CITYBASE

Jefferson Parish Government

Provide Merchant Card Payment
Processing Services
RFP #0438

Proposal Due
13 May 2022, 3:30 P.M. CDT

Proposer
CityBase, Inc.

Proposer Address
363 W. Erie Street, Fl. 7 Chicago, IL 60654

Contact
Michael Duffy
CEO and Founder
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Proposal Representative Contact
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CITYBASE

Cover Letter

Ms. Sidney Duffy, Buyer II
Jefferson Parish Purchasing Department
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Gretna, LA 70053
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(504) 364-2682

Kiera Warner, Account Rep
CityBase, Inc.
363 W. Erie Street, Fl. 7
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(214) 675-7446

Dear Ms. Duffy,

CityBase, as a leader in multi-agency payment solutions, is uniquely positioned to provide Jefferson Parish a comprehensive payment platform. Our software is designed with Jefferson Parish citizens in mind, whether they use a smartphone, tablet, desktop, cashiering station, or kiosk. We are solely focused on government and utilities, covering a myriad of payments for government entities large and small.

Yours is a Parish like no other, and we appreciate the scale, diversity, complexity, and commitment to equitable provision of services. CityBase is especially well-equipped to address your unique commitments alongside you as a trusted partner and champion.

Accepting payments is a critical function for Jefferson Parish, a process that can be complex to navigate alone, given the players involved in the value chain. CityBase can help the Parish adapt to the changing landscape as you look to make one of your most significant changes to your payments systems in the past 20 years. CityBase applauds your ambitious plan to offer convenient and secure payment options for customers, and we are thrilled to present our offerings in support of this initiative.

CityBase is highly focused on the needs of major population centers and multi-agency installations, with regard both to your operational environment as well as the diverse needs of your customers, staff, customers, and businesses. We are well-versed in the process of implementing complex, multi-agency payment processing solutions for diverse payments. CityBase has experience architecting and implementing these types of solutions for clients such as San Francisco, Indianapolis, Denver, New York City, Austin, Chicago, Alabama Power Company, and many more public sector organizations.

We have reviewed the scope of work and understand the nature thereof, and we are willing and capable of providing the services described.

CityBase agrees to a contract term of 2 years commencing on the date of execution, with the possibility of two 2-year extensions.

If any additional information is needed or if I can answer any questions, please let me know. You may reach me at mduffy@thecitybase.com. Thank you in advance for your attention.

Sincerely,

Michael Duffy, CEO + Founder, CityBase, Inc.

Executive Summary

CITYBASE

Executive Summary

CityBase will be able to provide Jefferson Parish with a payment processor specifically designed for governments' needs, with unmatched experience in the broader payments market. We will demonstrate an ability to provide insights that meet the specific requirements of the Parish's constituents and staff.

A trusted partner in a changing landscape

The payment landscape has changed more in the past 2 years than in the previous 20 years, creating exciting opportunities and imposing risks. Payment collection and payment processing are rapidly consolidating, as processors and acquirers look to reduce costs, acquire transactions, and develop different products. This makes it increasingly difficult for organizations that do not consistently follow payment industry changes to have a clear understanding of their impacts.

As organizations make purchasing easier, customers are increasingly expecting the same level of excellence from the public sector as from retailers. Not understanding the changing landscape can leave Jefferson Parish vulnerable to disruptions and sub-standard services for their residents and customers. Jefferson Parish requires a partner that both understands this complex changing landscape, and is also the trusted advisor at the center of facilitating, building, and deploying modern payment services innovations made possible as the payment industry continues to evolve.

Experience in transforming the government payment experience

CityBase specializes in multi-agency payments environments with a demonstrated success serving major markets. Our payments platform is equipped to address the unique needs of Jefferson Parish's departments and their constituents, while promoting modern standards and consistency. The CityBase platform will afford the Parish the flexibility to quickly transition all legacy applications while offering a clear, compliant path to expand to other agencies and applications. We understand Jefferson Parish's need for a solution that will modernize payments across the Parish, improving experiences for customers and Parish staff. The CityBase solution is purposely built for such a transformation.

CityBase understands the need to provide a well-architected API layer that allows agency web applications to connect and interact with the payment processing platform. Our API layer is much more than a simple systems interface. CityBase can maximize flexibility while optimizing for speed in transitioning to the platform.

Commercial organizations followed a similar path as they sought to create a unified account-based experience for end users. They too had disparate back end systems and implemented a strong API layer to orchestrate seamless user transactions.

Implementing battle-tested solutions with government partners

Another powerful advantage is CityBase's extensive knowledge and experience with the technical, program, and operational aspects of government organizations and their many agencies. This augments our ability to develop strategies to reduce cost, increase operational efficiencies, and further enhance the customer experience. A project of this magnitude will have many stakeholders with varying requirements. CityBase will leverage a proven research and assessment methodology to ensure that department stakeholders and customer expectations are met.

These factors make CityBase a strong partner in your journey to provide next generation payment processing services. We can provide the modern, future-proof digital payment service capabilities with proven processes and tools for Jefferson Parish's departments and political subdivisions.

The perfect match for Jefferson Parish's unique needs

Our approach always puts the needs of Jefferson Parish's customers at the center. This puts you on a path to meet the modern consumer expectations of your residents and businesses. This approach brings clear advantages to the Parish—advantages that clearly differentiate us from the competition.

CityBase is committed to providing you with:

A high confidence, low risk migration specific to your needs and environments. Jefferson Parish has many applications across multiple departments and jurisdictions. The Parish deserves a partner who is invested in understanding your goals and has proven experience. We will be that partner by bringing the immense subject matter expertise, proven transition strategies, and track record of CityBase.

Multiple payment channels on one unified platform
CityBase provides an integrated payment solution that accommodates all payment channels across any and all departments included on the platform. Your customers will find an intuitive, hassle-free payment experience that's consistent across any debt type, payment channel, and payment method, with the ability to make one-time payments or set automatic billing.

Distinguished infrastructure, security, and payments expertise. Jefferson Parish holds itself to the highest standards and has articulated the principles of a clear vision for the future in this RFP. We emphasize cybersecurity, and embrace your desire for shared services across Parish departments and across jurisdictions. In fact, CityBase was founded in 2013 to advance a Unified Digital Government (our first slogan: "Unify the Citizen Experience"). We are thought-leading partners who exist to serve your needs of today and achieve your goals of tomorrow.

Exceptional immersion, support, and customer service. We commit to bringing in all stakeholders into our requirements gathering, UAT, or other appropriate parts of the process towards implementation and post-launch. This includes Jefferson Parish's departments, oversight entities, the general public, and any other stakeholders. We embrace the unique challenges of government and will act with urgency, accountability, and integrity as a partner of the Parish.

As a partner to large and complex markets such as Austin, Chicago, Denver, Indianapolis, New York, and San Francisco, we are highly focused on the needs of major population centers. We understand the dynamics of your various stakeholders and operational environments that serve the diverse needs of your residents and businesses.

> “
>
> **We knew we needed to have something that supported the diversity of our departments. Now working with CityBase, we have seamless integrations across different departments. It creates a cohesion around that notion of, 'We are one city.'**
>
> **Tajel Shah, Chief Assistant Treasurer, City and County of San Francisco**

CityBase delivers a payment experience people love, and we are exclusively dedicated to the government sector. Our platform is truly cloud-based and we implement security through both our technical infrastructure and our organizational processes. This is all to provide a more comprehensive, integrated, and scalable solution that will evolve with your needs.

The CityBase platform will provide and facilitate:

A modern, consistent user experience. Thoughtful, customer-centered features that make it simple to pay for any debt across any agency, with line-item reporting and integration to each underlying source system. We will design a system that anticipates the needs of Jefferson Parish's customers, providing research-backed user interfaces, intuitive workflows, and consistent design.

Comprehensive revenue management. Centralized research, reporting, and reconciliation across all agencies and payment channels—online and in person. Permissions-based roles see real-time reports and analytics across the entire Parish or within a single department. Provide customer support directly from the same tool.

Dependable, mission critical technology. Processes, technology, and program management techniques that ensure that Jefferson Parish has continuity in its business processes and is always able to provide customer service and perform core operational functions.

Exceptional reliability and visibility. The CityBase platform coordinates the series of critical events that comprise the payment lifecycle across multiple data systems and multiple third parties. We provide more perfect information, drive more automation, eliminate manual reconciliation, and increase transparency. We will amplify up-time metrics to new levels of granularity that give you tools to measure the actual quality of the payment experience. Our tolerance for payment failures is zero.

Technical Proposal

CITYBASE

Technical Proposal

a. Scope of Work/Services

1. *The Merchant service provider (or providers, if multiple contracts are awarded) will be required to provide and operate, consistent with Parish guidelines and oversight, its own front-end payment system to process customer payments for various debt types owed to the Parish.*

CityBase Web Payment Solution

Multiple payment types on one unified platform

CityBase provides an integrated payment solution that accommodates all payments across any and all departments included on the platform, which customers can access via mobile-friendly website from any device.

Your customers will find an intuitive, hassle-free payment experience that's consistent across any debt type and payment method, with the ability to make a one-time payment or securely store payment methods for faster checkout or to set automatic billing.

Unlimited users will be able to access the platform with our mobile-responsive web design. CityBase commits to continuous uptime, ensuring that payments will be processed accurately and on time 24/7/365 without interruption—whether a person is making a one-time payment or has scheduled an automatic recurring payment in advance.

Our robust platform can support high volumes of payments being made simultaneously and can scale with increasing volume over time. CityBase Revenue Management supports unlimited staff users for back-end revenue management. Unlike a payment application for, say, online retail, making payments for their obligations is a critical functionality to your customers. In today's technology landscape, "uptime" is more than a binary "on" or "off." We understand that performance quality can influence business processes and service degradation, like a slowly loading confirmation page, can lead to bigger problems like a duplicate payment.

Flexible payment options on any device

For online payments, CityBase will provide a flexible web interface on your own domain, hosted by CityBase on Amazon Web Services (AWS). In a completely consistent web experience, users can pay with credit/debit cards or ACH/e-check in the same place, on your domain. The CityBase platform is also built to be fully mobile responsive, allowing it to be accessed on mobile devices, tablets, and desktop computers.

Iterative upgrades and continuous uptime

Our approach to uptime ensures high-performance functionality is treated as a critical matter, and we will ensure that you will be able to accept daily payments without interruption. In agile software development, we build, test, and launch technology often and in small increments. Releasing small changes often on a continuous release cycle ensures that we are building safe and scalable solutions that meet the needs of your stakeholders and customers.

