testing is the final round of hands-on testing. Our engineering teams have documented and clear, tight controls over access and processes for software and hardware that gets introduced at every stage of implementation.
Defect Resolution. Any issues identified during UAT will be logged and triaged by priority. The implementation team will resolve the issues and they will be retested to verify resolution. daily or weekly

OpenCounter - Solution Overview

Since the company's founding in 2013, OpenCounter has digitized municipal and zoning codes for nearly 100 jurisdictions across the country.

Our clients have selected us because we have the expertise and functionality to meet all pre-application permit information requirements on a single platform. For example, after reviewing multiple software vendors and conducting an in-depth feature comparison, the City of Fort Worth selected OpenCounter to help address the 200,000 pre-application permit inquiries that the City's Development Services Team received in 2019. Fort Worth's customers are now able to have their questions answered online in a matter of minutes, saving thousands of hours of staff time annually.

OpenCounter's Business and Residential Portals allow customers to answer permitting/licensing questions online, which improves the end-user customer experience while saving staff time. In addition to Business and Residential permitting, OpenCounter also provides permitting decision tree software for Special Event permitting.

OpenCounter's Permit Discovery Portals are designed to redirect customer inquiries to an online self-service portal. Customers have 24/7 access to information that provides a complete picture of the permitting and licensing requirements for their specific project and location. The result is a significant reduction in the complexity and ambiguity customers face when creating a new business, renovating their home, or planning a public event. Redirecting customer inquiries online will save valuable time for staff to focus on high priority work, such as processing submitted applications, reducing turnaround time.

In order to capture all the requirements necessary to provide public users with complete information for their specific project, OpenCounter works with departments and agencies across the jurisdiction, to capture requirements, fees, possible incentives, and other critical pieces of information.

The user-experience starts with determining where their project is allowed in the jurisdiction with the selection of a land use code, either using an intelligent search engine (which maps common keywords like "restaurant" or "yoga studio" to relevant land use options), or by browsing through the use code categories (provided by the jurisdiction). After the user selects a use code, they are presented with a zoning map which shows where the use is allowed, conditionally allowed, or prohibited in the jurisdiction. The map allows users to select a specific location by clicking on the map or entering an address. The system will alert the user if their search is outside of jurisdiction limits.

Once a location has been selected, the user can see the specific clearance for that location. In some cases, the initial clearances will be modified by answers provided to specific details (often provided as “footnotes” in the zoning code) relating to the specific use that was selected. After these questions have been answered, the user sees the final clearance.

The next step in the user-experience is to determine the requirements and cost for their specific project. The user progresses to a page where they are asked a series of project specific questions that generates a list of permit/license requirements, incentive opportunities, and other important information for their project. Next, they progress through another series of project specific questions that provides a real time fee calculation for each individual requirement for their project.

The customer is provided a project summary, which reveals the zoning clearance, along with definitions of the use code, base zoning district, overlay districts, APN, relevant development standards, permit/license requirements, and cost. All these items can link to specific references in the jurisdictions' zoning code. Users will have the ability to “contact staff” from any page of the Portal. They can also download a PDF summary of their project.

As the final step in the user experience, the customer is directed to a “handoff page” that lists all the project requirements in a step-by-step sequential order with links to access the required application webpages/systems for application initiation.

OpenCounter’s Permit Discovery Portals are designed with accessibility in mind. The Portals are mobile-friendly and can be used on any internet connected device from any location. Also, the Portals can be translated into approximately 40 different languages using human-powered language translation services.

OpenCounter’s Permit Discovery solution includes an Admin Portal where City personnel have access to an Analytics Dashboard showing the volume of user utilization, staff efficiency, scoping time, lookups by permission, lookups by land use, heatmap of interest in your jurisdiction, and more. Also, the jurisdiction staff have access via the Admin Portal to all project related information including location, parcel, clearance determination, land use, zoning district, zoning overlays, permit requirements, fee calculations, questions asked, and user responses.

On the administrative side, we work with your team to understand internal workflow and translate regulations into a user-friendly digital process for staff. Our team’s public sector experience along with innovative project management tools ensures that the implementation is both accurate and on-track. Our technology allows for concurrent reviews/approvals and provides a centralized place for all departments to see everything that’s happening on an event/project without having to call or email each other for a status update. These tools, along with reporting and data download capabilities will reduce bottlenecks in workflow, the amount of time staff spend on administrative tasks, and permit issuance time.

OpenCounter strives to help our clients achieve administrative and operational efficiency by providing a full-service support model that includes making updates and modifications to all aspects of the software on behalf of jurisdiction personnel. OpenCounter's full-service offering requires less City oversight/administration and is included in the cost proposal found in this document.

OpenCounter's key team members come from across our organization to provide best-in-class customer support. OpenCounter's Government Services team manages the implementation and product build-out from beginning to end. The Government Services Team exclusively comes from the public sector, which affords us the unique ability to understand both the intent of the regulation as well as its practical application. OpenCounter's solution implementations take weeks to months rather than months to years, which sets us apart from other firms.

Technical Overview

OpenCounter is a fully cloud-hosted and SaaS solution that is secure, scalable, and highly available.

Implementation of the solution is entirely configuration based, with no custom environments or expensive technical resources required to enable the service for your community. Our configuration model is intentionally full-service, to reduce the impact on your staff in setting up and maintaining the solution. Our in-house team of local government experts work with you to create a bespoke suite of tools specific to your regulations and requirements - and our SaaS platform ensures this solution is maintained and secure throughout the lifetime of the contract.

Cloud-based software is inherently more secure than on-premise software, because it benefits from the economies of scale of the cloud provider's security infrastructure. Data is encrypted in transit and at rest, and access is controlled through user authentication. We have policies, checks and balances internally to ensure that our information security program is up-to-date and aligned with current best practices. Our underlying hosting providers meet or exceed the requirements of ISO 27001, SOC 2 Type II, and PCI DSS Level 1 compliance standards.

Cloud-based SaaS software is designed to be secure by default, with multiple layers of security to protect your data. Utilizing the 'shared responsibility' model of cloud hosting, OpenCounter ensures that our implementations and configurations are securely designed while our hosting partners guarantee the reliability and security of the underlying infrastructure. This is especially important given the importance of cybersecurity and evolving requirements at the state and federal level. Because cloud-based software can be quickly updated to meet changing compliance requirements, it provides a level of flexibility and peace of mind that on-premises software cannot match.

Cloud-based SaaS software is highly available, meaning you won't have to worry about downtime or interruptions in service. The software has been designed with redundancy in mind so that should one server go down, services will still be available through another server. In addition, cloud-based software is more scalable than on-premise software, because it can elastically scale up or down according to demand. Cloud-based software is highly available by design because it is hosted in the cloud and can be quickly redeployed if there are any problems with a particular instance.

OpenCounter - Implementation

Implementation begins with onboarding. During this phase, we take the time to understand your regulations before doing any configuration. We start this phase with a simple data request that includes a list of permits issued by the jurisdiction along with relevant geography files. Once the data request has been fulfilled, we will review and resolve any questions with staff before beginning our work. We stay in touch with you at least once a week so that both teams have an opportunity to share any updates or resolve any open items. These weekly meetings help us keep the project on track.

Our work is then broken into distinct phases.

Phase 1 we set up “Permit Discovery '' which allows the applicant to understand what must occur for their project to happen. Once an initial setup is complete, usually about 4-6 weeks, we will work with staff to test in order to ensure that the requirements are correct. For our Special Events projects and other projects that involve staff workflow management tools / online applications, as staff is testing the Portal, we will move into the second phase.

Phase 2 focuses on the setup of the online applications to ensure that staff are getting all the information necessary to perform their review. In this phase, we’ll also determine any types of manual overrides staff use that would impact a project’s requirements. Lastly, in phase 3, we work with your team to set up review groups, email messages to applicants, and train staff on the admin interface.

In summary, implementation is marked by several milestones:

1) Data Request Completed
2) Permit Discovery Portal Delivered + Tested
3) Online Applications Delivered + Tested
4) Administrative Workflow Delivered + Tested

Throughout the project, we will work with you to balance project scope with utility, accuracy, and timeline. Our weekly check-ins are complemented with project management tools such as Basecamp, which help everyone on the project stay up to date without having to attend every meeting.

The goal of the project is to build a site that will be easy for citizens to use, and for City staff to administer. To that end, OpenCounter will offer training sessions to educate Department staff on the tools, technologies, and best practices of the various components of the Hosted Services.

Training sessions are divided into small groups of about 4-5 people. We offer two (90 minute) sessions to the primary users, and then two additional (45 minutes) sessions for any other users. Additional training may be provided, upon request, at OpenCounter’s standard fees for such training.

Sherpa – Solution Overview

Sherpa Budgeting – Budget Formulation and Management

- Enterprise budgeting for state, local and education.
- Operating and capital budget development.
- Biennial and multiyear budgeting.
- Flexible workflow and decision tracking.
- End-user reporting and querying.
- Modeling and forecasting.
- Position cost forecasting.
- User configurable budget forms and processes.
- Decision tracking and analytics.

Sherpa Analytics and Dashboards

- Cloud-based comprehensive financial reporting structure to meet every reporting need - budget preparation, budget monitoring performance tracking, capital budgeting, and ad-hoc analysis.
- Ability to format and print text. Report on any text field by a simple query.
- Narrative is reportable alongside all other data.
- Data is all real time.
- Standard reports are configured to precise requirements.
- End users can copy standard reports and make them their own with unlimited ad hoc capabilities.
- Drill to detail from tabular and graphic views.
- Integrates performance data directly from agency systems including mapping and visualization tools and dashboards.

Sherpa Publishing

- Cloud-based automated publishing of budget books and documents.
- Directly acquire information from a multitude of sources, including the most up-to-date budget and narrative information.
- Create budget documents with tables, text, images, graphs, table of contents, indices, hyperlinks, and other information as needed.
- Distribute publishing to a wide variety of users, who can all collaborate in developing the content required for the book.
- Users can view in real-time how their sections of the book will print, well in advance of printing the document.

Sherpa Transparency

- Build trust with citizens by transparent financials and accountable metrics.
- Showcase financial and non-financial data with interactive charts, tables and graphics with descriptive text, and informational pop-ups.
- Share data through all social channels, access via web and mobile.
- Engage with council, staff, citizens, and others in your community for better conversations about programs and services.
- Using Project Explorer visualization for Capital Budgets allows organizations to display on a map every infrastructure project, including the budget, actual spend, funding sources, and accompanying documentation, images, video, etc.
- Minimize data duplication/re-entry with seamless integration with Sherpa Budget.

Sherpa - Implementation

Sherpa is the ultimate owner of the deliverables for software implementation project. Since we are experts in data the initial conversion, and implementation effort, will be completed by Sherpa. Reports will be deployed to ensure that converted and imported data are precise. A client may have to review the final reports that we present that confirm successful conversion.

Sherpa will implement our BFM solution with our Budget System Implementation Methodology (BSIM), an approach that complements traditional project management approaches while adding activities that are critical to the successful implementation of an enterprise budget system. BSIM provides additional steps and attention on the configuration of budget processes (budget forms and reviews), projecting salaries and benefits, monitoring and changing adopted budgets, and providing the flexibility of data inquiry to select information, analyze events, and create alternatives and recommendations.

The high-level steps for this a budget solution implementation include:

1. Establish the BFM environment. Sherpa will install BFM prior to the first workshop. This installation allows for rapid configuration and prototyping to accompany the workshops. Our reporting environment is established concurrently with all design, conversion, and configuration activities. This provides for efficient data verification and is aligned with our knowledge transfer strategy. We will show the Project team how to run and interact with the reports we develop, as well as how to create new reports.

2. Performance Budgeting data conversion. Sherpa will convert data from the existing budget system as a starting point in BFM. Seeing client data in the system is a major benefit with understanding how the new system will work.

3. Visioning and high-level process overview. We conduct visioning workshops ensure the success factors to drive this project are well known. We want to find out what works well today that the client needs to preserve and what are the biggest improvements the client is looking to make. Our high-level process overview workshops walk the client team through the major steps in the budget process, diving down to the lowest level of required data. At each step of the process, we identify potential opportunities for improvement. Following these workshops, we refine the workshop schedule and identify process changes and major Business Process Reengineering (BPR) prospects.