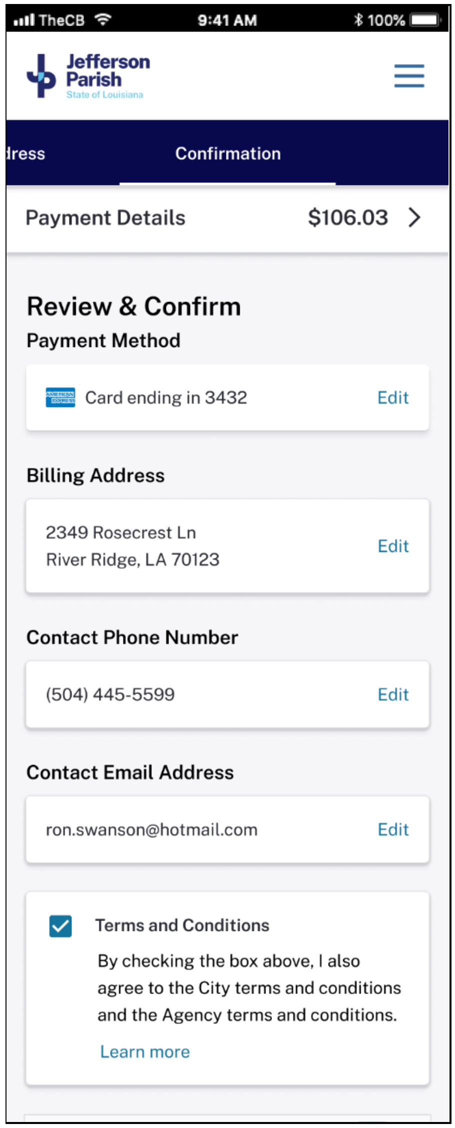
Some benefits to hosting web payments through the CityBase platform include:

	Benefits of the CityBase Platform
✔	**Optimize Payment Processing** CityBase is an experienced payment facilitator and provides faster funding timelines and streamlined back-office operations.
✔	**Build Customer Loyalty + Trust** Customers can quickly and securely pay with credit/debit cards and ACH/e-check on your website. The streamlined user experience leads to high adoption rates and instills trust that they are making a payment directly to their government.
✔	**Provide Flexible Payment Options** Customers can make a simple one-time payment from a secure payment page or they can store preferred payment methods to check out faster.
✔	**We Remove You from PCI Scope** CityBase is a Level-1 PCI certified firm and provides PCI compliance as part of our

	payment solution. With our secure checkout experience, customers never leave your website, and you will be removed from PCI scope.
✔	**Reduced ACH Returns** We provide verification for ACH/eCheck payments at the time of transaction. This has resulted in a significant reduction in returned check payments for CityBase clients. For the City and County of San Francisco, for instance, we reduced their returned check payments by 23%.
✔	**Single Point of Reconciliation** CityBase provides a single back office solution that comes included with the CityBase payment platform. CityBase Revenue Management facilitates efficient account review, integrated third-party payment files, and creates a single point of reconciliation for all payment channels and debt types. Direct integration to your source systems means updates in real time with every payment and reversal. We'll also deposit directly to bank accounts, label fundings with revenue codes, and post directly to the general ledger.

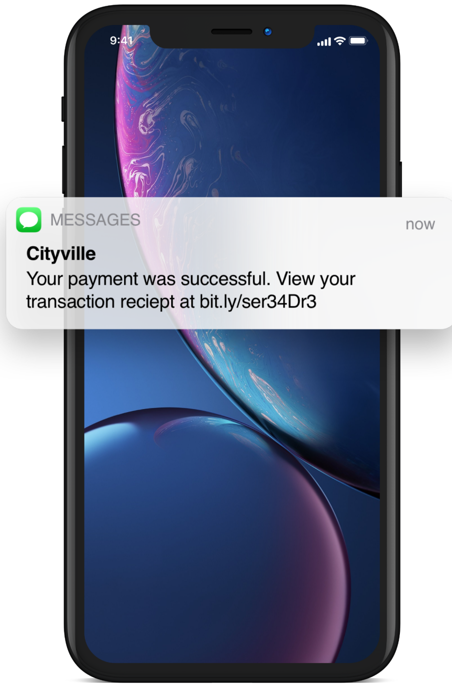
Mobile-Responsive Web Design

CityBase web payments are mobile-optimized and allow your customers to easily access and navigate all functionality via any mobile device.



Customers using mobile devices experience the same optimized interface as web users.

CityBase ensures mobile responsiveness and 508 Compliance for all screen sizes including smartphone, tablet, and desktop web browsers.



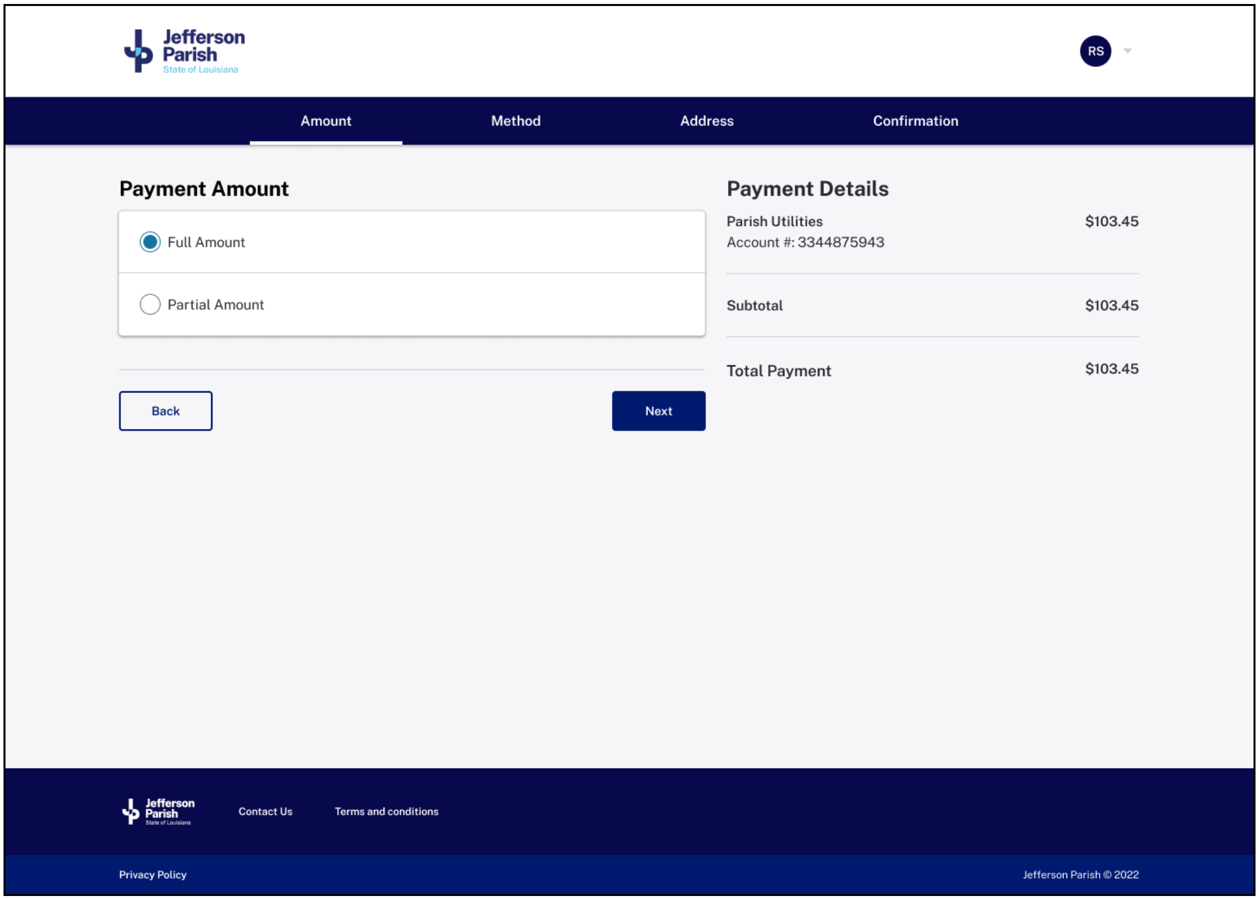
All customer-facing payment features are available on mobile, including:

- Stored payment method
- Recurring payment method
- Shopping carts
- Card and check acceptance
- Payment confirmation

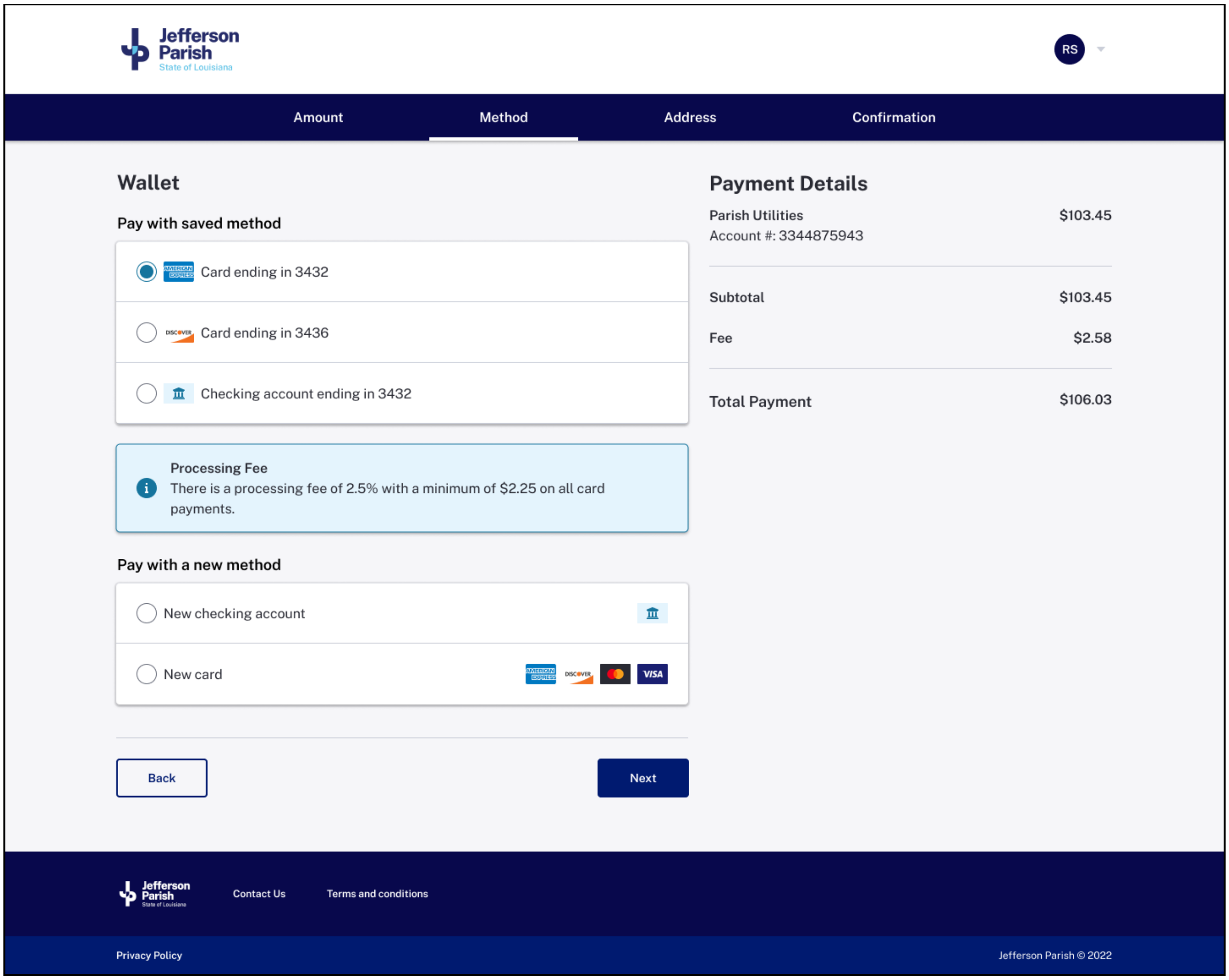
Consistent design with your brand identity

We will ensure a consistent customer experience across all of your online payments, based on your existing brand guidelines and established best practices in usability. The result is cohesive branding, consistent interface, and outstanding service that's universally accessible and easy to scale.

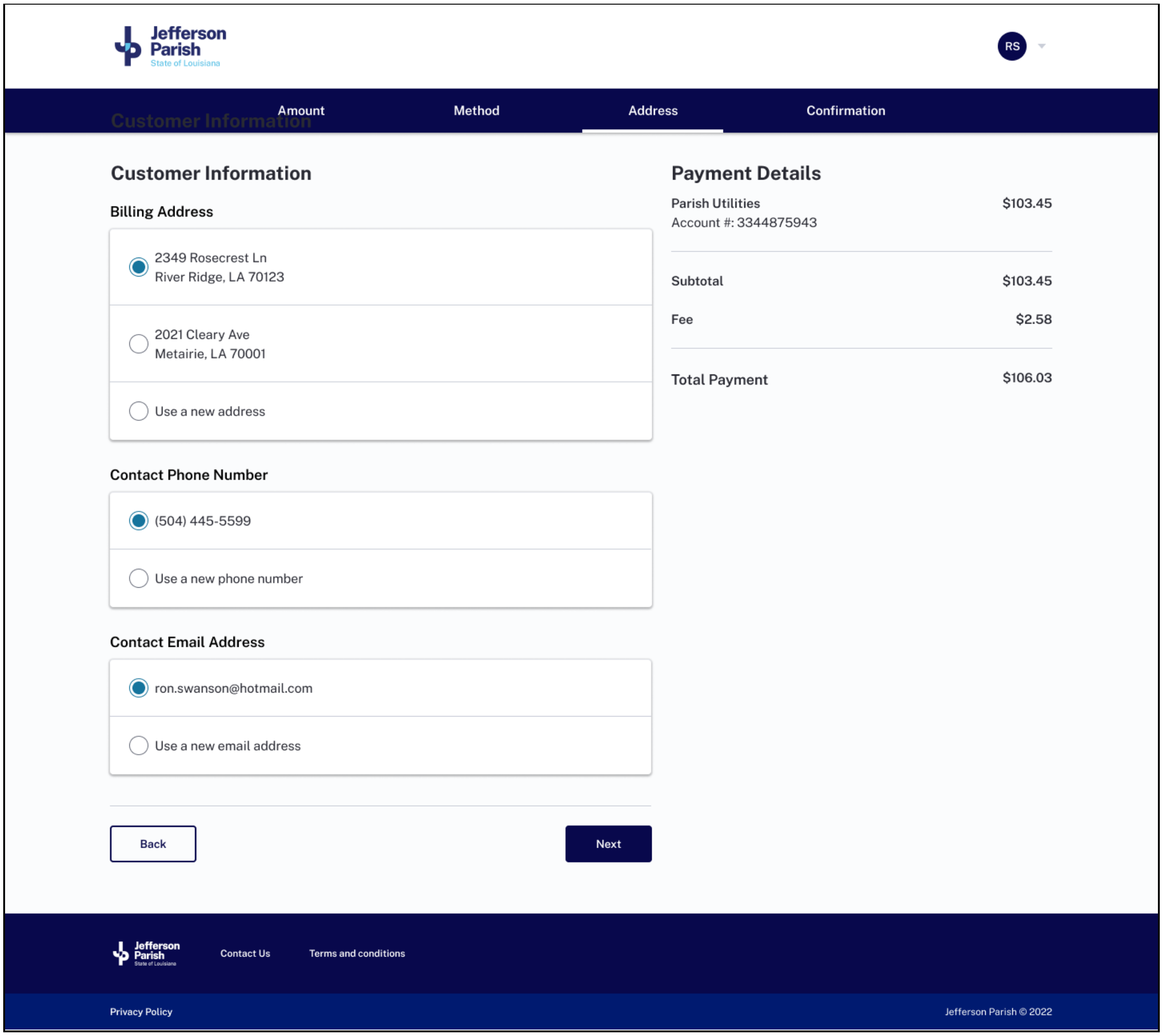
Please see a sample web payment flow below:



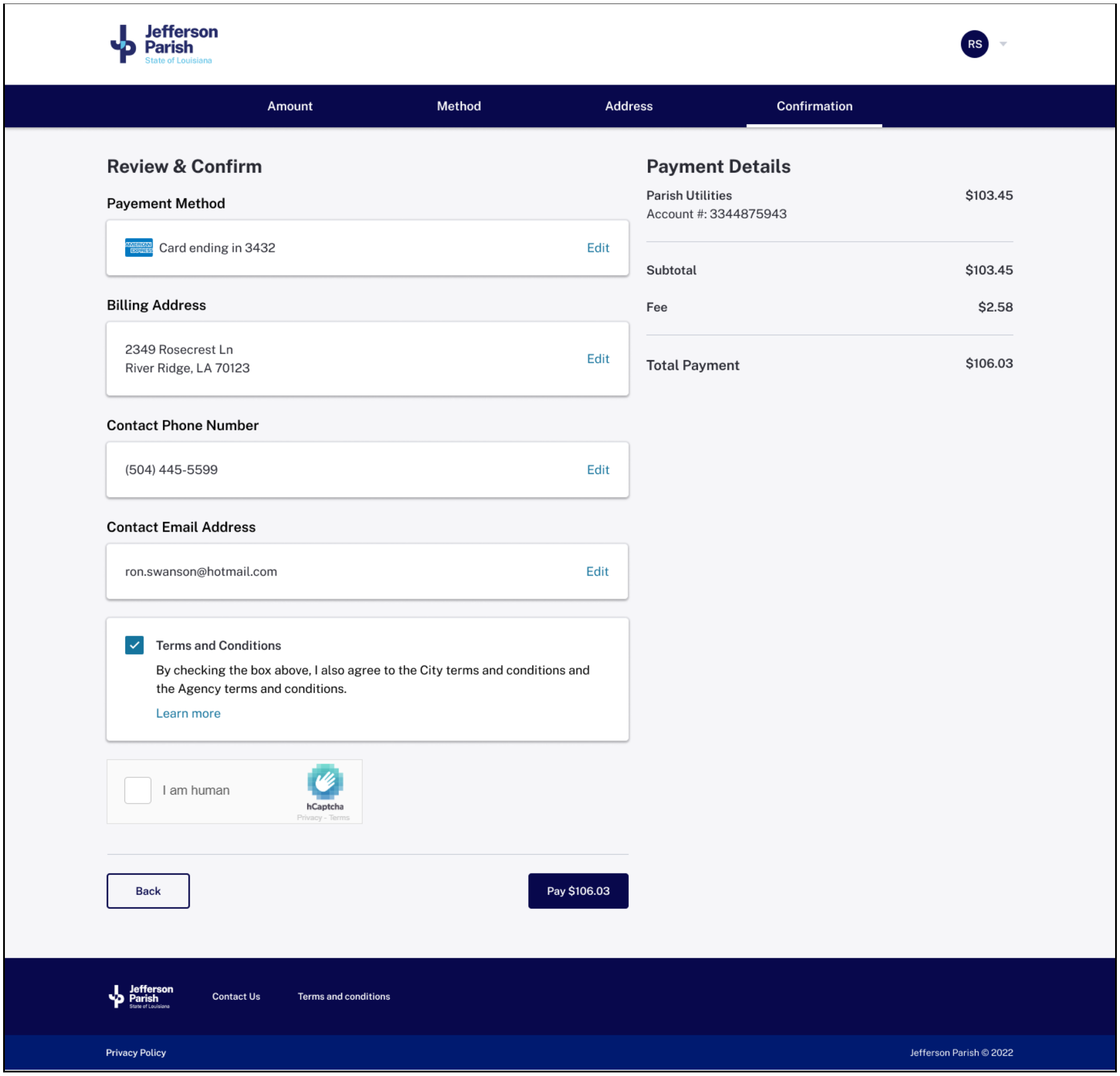
A customer can choose to pay their full amount, make a partial payment, or enroll in automatic recurring payments.



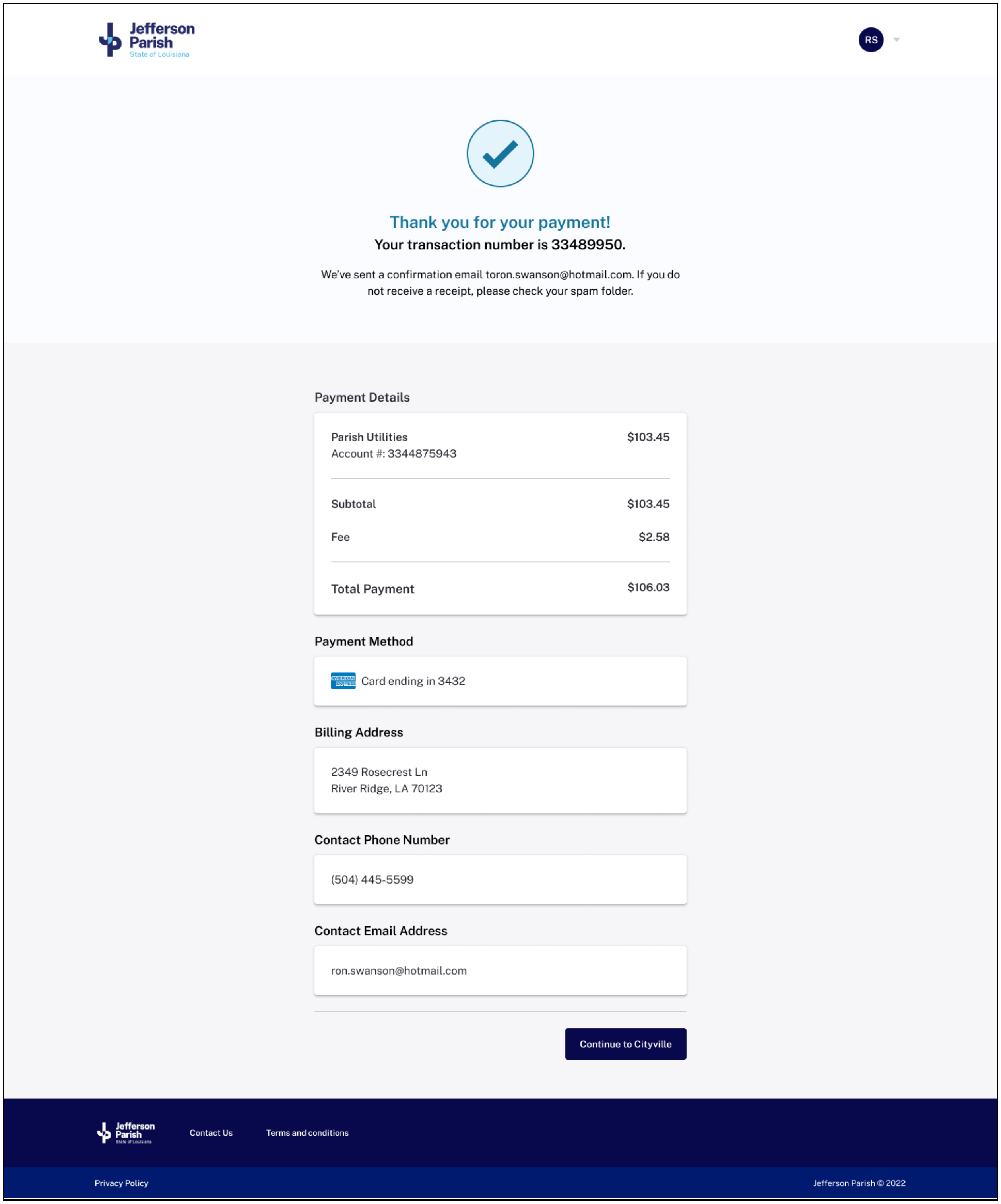
Users can choose to pay with card or check, with fees that are configured by tender type as well as debt type. Regardless of the payment method chosen, CityBase clearly displays fees and calculates the total payment for the resident.



In addition to collecting billing information, CityBase collects pertinent contact information including email addresses. The contact information is used to send automatic email receipts.



CityBase provides a clear "Review & Confirm" screen, allowing constituents to ensure their information is accurate—this makes it easy for users to adjust their payment as needed and reduces returned payments.