4. Reports and Publications review. Unique to our methodology, we conduct small workshops where we identify the source of every field in all required documents at the beginning of the project. This is done early since reports must drive the system configuration, otherwise the solution may result in preventable manual intervention and rework later in the project. The outcome is the beginning of the data dictionary and elements of the budget form and master data design. Note that reporting is constantly evolving; once the client understands the system capabilities additional data and reporting may be added to the environment.

5. Begin the Implementation Guide. Sherpa takes a slightly different approach to documentation during the Implementation Analysis phase. Instead of a design document, we immediately begin work on the Implementation Guide. There are two reasons for this: 1) A design document set up as a deliverable becomes outdated the minute it is signed off; 2) Budget systems and processes are fluid and need to accommodate change. Therefore, we focus on a deliverable that outlines the design in a manner that is more useful to the client. Our Implementation Guide details how BFM will be specifically configured for and maintained by the Client. This document will be delivered at the end of the Implementation Analysis phase, but it is important to note that it is a living, breathing document that will be updated for the duration of BFM.

6. Chart of Accounts review. Our initial workshops establish the required chart of accounts (CoA), tracing back to required reports and publications. We then load BFM with the client's CoA elements and hierarchies with any required transformations so our development environment will use realistic examples and be ready for live use. The CoA's will include Funds, Revenue Sources Expense Categories, Accounts, Organizations (Agencies, Departments, Budget Units), Programs and Projects. By adopting client meta data, we can visualize the system and test our procedures. The bulk of this data will come directly from client's financial system.

7. Design Workshops. We provide the client with a list of proposed workshops in the first week of the project. The client will be able to provide feedback and refinement based on their specific knowledge of the client's budget process, statutes, and administrative procedures. Our workshops will combine documenting software configuration on white boards with software demonstrations. Our first rounds of workshops are generally small and focused with significant input from the subject matter experts for particular areas. When the system is roughly configured for a particular process, we include more participants to not only request feedback but to also introduce people to the new system and processes.

8. Budget Forms Design. The project team will perform a detailed review of every budget form required, going beyond what most clients have currently. The analysis will deconstruct each subprocess within a form including:

- Form headers selection rules and description
- Account selection
- Display columns
- Budget entry columns including one-time, on-going, fiscal year, etc.
- Position changes
- Descriptive and Line text
- Performance measure integration
- Attributes, groups, categories, and special fields
- Processing rules and edit checking
- Review stages and workflow
- Reporting
- Security

All forms go through an iterative process of design, configuration, requirements verification, reporting, testing and security analysis. Our process encourages review and refinement throughout the preparation phase of the project.

9. Forecasting, Trend Analysis and Starting Budgets. We identify the needs and requirements for analysts to create scenarios and to accurately forecast revenues, expenditures, and service demand forecasts. The project team will focus on the modeling and processing requirements for creating starting budgets, fund balance targets, and end-of variances.

10. Weekly Agency Group Program. This program is our department inclusion program. We refine this plan with feedback from our clients. Some clients have had one or two people from a selected department coming in for a brief demonstration followed by hands-on use of the system at various points in the process. For example, we configure the Decision Package form immediately upon project start (following the initial conversion) and let users give it a test drive. We can incorporate their suggestions since this is done early in the process, including on future form configuration. Some clients identify interested departments and set up their users right away in BFM; users can log in and explore new functionality as it rolls out. Using our flexible security, we simply 'turn on' a form or other function when it is ready to be seen and used by end users.

Letting users into the system early supports organizational change management, begins the process of user acceptance for department users, and may provide valuable feedback. We have found that the most resistant users to technology changes often become champions due to the inclusiveness prior to rolling out the system during testing and training.

11. Knowledge Transfer. Knowledge transfer is critical to project success. Our knowledge transfer plan identifies roles for the project and for on-going maintenance. Each role will have required skills and skill levels. A plan will be in place to ensure each member achieves their required level of knowledge. We constantly perform both formal and informal knowledge transfer activities. For example, formal training on report development may be followed by a one-on-one mentoring session on how to administer security. Our Implementation Guide ensures appropriate documentation exists for the client to maintain the system.

12. Reporting and Analytics. Our approach is to configure exactly the reports client's need. We have no number of reports identified, or complexity of reports. This is because we will work with the client to configure all reports needed. This demonstrates our full confidence that our reporting solution is the best in the industry. Even the most complicated report can be made quickly in our solution. Reports are created by functional consultants and the client functional team members. Sherpa is responsible for all reports, so if the client cannot dedicate resources to this endeavor due to the short project schedule, we will ensure reports are completed and transitioned to the client's team before project completion.

BFM reporting is built for public sector budgeting. From a data access perspective, any field in BFM to which data is associated can be reported on, with users seeing business language and not technical language. This results in nearly unlimited standard reporting and ad-hoc capabilities. A user can drop and drag elements on/off the report and have hundreds of variations available within minutes with automatic drill down capabilities.

13. Interfaces, Data Conversion, and Form Configuration. Sherpa will make the initial budget forms, conversions, interfaces and other BFM setup, but training the client, as noted above, as configuration takes place. Over the course of the project, the client's project team will take control of interfaces, data conversions, and budget form changes. A successful project requires the client's project team be capable of not only using the system but enhancing the processes over time.

14. Publishing. Review and configure the required budget documents. Contents will be reviewed to ensure that the final products automatically assemble the required schedules and files (word, pdf, images, etc.), generate table of contents, page numbers, and indices, and divide the product into accessible web-based chapters and links.

Questica

Questica – Solution Overview

Questica replaces our customer's existing budget processes with our flexible, cloud-based public sector budgeting solution that implements greater efficiencies by fully automating the budget process.

Questica Budget's integrated Operating, Personnel, Capital, and Performance modules along with our OpenBook visualization tool enables public sector customers to transform their budgeting cycle from end-to-end with a single source of truth that enables data-driven budgeting and decision-making, while improving transparency. Questica Budget is built for collaborative budgeting, enabling teams to directly participate in budget development, in a controlled fashion.