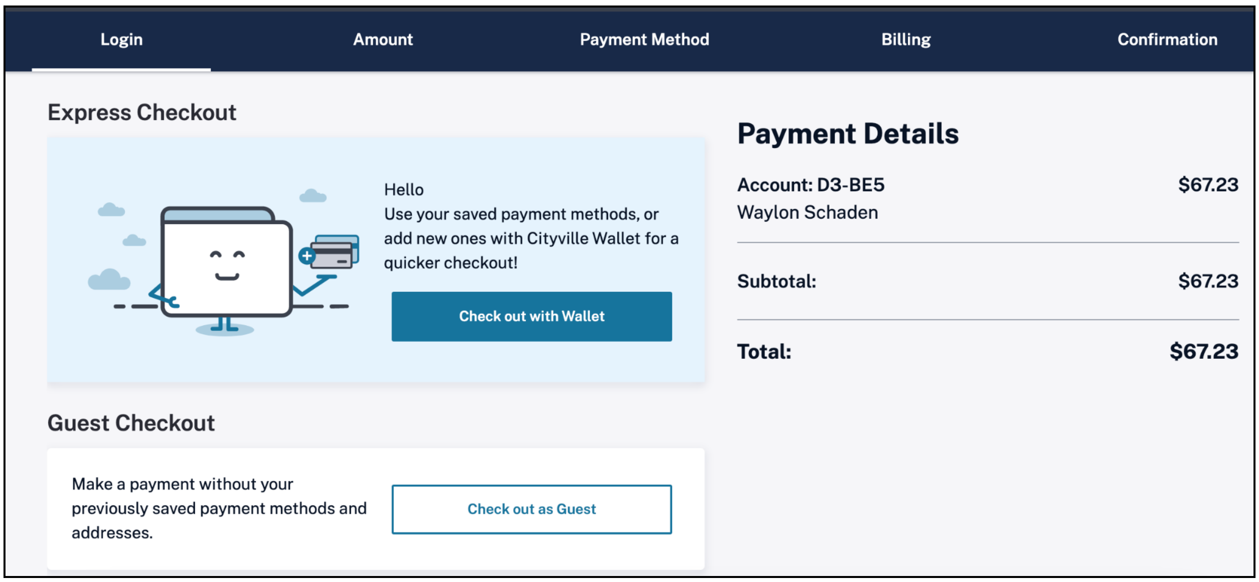
After a payment is processed, CityBase displays a clear confirmation screen, reassuring the resident that their payment has been processed. This screen helps reduce duplicate payments. Additionally, a copy of their receipt is emailed to them for their records.

CityBase Web Payment Checkout Options: More Flexibility for Your Customers

The CityBase checkout experience is a configurable solution that meets the diverse needs of your agencies and customers.

Customers can choose to checkout:

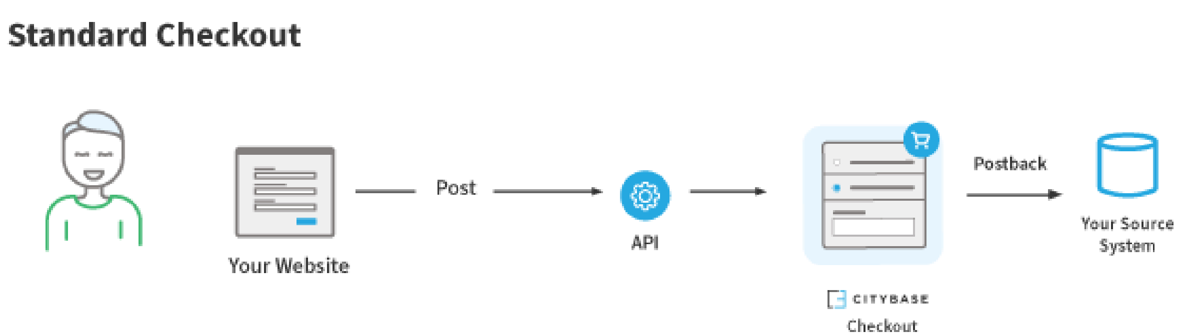
- As a guest for one-time payments
- Using payment methods they've securely stored for one-time payments
- By enrolling in automatic recurring payments using stored payment methods



Customers will have the option to check out as a guest. If they've previously stored their information, they can log in to check out using a saved payment method.

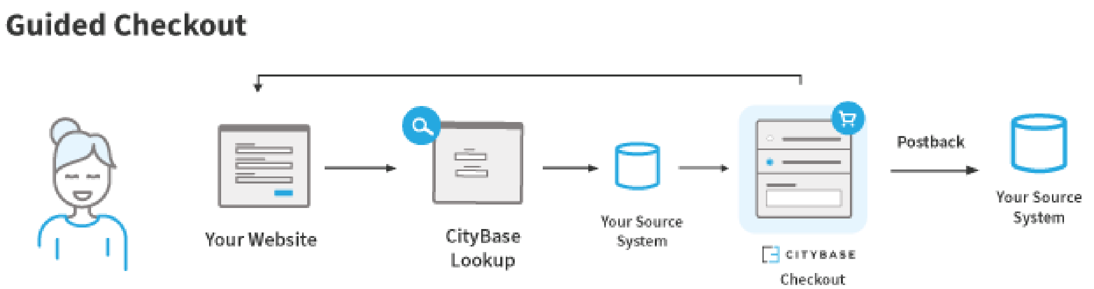
CityBase Checkout Experiences

CityBase offers three types of checkout experiences, which are detailed below. For more information on checkout options, view our video at https://thecitybase.com/resources/3-ways-to-pay-web-payment-checkout-options



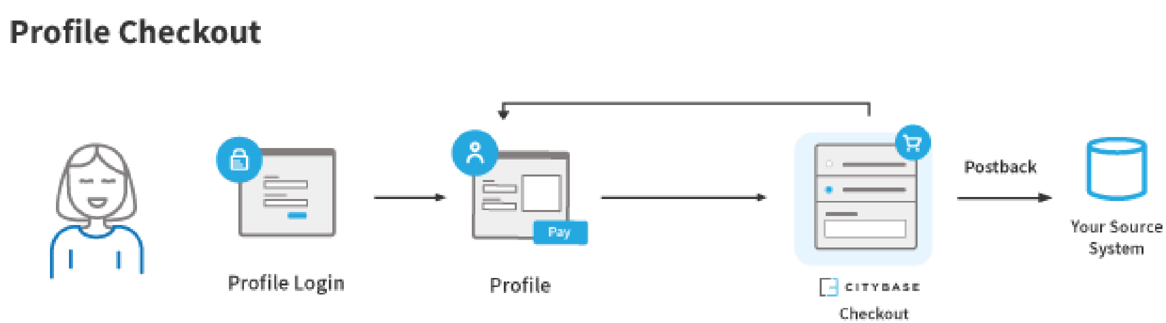
Standard Checkout
The standard checkout experience allows residents to make a payment toward their bill without creating or logging into a profile. Customers follow your existing workflow, and seamlessly check out through an integrated payment page on your website.

Your customers never leave your web domain. After a payment is complete, customers will view a confirmation screen and receive a receipt via email.



Guided Checkout
The guided checkout experience creates a secure and seamless payment experience through the CityBase workflow.

The guided checkout workflow performs a lookup to your source system, whether it's a database, flat file, or a static menu of items. Your customer looks up and finalizes their amount due, and then begins the checkout workflow, without ever leaving your web domain.

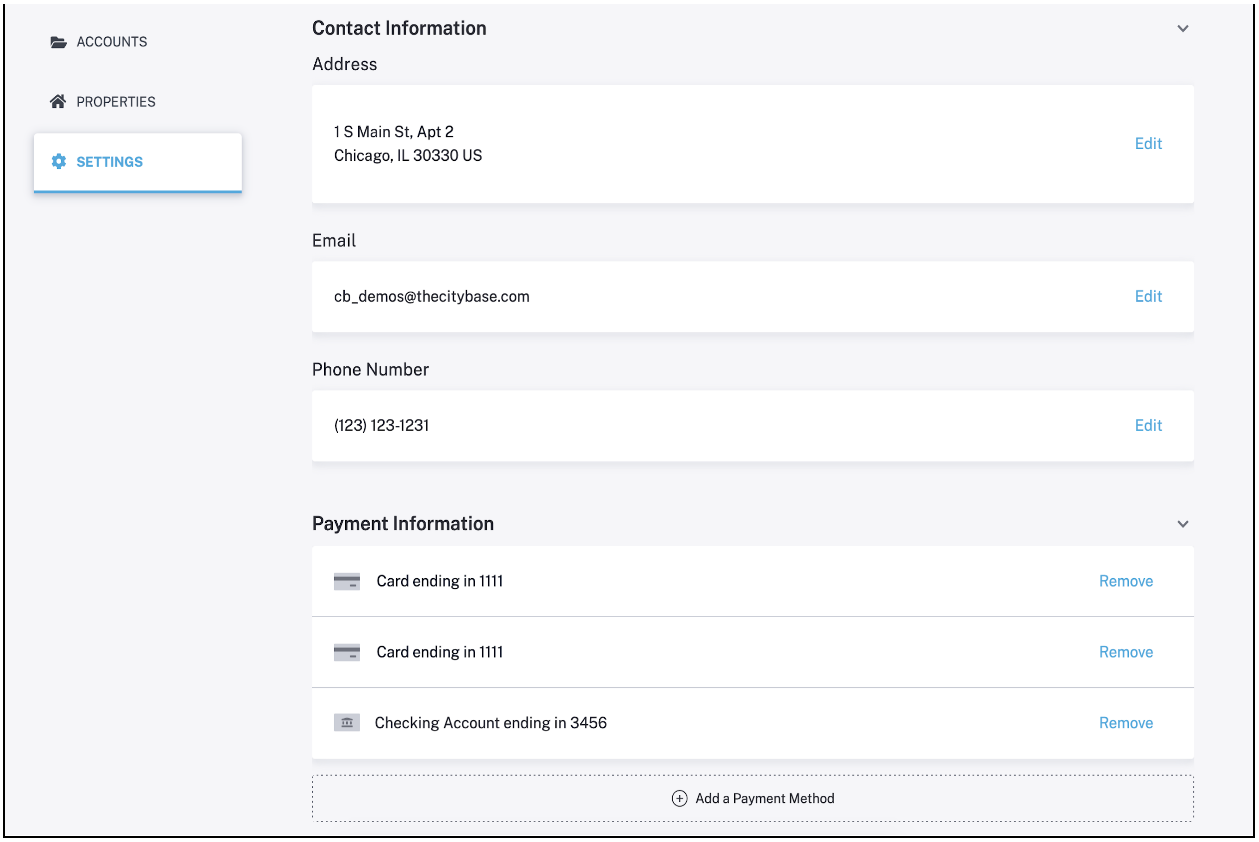


Profile Checkout
The User Profile will empower your customers to securely save information for faster checkout experiences.