Real Time Updates

Questica Budget is a system that enables automated and real-time processing and on-demand access for operating, position and capital budgets. The system enables user friendly, independent, real-time budget entry across the organization, with scenario analysis, interactive visualizations, and drill-down capabilities to streamline the budget creation, forecasting and reporting efforts. Questica Budget is a true database solution that resides on the cloud – not a mix of spreadsheets and a database. The system efficiently supports direct user input while automatically performing the calculations to produce trustworthy reports.

Drill Down Capabilities

Questica Budget gives authorized system users access to up-to-date data and the ability to query, drill down, roll-up, report, and analyze data, via standard reporting methods, including a user-friendly self-service ad-hoc reporting tool and dashboards.

Multi-year Projections

Multi-year forecasting and in-year projections can be easily performed within Questica Budget. Pre-determined calculation templates and variables ensure that forecasts and projections are consistent across the organization. Authorized users may create multiple concurrent budget scenarios and evaluate the impact each set of assumptions might have on the overall budget.

User-defined Dimensions and Fields

Questica Budget allows for unlimited user-defined dimensions/configurable custom fields to be added in order to tag/link budget items to different initiatives. These user-defined fields can be used to apply filters, run searches, make global adjustments, or run reports, supporting a data model allowing for dimensional reporting.

Excel-friendly (Import/Export)

For ease of use, Questica Budget retains the best parts of Excel. The system's native Import/Export feature allows users to Upload/Download to or from Microsoft Excel. When a spreadsheet is exported from a Questica grid, the spreadsheet retains the grid's characteristics (e.g., the GL Account column will be a dropdown list of acceptable GL accounts) and is easily re-importable by an authorized user. When a spreadsheet is imported into Questica Budget, the action is recorded in the audit log, just as tracking is done on all direct data entries.

Operating module

Questica Budget is designed for non-finance department and non-technical users, including administrative and entry level users, to prepare and maintain their budgets directly in the system. Budgets can be categorized on an Organizational basis where cost centers roll-up into their respective departments and divisions. Cost centers can easily be moved from one department and division to another, as well as from one fund to the next. Additional hierarchical structures can be configured as needed.

Role-based security ensures that users have streamlined access to only the data and functions that they need. Cost Center information can be maintained, and comments, notes, and attachments (e.g., scans, documents, or links) may be added to the budget or even to the detailed line items.

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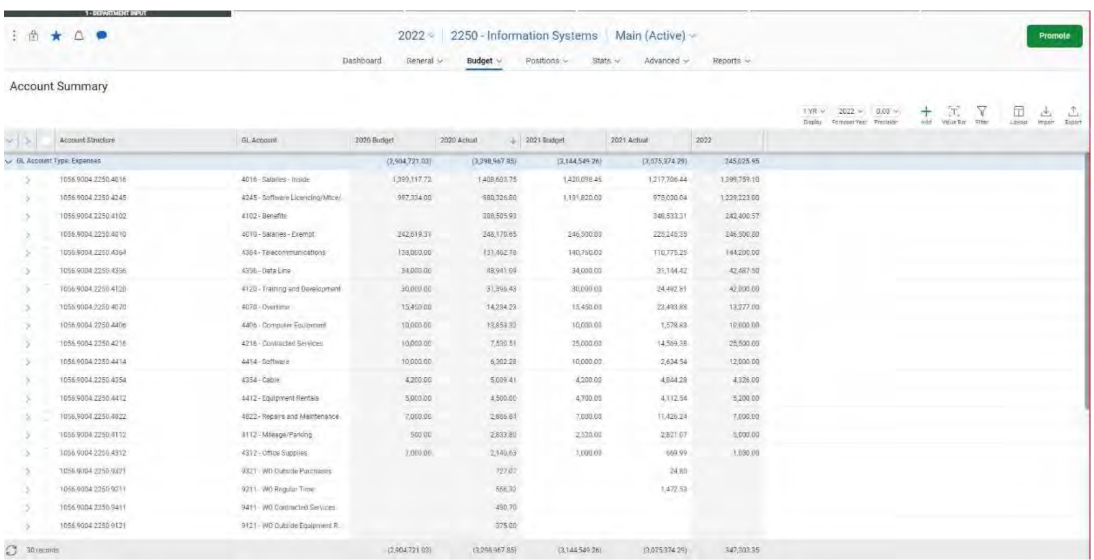
SAMPLE COSTING CENTER INFORMATION

Budgets can be managed at a monthly, quarterly, semester, annual, or biennial basis. Grids are configurable and may consist of historical years, current year, and future forecast years.



SAMPLE ANNUAL BUDGET SUMMARY

Personnel Planning & Budgeting module

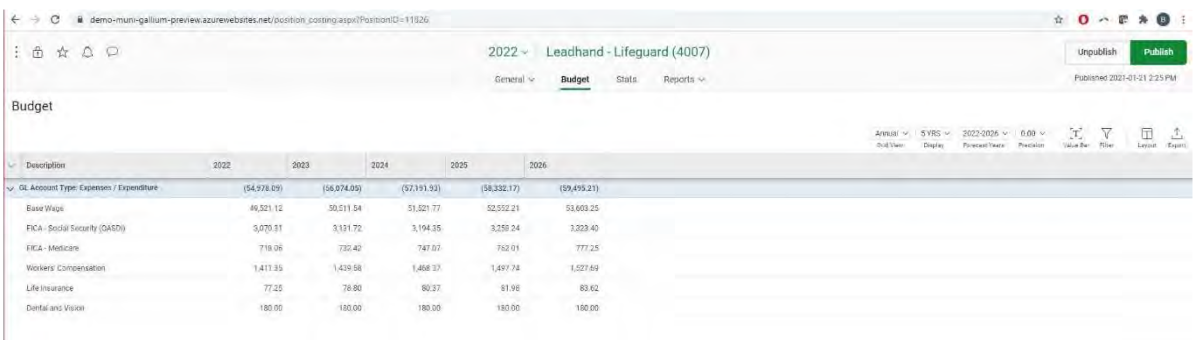
Questica Budget's Personnel Planning & Budgeting module is essentially a calculator that supports the ability to accurately model and forecast all costs associated with positions (filled and vacant) and employees to accommodate the workforce budget. Step or pay increases, cost of living adjustments, new benefits, etc., can efficiently be budgeted.