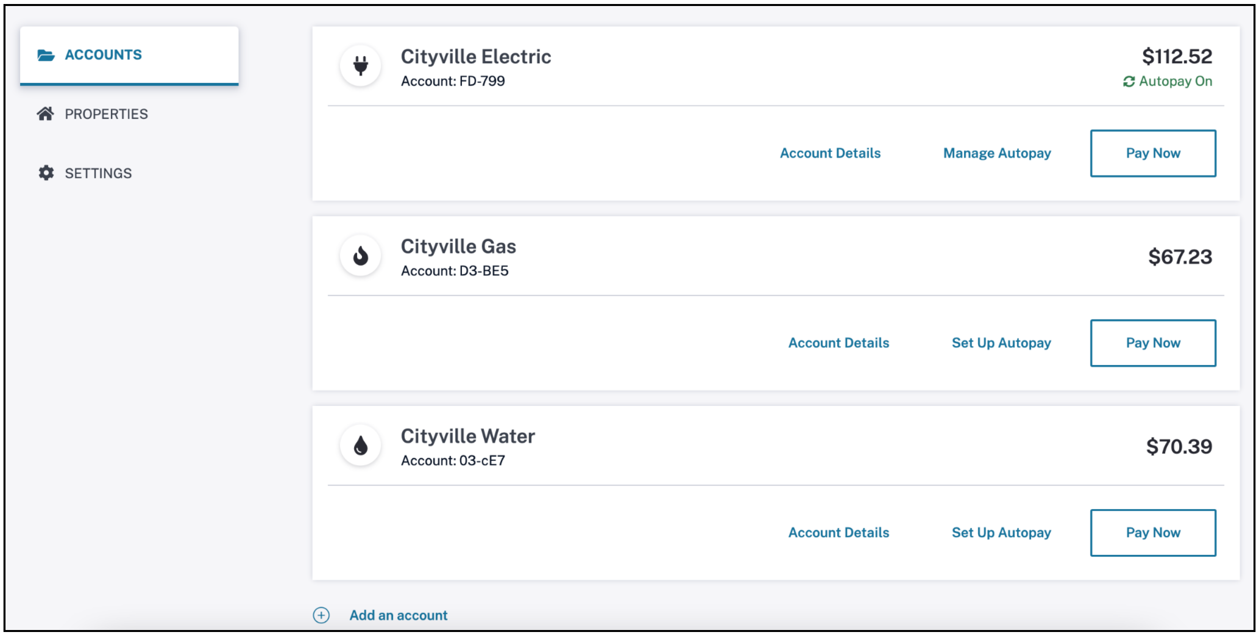
Using this option, customers can:

- Securely store one or multiple payment methods, including debit cards, credit cards, and bank payments by ACH/eCheck. Customers can also remove stored methods like an expired credit card.

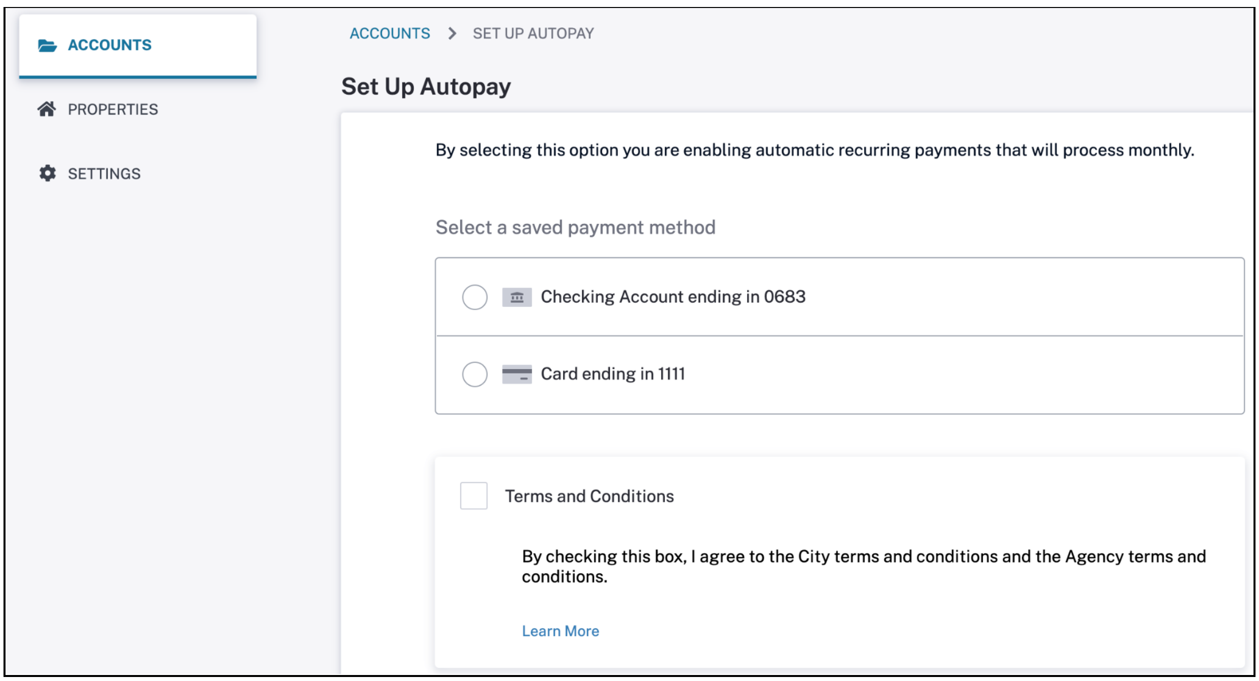
- Log in to view their current amount due for all current accounts and make full or partial payments.
- Enroll in automatic recurring payments
- Review or remove an upcoming scheduled payment.
- Access and change their user settings, including contact information, stored payment methods, and login credentials.



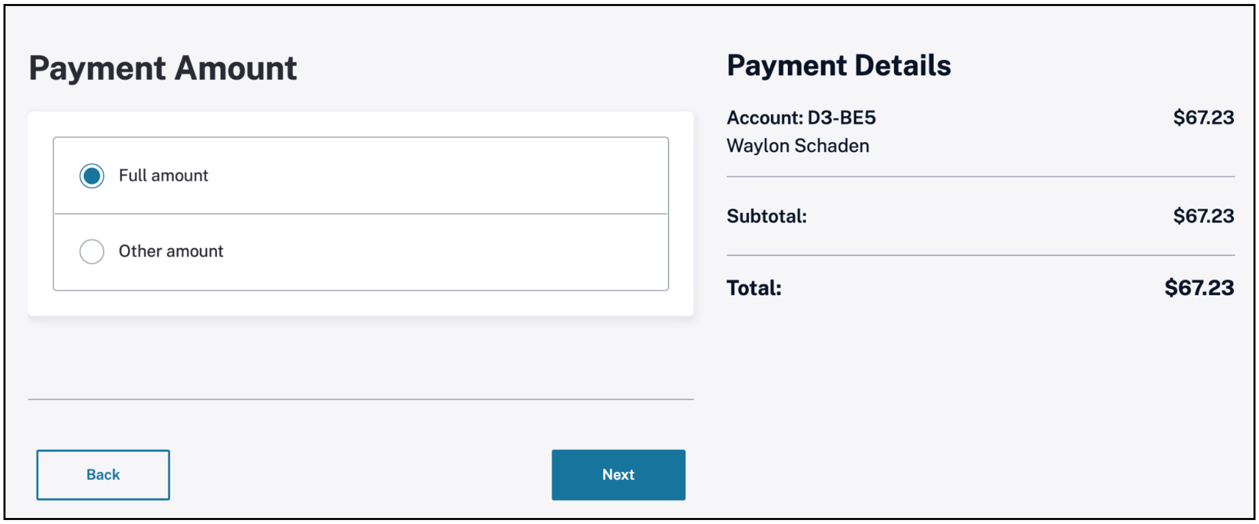
Customers can securely store their information for faster checkout. They will be able to store or change their payment information to allow for one-time or recurring payments.



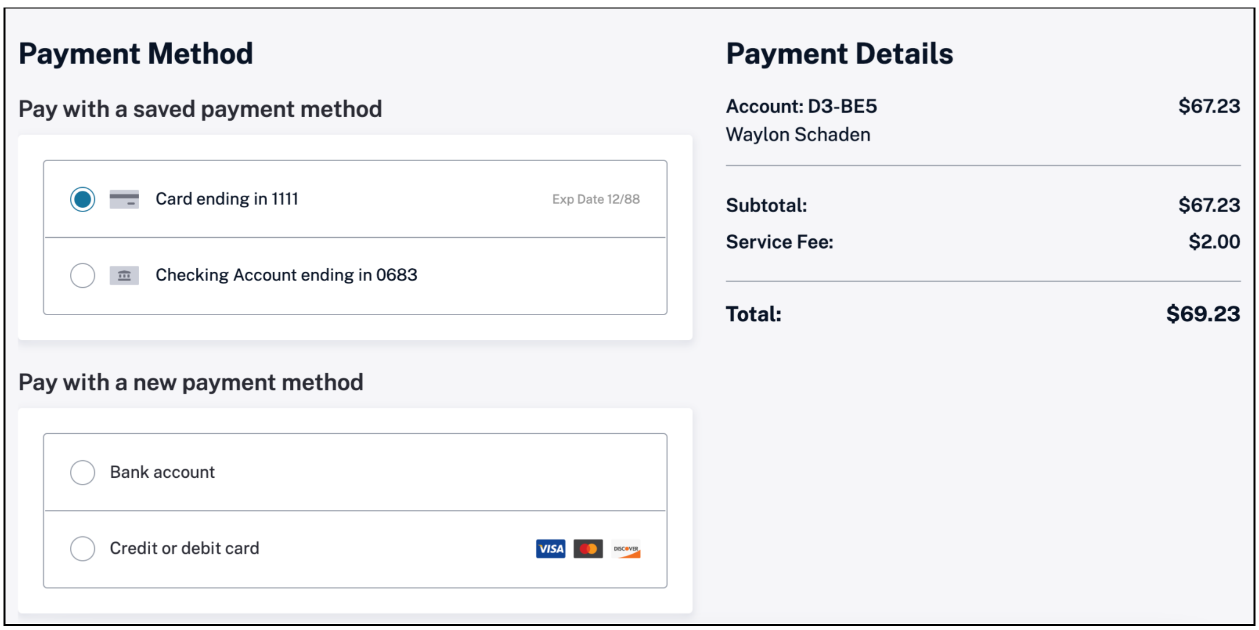
Upon logging into their profile, customers can see all accounts on the landing page. They will also be able to easily distinguish which accounts are currently enrolled in autopay.



Customers can initiate autopay using one of their stored payment methods.



Customers can also choose to make a one-time payment and pay the full amount of their bill, or pay a different amount.



After selecting their amount to be paid, customers can choose which of their stored payment methods to use, or add a new payment method. All fees are clearly visible and change in real time as the customer switches between payment methods. Once they've completed their payment, they see a clear confirmation screen and receive an emailed receipt.