Each Position is a record of all information required to calculate the base wage, as well as overhead costs such as benefits, allowances, and employer taxes; and each are attributed to the appropriate

GL Account (object code). Positions which are paid according to a union contract are assigned a pay grade and step, allowing the pay to be determined from the pay scale for that contract. Alternatively, a position's base wage can be entered as a distinct salary value, or as a percentile of the range configured for a selected grade.

A position can be associated with an incumbent employee, primarily for the purpose of calculating employee specific benefits such as the elected health care option. The position's incumbent employee or their grade can be changed in any given month to model the normal changes as people are hired, promoted, and reassigned. Employees may be allocated to multiple positions to model those who have more than one job. Similarly, the budget for a single position can be split between any number of departments and/or funds. This split can be indicated using percentages, fractions of FTEs, or hours.

Questica Budget uses the term "modifier" to represent any cost that is not the base salary/base wage of a position (e.g., COLA, taxes, health benefits, allowances, or special pays). Modifiers can be a percentage of other costs, typically base wage, or the value can be independent of other costs and even looked up from other tables in the system to allow ease of management from one year to the next. With opt-in settings, recurrence, graduated/tiered values, and the ability to cap payments, Questica's modifiers are an ultra-effective tool for managing payroll calculations.



Description	2022	2023	2024	2025	2026
GL Account Type: Expenses / Expenditure	(54,978.09)	(56,074.05)	(57,191.93)	(58,332.17)	(59,495.21)
Base Wage	49,521.12	50,511.54	51,521.77	52,552.21	53,603.25
FICA - Social Security (OASDI)	3,070.31	3,131.72	3,194.35	3,258.24	3,323.40
FICA - Medicare	718.06	732.42	747.07	762.01	777.25
Workers' Compensation	1,411.35	1,439.58	1,468.37	1,497.74	1,527.69
Life Insurance	77.25	78.80	80.37	81.98	83.62
Dental and Vision	180.00	180.00	180.00	180.00	180.00

SAMPLE ANNUAL COSTING – SINGLE POSITION

Description	Total	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
GL Account Type: Expenses / Expenditure	(54,978.09)	(4,581.51)	(4,581.51)	(4,581.51)	(4,581.51)	(4,581.51)	(4,581.51)	(4,581.51)	(4,581.51)	(4,581.51)	(4,581.51)	(4,581.51)	(4,581.51)
Base Wage	49,521.12	4,126.76	4,126.76	4,126.76	4,126.76	4,126.76	4,126.76	4,126.76	4,126.76	4,126.76	4,126.76	4,126.76	4,126.76
FICA - Social Security (OASDI)	3,070.31	255.86	255.86	255.86	255.86	255.86	255.86	255.86	255.86	255.86	255.86	255.86	255.86
FICA - Medicare	718.06	59.84	59.84	59.84	59.84	59.84	59.84	59.84	59.84	59.84	59.84	59.84	59.84
Workers' Compensation	1,411.35	117.61	117.61	117.61	117.61	117.61	117.61	117.61	117.61	117.61	117.61	117.61	117.61
Life Insurance	77.25	6.44	6.44	6.44	6.44	6.44	6.44	6.44	6.44	6.44	6.44	6.44	6.44
Dental and Vision	180.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00

SAMPLE MONTHLY COSTING – SINGLE POSITION

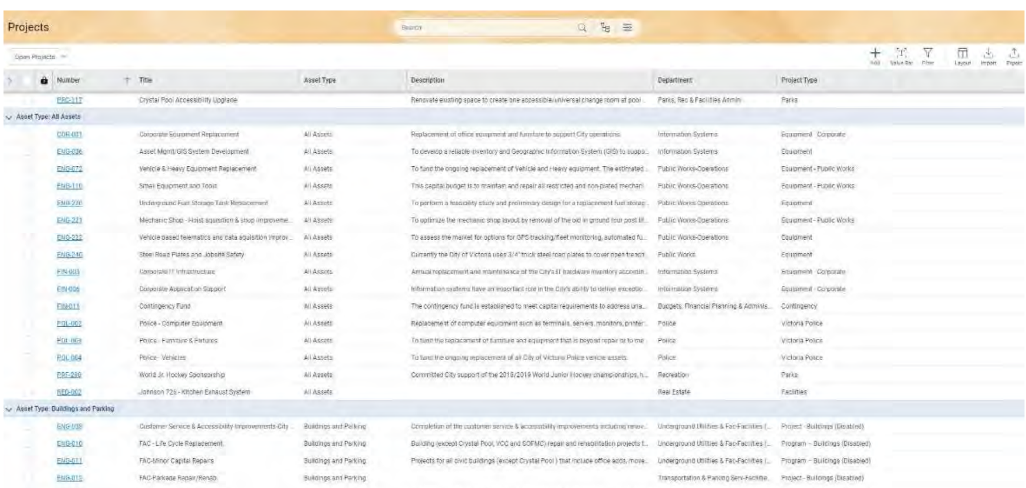
Capital module

Questica Budget's Capital module simplifies and centralizes the process of Capital budget planning and execution. Prior years' budget data (Actual Costs and Budget values) can be imported into

Questica Budget, and authorized users can create multi-year Capital projects where they can identify their expenditures, funding sources and make adjustments as they prepare their budgets.

Users can construct their capital projects on an annual, quarterly or monthly basis, enter narrations or explanations for their requests and categorize their projects based on different criteria such as Tangible Capital Assets, Fund(s), or Project Status. Requests get escalated through the configurable workflow system integrated within Questica Budget. Project ranking can also be administered according to user-defined criteria, and multiple project scenarios can be created for each project.