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2. *Online features of the merchant account management software - The vendor should highlight how the merchant account is managed by the accounting/finance functions. For example, describe all the tools and methods for viewing transactions/batches, changing account information, responding to charge backs, user management, etc.*

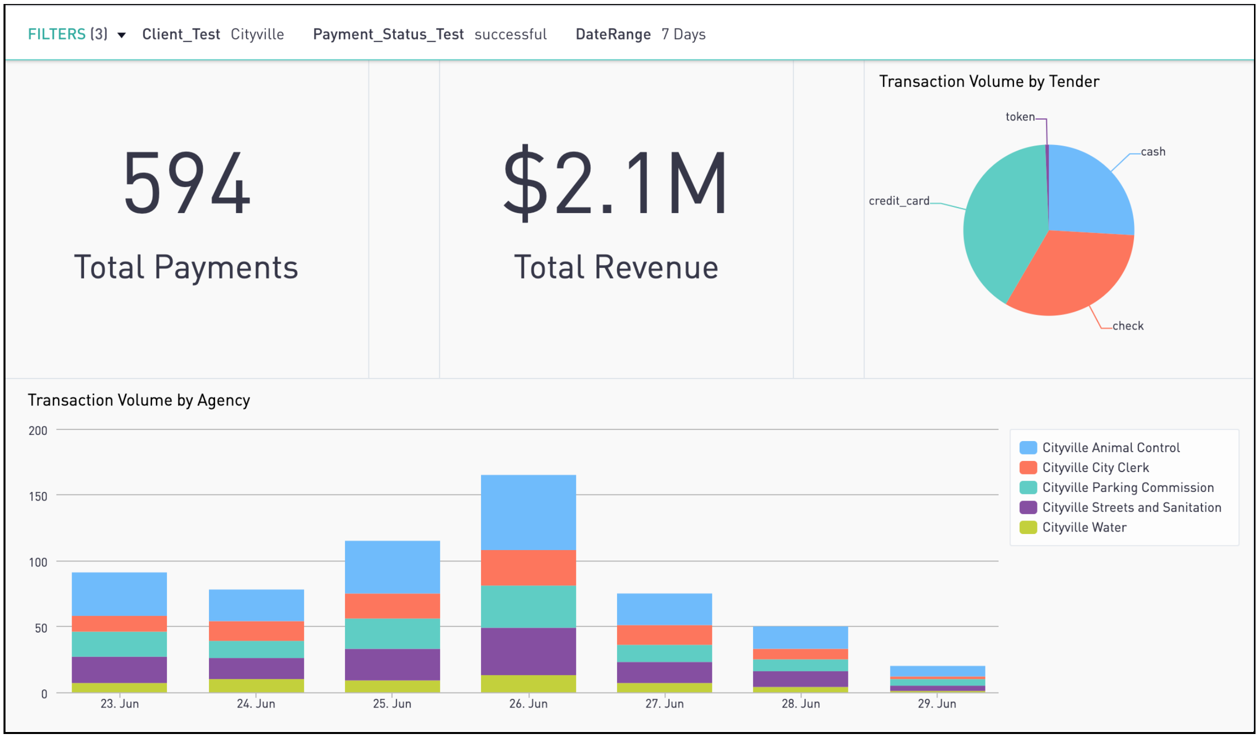
Comprehensive Revenue Management

With one platform for all agencies, debts, payment channels, and tender types, CityBase is a one-stop-shop which allows for a consistent up-to-date experience for your staff to research, report, and reconcile all payments across Jefferson Parish. CityBase provides a single back office solution, Revenue Management, that facilitates efficient account reconciliation review, integrated third-party payment files, and creates a single point of reconciliation for all payment channels and debt types.

Revenue Management provides configurable dashboards that allow Jefferson Parish to track payments in real time while providing custom reports. These dashboards facilitate day-to-day operations by tracking transactions, revenue, and other data. CityBase can configure dashboards for different departments if needed based on their payment portal. We will also provide a dashboard to show high-level data reporting across the payment platform and digital services. This provides information that allows Jefferson Parish to analyze aggregate transaction data across the entire Parish. Any data available on the system can be included in the reports, including:

- Transaction fees
- Departments
- Payment dates
- Sources
- Card types
- Card brands
- Declines
- Disputes
- NSFs

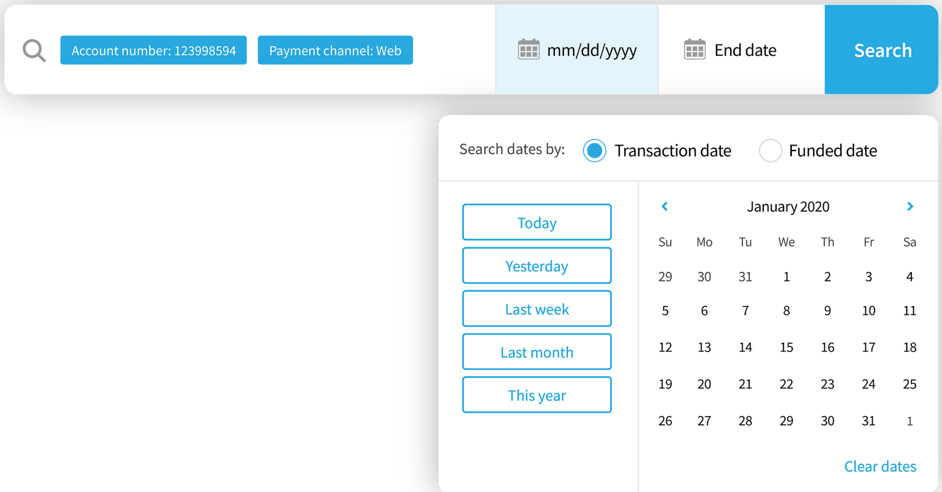
Direct integration to your source systems means updates in real-time with every payment and reversal. We'll also deposit directly to bank accounts, label fundings with revenue codes, and post directly to the general ledger.



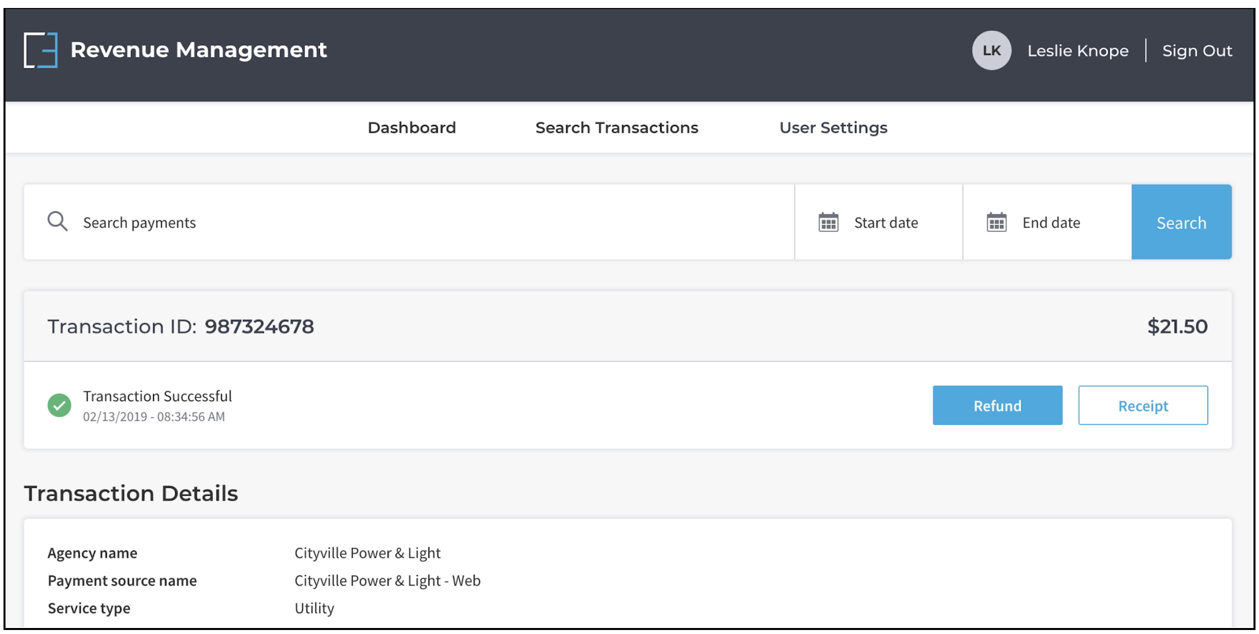
Reports and dashboards can also be aggregated to provide a Parish wide view of all transaction activity, or can be configured through our permissions functionality to allow certain staff access to specific reporting that is pertinent to them. Files can be downloaded from the online dashboard. Dashboards are accessible via web browser, or can be exported using standard data formats (CSV/PDF).

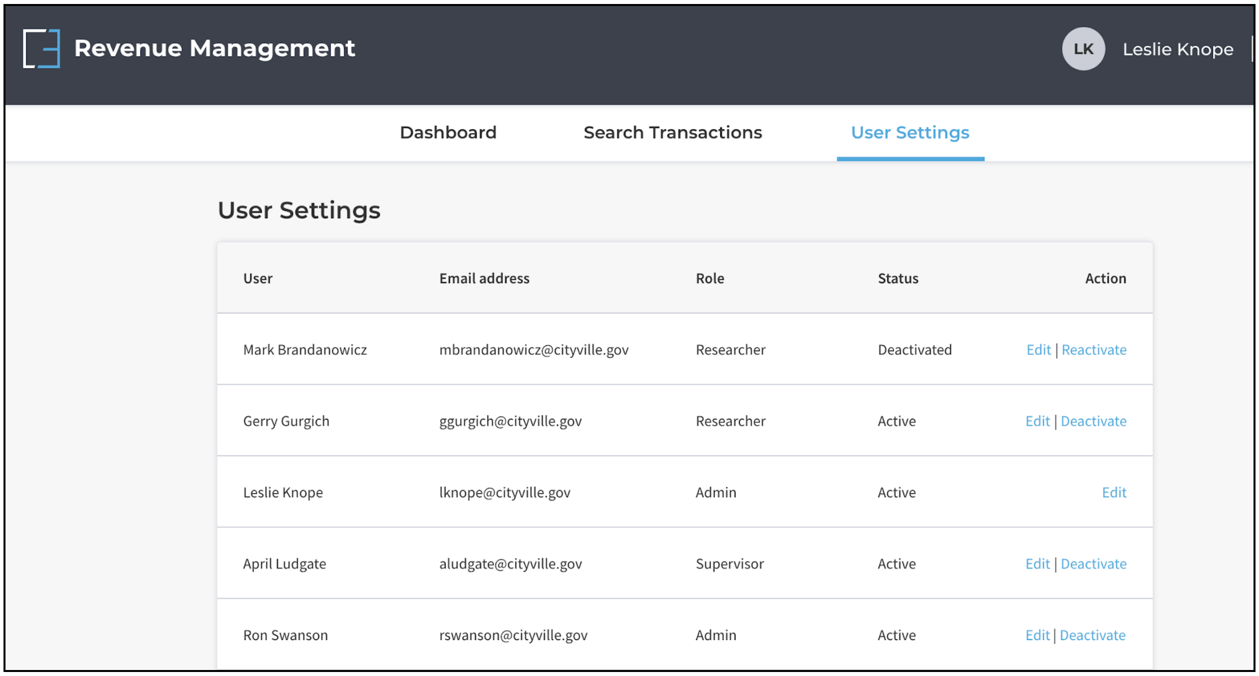
CityBase technology supports sharing the same system across Jefferson Parish and enables advanced user management. Information relevant to a specific group of people cannot be accessed unless a user is explicitly added.

Revenue Management Search Functionality: Finding a Transaction for Efficient Customer Service



CityBase Revenue Management provides an aggregated view of all transactions across payment channels for staff reporting, reconciliation, and research needs. Staff can view at-a-glance revenue by tender type or channel, or dig deeper using advanced search functionality.