SAMPLE CAPITAL PROJECT – GENERAL INFORMATION



SAMPLE CAPITAL PROJECTS LIST

Performance module

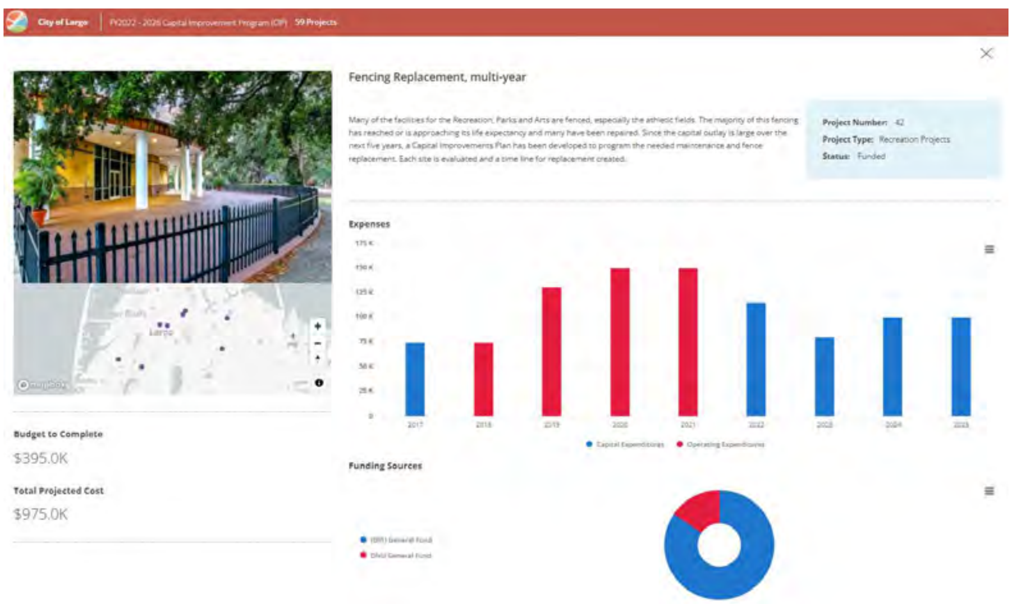
Questica Budget's Performance module enables organizations to establish objectives and facilitates tracking their progress towards achieving targets over time. Targets can be defined for the measures that an organization wishes to track, and using warning and critical threshold limits, those items requiring focus and attention can be easily identified.

Measures, whether financial or statistical, may reference existing values already in the system, or may otherwise be manually entered. In either case, these measures can also be calculated based on other measures. They can be consolidated under various Programs and can also be incorporated into an Organizational Scorecard. Responsibilities can be established for the various Programs and Measures, inclusive of due date and automated reminders, to facilitate workflow processing.

OpenBook Visualization and Transparency

Questica Budget's OpenBook tool fosters open and accessible transparency for public agencies, enabling information to be visualized in an array of charts, tables, bars, graphs, and include descriptive text, and informational pop-ups. OpenBook informs and engages stakeholders with timely and accurate information that conveys financial and performance data in a way that is easy to filter, sort, and understand.

Below are a few sample OpenBook data transparency screenshots:



OPENBOOK CIP PROJECT DASHBOARD

OPENBOOK CAPITAL IMPROVEMENT PLAN VISUALIZATION

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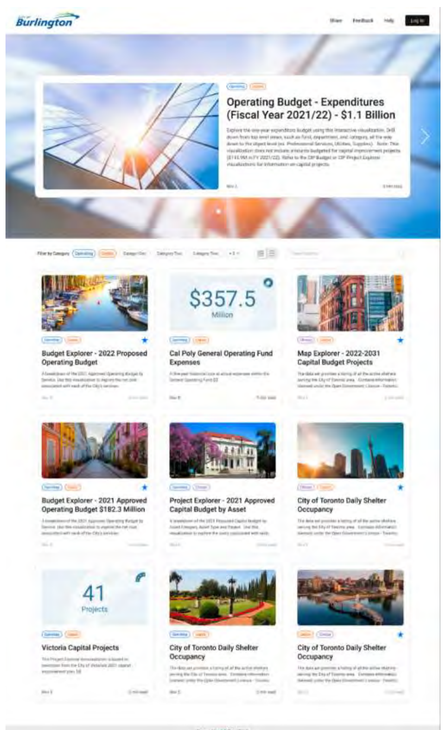
OpenBook Stories

OpenBook Stories brings the power of storytelling to financial transparency. Pages are used to author article-style content, including rich media like pictures and videos, and create the narrative to accompany our industry-leading interactive data visualizations with drill-down charts, maps and more. Because this is OpenBook, the content you develop in Pages always shows beautifully on any device and meets accessibility guidelines to ensure that everyone can take part.

Features include:

- Modern user-friendly block editor to create layouts that look great on desktop or mobile devices
- Baked-in accessibility support meeting WCAG level "AA"
- Multi-row and column layouts
- Support for text, images, videos, and interactive data visualizations
- Develop pages as a draft for review and approval before publication



SAMPLE OPENBOOK STORIES LANDING PAGE

Key Features

Statistical Ledger:

The Questica Budget Statistical Ledger allows budget staff to plan and track numbers other than spending dollars (e.g., hours worked, unit counts, resource utilization). Authorized users can create a budget for any numeric data and work with it very much like financial budgets. This can be very useful for planning and tracking activities and outputs, and the data can be used as a guideline for building budgets.

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Allocations:
The Allocations tool within Questica Budget allows dollars to be moved throughout the Operating and Capital budgets in a structured and balanced fashion. The functionality supports complex arrangements of allocations between many budget elements. Once the allocation has been run, each recipient budget will have a Destination Budget Line representing a portion of the allocated expenses, and the source budget will have a Recovery Budget Line that effectively zeroes out their allocated budget.

Advanced Calculation Engine (ACE):
Questica Budget's Advanced Calculation Engine is a powerful feature that brings familiar Excel functions into Questica Budget and allows users to create reusable calculation packages/models. The tool is simple to use and is designed to keep users working inside Questica Budget. In addition to containing familiar Excel functions, there are also budget-specific functions documented in an integrated library, enabling users to reference data based on its qualities rather than by specific location. For example, a function can be performed on the budget values for a particular account code or using the actuals from a certain statistical account. Functions can also be period-based, enabling the option to reference data from past months or years, or reference a range of data such as the average from the past three years for a given month/quarter.

Change Requests:
Questica Budget's Change Requests feature, also referred to as Budget Adjustments, Budget Modifications or Decision Packages, allow authorized users to process pre- and post-approval budget changes using a controlled process and workflow-based approval. These requests can be created individually, or they can be bundled together and treated apart from the general budget with their own dedicated approval process. Questica Budget does this in a controlled environment so that users can only submit, change, and see budget requests that are appropriate for them. Just as different workflows may be established for budget requests, distinct workflows and approval hierarchies can also be established for different types of Change Requests or Decision Packages. For example, a position change request is likely to have a different workflow and approval process than a budget transfer type change request.

Advanced Searches:
Questica Budget's Advanced Search function is an intuitive user-facing feature that allows non-technical users to compose detailed searches using a variety of comparators and the ability to infinitely nest AND/OR groupings. Essentially, the Advanced Search functionality allows authorized users to perform sophisticated and highly dynamic data analytics and ad-hoc queries based on multiple dimensions, including specific criteria or descriptive words. This robust and powerful tool allows complex queries to be easily built up – one line at a time. The Advanced Search capabilities also enable power users to update and manipulate large volumes of budget data quickly. For example, if there is an organizational directive to reduce budgeted supplies expenses by 5%, this can be easily accomplished by using the Advanced Search feature to retrieve all supplies expense items across the organization. Once the results are displayed, the inherent 'adjust' feature provides an efficient means for manipulating the data en masse.

Reporting Tool:

Questica Budget is an effective budget development and budget management solution, with powerful reporting options that provide flexibility to run standard, ad-hoc and configured reports.

System Reporting and Data Querying

The Questica Budget solution includes pre-built data views and queries, advanced “smart reports” that combine rows and columns of numbers with graphics (e.g., pie chart), and print-ready traditional row and column reports – all of which include data security to ensure users only see what they’re allowed to see.

Ad hoc reports

Views (or queries), several of which are included out-of-the-box, are grids of data that are intended to be viewed online and used to analyze information when a formal report is not needed. Data may be easily “sliced and diced,” sorted, grouped, filtered, and view layouts may be saved, shared, and consumed by Questica’s OpenBook transparency solution and by popular third-party tools such as Tableau or PowerBI.

Smart Reports

Our onscreen reporting is quick to set up and easy to view. Questica Budget’s Smart Reports ensure users get the best of onscreen reporting using tables and data visualization chart options. They are similar to Views in that there’s a tabular grid of data that can be defined, but they also enable the ability to add a preferred chart type to visualize the data, whereby the reports can display both a chart and table, chart only, or just a table. When displaying both, users can choose to display more of the table or more of the chart.

Standard Reports

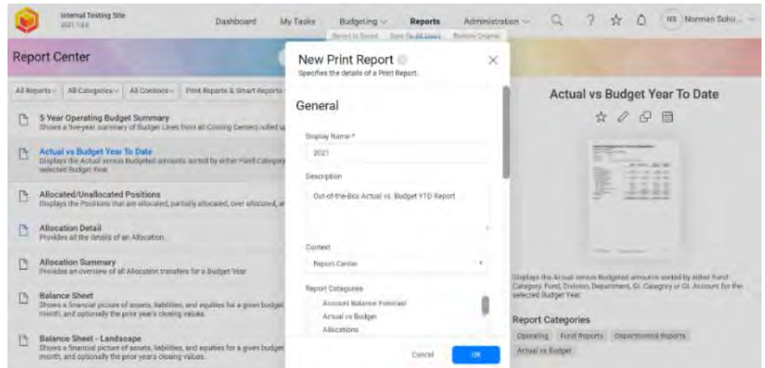
Questica Budget contains a report center that includes 80+ ready-to-use pre-built reports that are grouped into logical categories, each with a variety of input selections. These standard out-of-the-box reports leverage Microsoft’s SQL Server Reporting Services (SSRS). They can be copied and modified by authorized users without requiring programming or coding skills, and new reports may be shared with the team.

System reports are currently grouped into the following categories:

1. Actual vs. Budget	6. Baseline Reports	11. Stage Reports
2. Graphs	7. Departmental Reports	12. Snapshot Reports
3. Operating	8. Capital	13. Performance
4. Salaries	9. Change Request	14. Dashboards
5. Fund Reports	10. Allocations	15. Self-Serve Reports

Traditional row and column reports may be scheduled for email distribution to selected recipients, including individuals who are not Questica users. All out-of-the-box reports are exportable to PDF, Excel, Word, XML, CSV, MHTML (web archive) and TIFF file formats.

Questica Budget also enables authorized users to create reports and dashboards using system configuration tools, all of which may be kept private, or for added efficiencies can be shared between user groups or made available to all users.



SAMPLE OUT-OF-THE-BOX ACTUAL VS. BUDGET YTD REPORT BUILDER

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Questica - Implementation

Configuration

The Questica Budget solution stands alone as a product that is highly configurable and easy to administer and maintain, without our customers having to rely on IT resources or costly consulting services.

Configurability enables our customers to have a model that meets their unique requirements. Questica Budget arrives out-of-the-box set up with reasonable defaults from which our professional services team works with our customer's implementation team to fine-tune using built-in configuration tools. These same built-in configuration tools can be leveraged by the customer for any future configuration changes.

Questica Budget's built-in configuration tools enable our customer's unique terminology, organizational structure(s), workflow, reporting needs, and more to be met. In terms of configuration and subsequent modifications, authorized administrative users can also add new user roles, budget grids, business rules, create new entities and fields with user-defined labels and specified field types without requiring coding or IT skills, just to name a few capabilities. User-defined fields are on par with standard system fields so they can be included in reports, filters, searches, sorts and groupings.

Training is an integral part of our professional services because we firmly believe that any application is as good as its user. Questica will provide training and learning material to not only empower users with knowledge to skillfully use the system, but will deliver the necessary training and learning material to teach our customer's budget staff how to effectively configure, manage, and maintain Questica Budget. The bottom line is a significantly lower cost of ownership over their lifetime use of our solution.

Installation/Implementation

Our proposed solution, Questica Budget, is a 100% web application based on cloud deployment, using Microsoft Azure for hosting services, managed by Questica and Microsoft Azure. As such, there will be no system installation tasks performed on the customer premises.