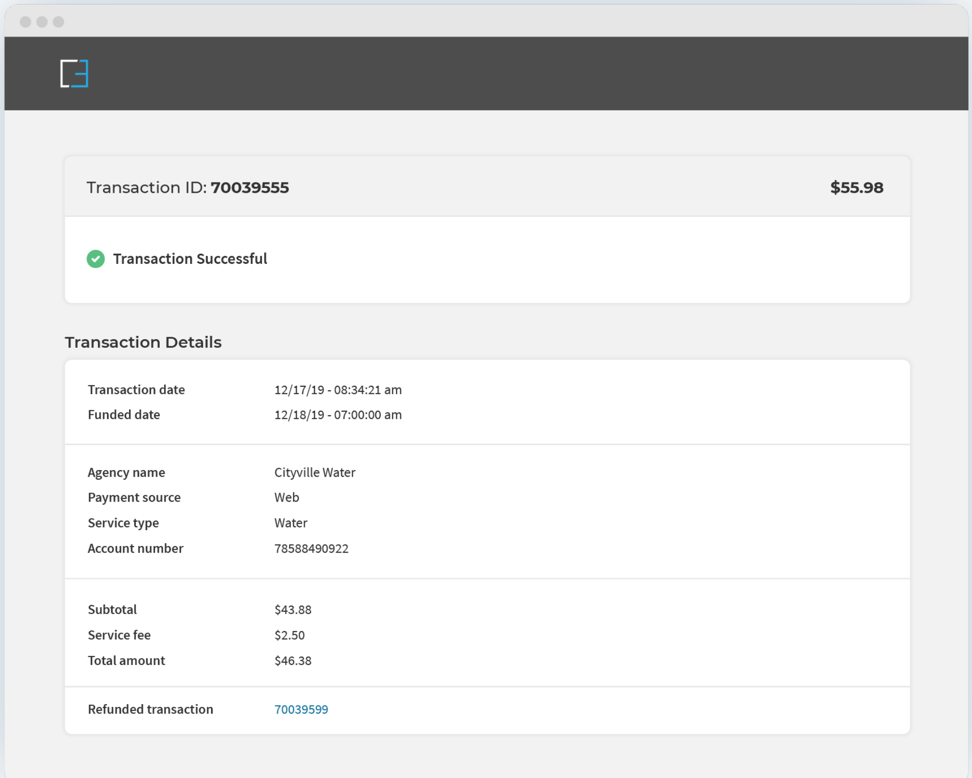


Staff can search a customer's transaction immediately in real time. Search criteria and filters include:

- Transaction ID
- Card type
- Tender type
- Date or date range of transaction or funding
- Payment channel
- Debt type
- Last four digits of card numbers
- And other criteria

Refunds and Voids

Staff can easily void or refund the payment from the same tool. For refunded payments, the original transaction and the refunded transaction records will be linked for easy research and reconciliation. Our Report Catalog and Revenue Management User Guide are attached in the Appendix with more detail on our reporting solution's functionality.



Once your staff member has located a specific transaction record, they can review full details about the transaction. Some of the details they can find in a transaction record include transaction date, funded date, department name, payment course, service type, account number, services fees, payment totals, and much more. CityBase can work with Jefferson Parish to configure transaction records to your requirements.

Standard Reports and Reporting Capabilities

CityBase will provide the Parish real-time payment information and tracking across all department systems and will format reporting data for direct entry to the general ledger. In addition, the CityBase platform includes all reporting and reconciliation and translates data between the CIS, other databases, and the customer interface. This allows Jefferson Parish to integrate with source systems to provide an uninterrupted user experience. In addition to providing these reports on a dashboard, CityBase can also deliver the files to an sFTP server to support the Parish, if needed.

Below is a list of reports that can be run in the dashboard:

Standard Reports Available in Revenue Management
✔ Revenue Collected

- Last Refresh
- Total Transactions
- Transaction Value and Volume
- Payment Totals and Sources
- All Payments
- Average Transaction Time in Seconds
- Incremental New Users
- Monthly Transactions by Tender
- Transactions by Day of Week
- Transactions by Hour
- Chargeback Report - This report is only included if CityBase is the PayFac
- NACHA File Reconciliation Report
- Cash in Deposit
- Cash Capacity
- Change Maker Capacity
- Closeout Summary by Kiosk
- Cash Dispensed by Closeout
- Transaction Volume Per Kiosk

3. *Merchant account - management software must be able to identify sub departments in transactions or multiple accounts.*

CityBase creates a unique merchant ID to meet the client's business needs, separating out any distinct departments and their transactions. CityBase will configure multiple merchant IDs and multiple settlement processes to closely align with the Parish'sbusiness practices.

CityBase provides configurable dashboards that allow the Parish to track payments real-time while providing custom reports. CityBase can configure dashboards for different departments based on their payment portal. We will also provide a dashboard to show high-level data reporting across the payment platform and digital services. This provides information that allows departments in Jefferson Parish to analyze aggregate transaction data across all departments; department-specific dashboards will include detailed information such as transaction lists and daily payment totals. Any data available on the system can be included in the reports, including transaction fees, card types, card brands, declines, disputes, and NSFs, among many other criteria.

Once implemented, the CityBase platform provides a streamlined reconciliation process that saves Jefferson Parish staff time when reconciling and recording funds, even across multiple departments and banking institutions. Parish staff will be able to view robust reconciliation reporting in the Revenue Management solution and view batch reports, settlement reports, and analytics among other reports.

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4. *Merchant service provider is asked to provide application programming interface (API) for the debit/credit card processing that is .NET based and can be imbedded in any Jefferson Parish .Net application software.*

Standard Checkout for Web Payments

Standard Checkout allows third-party applications (parish-owned or external parish-approved) to integrate to the CityBase payment platform. CityBase also provides various testing tools to simulate production elements such as simulating source systems or creating simple debt records.

Please see the Appendix Standard Checkout integration guide.

Standard Checkout allows you to integrate to a secure, cloud-hosted, and fully PCI compliant solution for processing payments. Standard checkout provides a city-branded payment experience, while never bringing the Parish into any PCI scope. The user's session is transferred from the Parish's application to the standard checkout page, where the payment is processed. After processing the payment, CityBase also sends a real-time webhook notification back to your system so that the payment can be processed. The specifications for our Payment Response Webhook can be found in the Appendix.

5. *Merchant service provider must also be able to work with other Parish Vendors to develop APIs between their payment system and service delivery or billing software.*

CityBase Standard Checkout includes an API that other Parish vendors can integrate to for payment processing. Our proposal assumes integrations will be done via API and other vendors will follow our specification. The specification for our Payment Response Webhook can be found in the Appendix to this proposal. If there are billing systems that CityBase must integrate to, we assume there is an API available that is well documented and has a test environment. Integrations that fall outside these parameters may incur additional costs.

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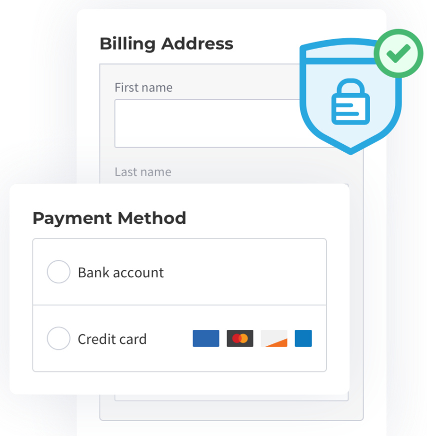
6. *All software (API) provided must be PCI compliant.*



CityBase is a certified PCI Level-1 compliant payment processor; as such, CityBase works closely with an independent third-party team of PCI Qualified Security Assessors to ensure that all cardholder data which enters, and traverses CityBase network systems, is doing so in a way that strictly adheres to the standards and requirements, as defined by the Payment Card Industry Data Security Standard (PCI DSS).

At no point in time does CityBase store, or otherwise write, cardholder data to disk. CityBase relies heavily on tokenization to ensure that no CityBase systems ever store sensitive cardholder data.

As CityBase hosts its solution within AWS, this infrastructure carries certifications/attestations including, but not limited to: ISO-27001, ISO-9001, ISO-27017, ISO-27018, PCI DSS Level-1, FIPS, SOC 2, and SOC 3. Relating to the controls surrounding the CityBase solution, CityBase makes extensive use of real-time alerting and threat detection for all assets in the environment.

These systems are designed to monitor and notify security personnel of anti-virus alerts, attacks on applications, attacks against system services, host-based intrusion detection and prevention events, cloud configuration events, and more. All of these controls meet or exceed the standards set forth in the PCI DSS. CityBase is also fully SOC 1 and 2 compliant through an audit completed by an independent third party. Please see a copy of the CityBase PCI Compliance Certificate, as well as proof of our SOC audits, in the Appendix.

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7. *All payments made by a customer must be immediately deposited directly into a designated Parish bank account through a Parish-approved banking partner, and at no time would flow through the Contractor's bank account.*

Transactions Settlement

CityBase creates a unique merchant ID to meet the client's business needs, separating out any distinct departments and their transactions. CityBase will configure multiple merchant IDs and multiple settlement processes to closely align with Jefferson Parish business practices.

At a specified cutoff time, transactions are batched and sent to the acquirer for settlement. This initiates the funding process through the merchant processor. Once transactions are batched and settled, funding happens via ACH within two business days. Funds can be deposited into the Parish bank account via wire within one business day of settlement.

For example, if funds are batched and settled Monday evening, the funds would hit the Parish's bank account by Wednesday via ACH or Tuesday via bank wire. The batch cutoff time for funding is 7 p.m. CT.

CityBase manages a unique back office process that maximizes speed while preserving the integrity of the funding to Parish bank accounts. **At no point does CityBase directly handle your funds.** Funds are transferred directly from the card issuers and card processors to Jefferson Parish's bank accounts. This preserves Jefferson Parish's chain of custody for funds, while also providing industry leading funding speeds for your card transactions.

CityBase provides reports that summarize and detail the activity of each settlement batch.

Credit Card Processing

CityBase will match Jefferson Parish's batch processing timeline, up to 7 p.m. CT for card transactions. CityBase can ensure funds are delivered to Jefferson Parish's bank accounts the next business day. This applies for all card transactions regardless of channel (web, kiosk, and POS) and type (credit and debit).

ACH Processing

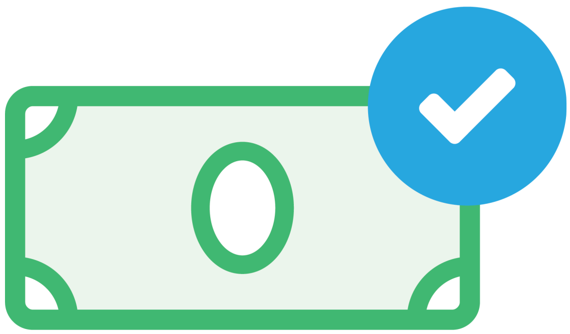
CityBase will match Jefferson Parish's batch processing timeline for each department. Standard ACH funding is within 2 days for all electronic check activity.

Reporting

CityBase Revenue Management will allow Parish staff to see all payments in one place, with granular dashboards and reporting that allow staff to spot customer trends between all web and in-person channels, tender types, any agency/departments, and more. Direct integration to your database means your backend system is updated in real-time with every payment.

CityBase will configure multiple merchant IDs and multiple settlement processes to closely align with agency business practices. Batch periods are automatically set and closed each business day to facilitate settlement.

Reconciliation



Each batch sent to the financial system contains a specific dollar amount and batch ID when settling funds into Jefferson Parish's bank accounts. This assists in the reconciliation process by clearly tying each deposit settled into the Parish account to a specific batch provided to the source system. With this process, CityBase will assign and track each transaction processed from end to end, ensuring funds are appropriately applied and reconciled with Jefferson Parish's systems.

Once implemented, the CityBase platform provides a streamlined reconciliation process that saves Parish staff time when reconciling and recording funds, even across multiple departments and banking institutions. Parish staff will be able to view robust reconciliation reporting in the Revenue Management solution and view batch reports, settlement reports, and analytics among other reports.

Deliverables

The deliverables listed in this section are the minimum desired from the successful proposer. Every proposer must describe what deliverables will be provided per their proposal, and how the proposed deliverables will be provided.

CityBase + Client Partnership Responsibilities

CityBase is committed to meeting and exceeding your project goals. We ensure that you have friendly, fast, and consistently excellent support resources—from project kickoff, through Go

Live, and well beyond. Clients consistently praise our customer success and support teams as highly knowledgeable, responsive, and effective. One of our core business values is maintaining clear and consistent communication with our clients. We strive to provide excellent customer service by establishing mutually beneficial expectations for our partnerships. Below you will find a suggested list of Jefferson Parish team resources and a high-level overview of CityBase and client responsibilities.