Our proposed hosting model eliminates the need for our customers to maintain an extensive hardware, server and storage environment to support the system. Our hosting through Microsoft Azure, U.S., is world-class, includes excellent uptime, continuous point-in-time backups, and much more.

<u>Implementation Methodology:</u>

Questica and our customer's management work together to create a cohesive team focused on successfully configuring and implementing a purpose-built budgeting solution for the customer - based on the highest industry standards. Questica assigns the appropriate resources to achieve this objective, and encourages our customers to do the same.

We will, for example, assign an Executive Sponsor and a Project Manager from the Questica team and recommend that the customer also assign these key roles to serve as internal champions to the project, play a significant role in resolving any issues that may arise, and ensure ultimate project success. Appropriate subject matter experts should also be assigned to the project.

Questica Phased Implementation Approach

Questica has deep experience in implementing our solution for public sector customers. Our team partners with our customers to develop a mutually acceptable project plan that includes key milestones and timelines. Questica's implementors take the time to understand unique needs and leverages their deep experience in public sector budgeting to recommend and implement configurations to fine-tune Questica Budget to meet those needs.

Questica's implementation services include a consultative approach to optimize our customer's business processes. We have broken down the Implementation Process into multiple steps and unique tasks.

Phase 1 - Analysis and Project Management

Phase 1 consists of Analysis and effective Project Management, which are critical to the success of this project. From a high-level perspective, Questica's overall project management deliverables include the following:

1. Business Process Re-engineering

Questica's implementation services include a consultative approach to optimize business processes. Specifically, our consultants lead a review of the organizational budget processes' current state to identify possible improvements in accuracy, effectiveness, and efficiency. Our consultants work closely with our customer's team to ensure viable solutions to such processes are considered and noted.

2. Change Management

Questica's consultants guide our customer's team through a process of change management. Integrating a change management strategy into the project helps support the effective execution of the plan by aligning the stakeholders to a common goal. Our framework ensures that our customer's team communicates the strategy effectively and develops the necessary execution capabilities to support the implementation.

3. Discovery

A series of workshops:

Workshop name	Detail
Budget Process Workshop	Discussion of the customer's budget and forecasting process and related strategic business goals (one for each module).
Operating Module Workshop	Discuss current operating budget processes, operating data import details, Questica Budget Operating module functionality and proposed integration with our customer's ERP.
Capital Module Workshop	Discuss current Capital budget processes, Capital data import details, Questica Budget Capital module functionality and proposed integration with our customer's ERP.

Personnel Module Workshop	Discuss current position budget processes position data import details, Questica Budget Personnel module functionality and proposed integration with our customer's HR/Payroll system.
Testing Workshop	Discuss Testing & User acceptance methodology, roles and responsibilities.

4. Gap Analysis
Once the discovery process is complete, Questica's Project Manager creates a summary that outlines the key findings of the Discovery process, a strategy to address any new needs identified through the process.

A significant part of the Questica Budget implementation process is the functional analysis step (also known as "gap analysis"). Although this begins formally after Questica has been selected and the customer agreement has been executed, a good part of the functional analysis takes place prior to contract signing.

This step helps our customer and us to understand how the Questica solution can be best configured to meet their needs, thus mitigating project risks that might otherwise occur. Together, we evaluate, review, and discuss current business processes and data requirements, and map them to Questica Budget.

5. Workflow
The workflow plan for the project is a working document that gets presented to the customer to ensure that there is general agreement on the strategy.

6. Plan Documentation
We create a Project Plan and Timeline, as well as Testing and User Acceptance documents. The Questica Project Manager assembles these documents in a shared document repository.

7. Plan Approval
The plan gets submitted to the customer for review and comment. Both sides will have worked together closely to this point, so there should be no last-minute surprises. The expectation is that only minor changes and refinements may be required, but will likely happen throughout the implementation.

Phase 2 – Implementation

Phase 2 consists of several steps that add successive functionality to Questica Budget. There is some flexibility to how each of these components will be implemented, but we are proposing that the following plan be used as a guideline:

1. Component Kick-off

Each component starts with a kick-off meeting, where the implementation plan is reviewed so that the focus on success and goals is maintained.

2. Overview Sessions

The Questica Budget functionality gets presented to the customer's team so that they are familiar with each module, are able to participate in its configuration, and understand the needs of data imports.

3. Configuration

The components in Questica Budget get configured to provide the customer's desired functionality and to accommodate the related data imports.

4. Data Import

The customer's historical data gets imported. Our team helps identify the required data needed. The purpose of having historical data in the system is three-fold:

1) Many reports require multi-year data for trending
2) Historical data is the best and easiest way to verify the system structure
3) Provides real data for training

5. Customizations and Report Development

If required, customized functionality and reporting will be introduced and reviewed. This task benefits from the data import, as any screens or reports will reflect the actual and familiar data imported. Report development will be staged as follows:

1) Reports required for budget development
2) Reports required for high-level review and approval
3) Reports required for on-going budget management

6. Security Setup

Creating different security roles and ensuring each user is assigned to appropriate roles. This may include disabling certain accounts, views or out-of-the box reports for some users.

7. Financial and HR System Integration

Configuring interfaces to our customer's Financial and HR systems according to the scope of services.

8. Testing

System testing, system backup testing, integration testing, stress/performance testing, and user acceptance testing (UAT) is outlined in the test plan. The Questica Project Manager assists and acts as a facilitator through this process.

9. Training
Customer Training is provided. Our standard model is to deliver train-the-trainer training; however, we also offer end-user training services.

10. Go-live
Questica considers the implementation to be complete and the Questica Budget solution to be in a ‘go-live’ state when the system is opened to users for the development of a new budget, or when an end user has begun using the system for the purpose of managing the current fiscal year’s budget, whichever is first. This step only occurs upon completion of testing and training activities.

11. Post go-live
Post “Go-Live,” the Questica implementer remains the customer’s primary contact for all Questica Budget related issues until the time it is mutually agreed (typically within 90 days) that support will take over as primary contact. After this period, a hand-off is made from the implementer to our highly experienced Professional Services staff who become responsible for seeing to the longer-term support needs.