Jefferson Parish Core Project Team

Project Sponsor: The Project Sponsor is the project owner within Jefferson Parish's organization. They are responsible for the overall contract and a successful engagement with CityBase. This person is the ultimate decision maker, but may choose to delegate day-to-day decision making to other members of the team.

CityBase expectations of this role:

- Available for decision making or assigning a delegate for decision making as appropriate
- Maintains open communication with the CityBase team to ensure CityBase is meeting Parish expectations. This relationship is the first path of escalation for both teams
- Ensures the project remains a priority for the Jefferson Parish Core Project Team and relevant stakeholders

Jefferson Parish Project Manager: The Project Manager is responsible for the overall success of the project on the Parish's side. Often, this person is responsible for reporting on the status of the project to stakeholders within the client's organization. This is the primary day-to-day contact for CityBase.

CityBase expectations of this role:

- Coordinates client staff and third-party vendors for meetings
- Ensures client staff meets deadlines and successfully completes deliverables
- Maintains up to date and thorough understanding of the project

Finance Owner: The Finance Owner is responsible for making decisions related to taking payments across all divisions. Since the project spans multiple divisions, consistency across departments is important to keep things efficient and understandable.

CityBase expectations of this role:

- Act as decision maker for questions related to flow of funds, service fee structure, reconciliation, General Ledger configurations, etc.
- Owns relationship with banking partner when CityBase is not the payment facilitator, and ensures banking partner's availability during discovery and implementation
- Responsible for training finance staff on overall reconciliation process

Department Team

CityBase anticipates working with the following roles for each Jefferson Parish department. The size of the department may require a single person to perform multiple roles. To be most effective, CityBase will work directly with the department project team on copy.

Business Stakeholder: Primary decision maker for the division. This person is the expert on the current state of payments.

CityBase expectations of this role:

- Fills out configuration worksheets related to the payment within the timeline provided
- Participate in user acceptance testing (UAT) and provide signoff on the final solution
- Decision maker for questions that come up related to their department's payment(s)
- Ensures the Technical Stakeholder is available and responsive

Technical Stakeholder: Required for departments where there is a source system integration required for the payment. This person may work for an external vendor if there isn't a technical resource available on staff.

CityBase expectations of this role:

- Fills out the integration worksheet within the timeline provided
- Is available to answer questions while CityBase is building the integration. This may include attending meetings to do real-time troubleshooting
- Ensures CityBase systems have appropriate access to source systems across all environments
- Ensures test environments have sufficient and accurate test data available

Integration Framework and Assumptions

Below is our framework for estimating development and integration work for Jefferson Parish to the CityBase platform. Please note that if the following assumptions are not met, this process would be considered a custom integration. Custom integrations may be subject to additional fees, which are outlined in our Cost Proposal.

Assumptions:

- Vendor or client provides integration documentation for the system. Client is responsible for coordinating with the CIS vendor to provide technical specifications for all integration components.
- Sample API calls are provided in an industry standard and acceptable format such as:
  - SOAP API: SOAP UI
  - REST API: Postman
- Lookups and postbacks use:
  - A REST API
    - Sample API calls provided by the Parish or third party vendor
  - A SOAP API
    - Sample API calls provided by the Parish or third party vendor
  - A flat file lookup
    - Sample file provided by the Parish or third party vendor
- No custom business logic is required. The results are displayed as returned from the source system.

    - For example, CityBase receives the amount due for the obligation from the underlying system. No calculation is required to determine the amount paid.
- Source system is Live and unchanging during CityBase implementation.
- CityBase has access to a test environment for integration development that has all of the same capabilities as production.

Proposer Qualifications and Experience

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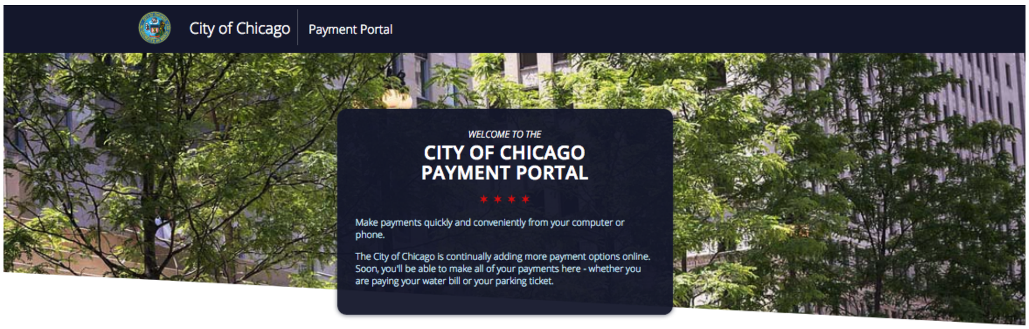
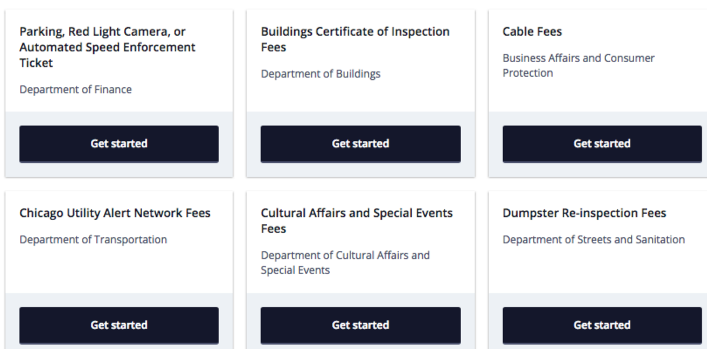
Qualifications and Experience

1. *Proposers shall provide a detailed statement of related services to government entities or private entities which identifies customer satisfaction, demonstrated volume of merchants, etc.*

A full list of CityBase clients is provided in the Appendix.

City of Chicago





City of Chicago Payment Services

The CityBase payment platform supports debt types including parking tickets, cable fees, and building inspection fees on channels including web payment and self-service kiosks for the City of Chicago.

To support Chicago's payment types, CityBase is directly integrated to the City's custom payment processing backend as well as several custom City source systems. This enables a dynamic lookup and payment experience that leverages the CityBase platform for form rendering, data integration, and payments. These integrations support myriad business rules which can be configured down to the department level.

CityBase leverages these integrations to power the City's online and in-person payment channels.

CityBase supports a number of lookup and payment options, including Standard Checkout and Guided Checkout. Each client integration is connected to our service using a standardized schema. This allows CityBase to manage hundreds of concurrent integrations in a similar fashion, despite differences in functionality and business needs.

City of Chicago Kiosk Solution

The City of Chicago has 70+ citywide kiosk pay stations to provide convenient access to walk-in customers in their own neighborhoods, including some that provide 24/7 access. Kiosk locations include City Hall, payment centers, libraries, police stations, community centers, and city department lobbies, with a total of 70 locations citywide. Chicago residents can pay for parking and traffic tickets, permits, taxes, water bills, ordinance violations, and library fees on the self-service kiosks.

“Now more than ever, it’s important that everyone has easy-to-use, self-service payment options in their own neighborhoods,” said Reshma Soni, Comptroller for the City of Chicago. “Customers who want or need to pay in person can do so in locations near their homes. This ensures that all residents have equal access to stay current on their important bills. The CityBase kiosks provide our customers with real-time information about their balance, helping them to avoid fees and penalties. The payment technology makes it easy for people to pay multiple City bills on a single kiosk machine, with automated reconciliation to the right department, which helps our staff."

Pay.Chicago.Gov Payment Website

Chicago's online payment site, pay.chicago.gov, is powered by CityBase to provide a streamlined, user-friendly platform for Chicago residents and businesses to pay all their City fees in one place. Residents can pay their parking tickets, as well as fees towards cable, cultural affairs and special events, health permits, building inspection fees, and many others.

Chicago residents can also use the website to look up their account information and search for the nearest kiosk location should they need to make an in-person payment.

Using the CityBase standard checkout experience, customers can make a one-time payment without logging in. When they visit pay.chicago.gov to make a payment, the City's existing workflow and integrated payment page allows customers to seamlessly complete their payment, view a confirmation screen, and receive a receipt via email.

The CityBase platform has made it simple for Chicago to expand their payment platform across multiple agencies and departments throughout the City.

City of Austin, TX

Use Case: Prioritizing residents with flexible and user-friendly payment methods

The City of Austin, TX, selected the CityBase payment platform to enhance services for Austin residents, part of its digital strategy to put residents first. Powered by the CityBase payment platform, Austin residents have access to online and mobile options to pay permitting fees, quarterly hotel occupancy taxes, public information requests, and more.

"When our online payments contract was expiring, we knew there were areas of improvement for both the City and customer that we could focus on. These included modernizing payment methods, reconciliation process improvements, and gaining greater flexibility in how the payment process works and how we can leverage that for a better experience for the City and end user," said Mark Caraway, Information Systems Division Manager, City of Austin.

The CityBase platform links several Austin billing systems together across multiple agencies, with a common user interface. It has also improved back-end reconciliation and efficiency for staff, through real-time data, reporting, and service integrations. The CityBase platform is transforming the payments experience for residents with its increased flexibility, reliability, and security.

"As we are in a pandemic, it is imperative that our residents and businesses have the ability to interact with the City and make payments electronically now more than ever. We see our new partnership with CityBase as an opportunity to improve our operational efficiency and service for a broad range of billing systems across many departments here at the City."

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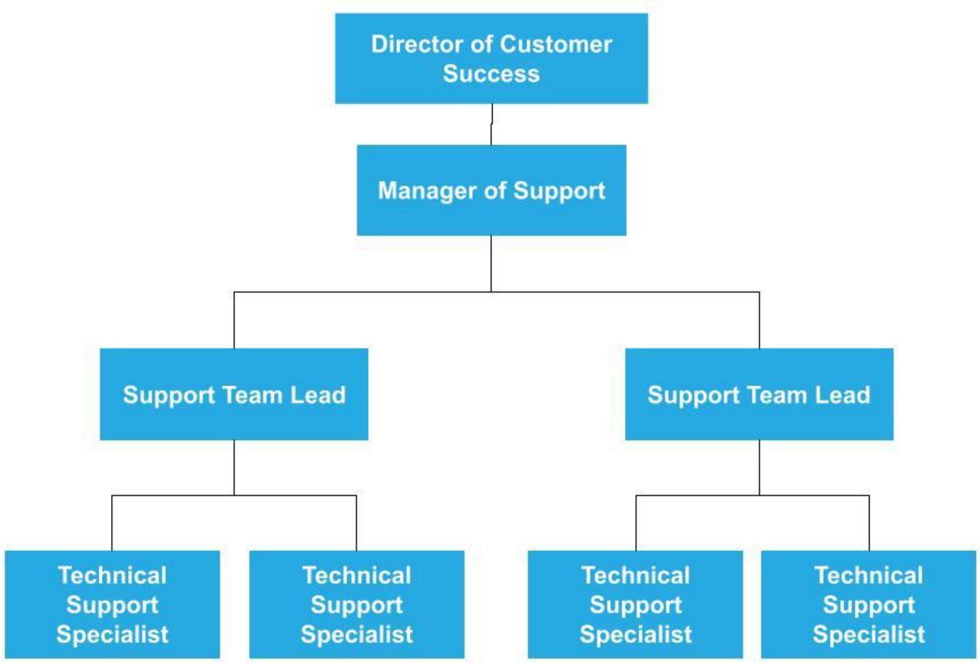
2. *Proposer must provide a detailed description of customer service capabilities, including resumes of personnel assigned, total number of personnel and timeline of customer inquiries and complaints, as applicable.*

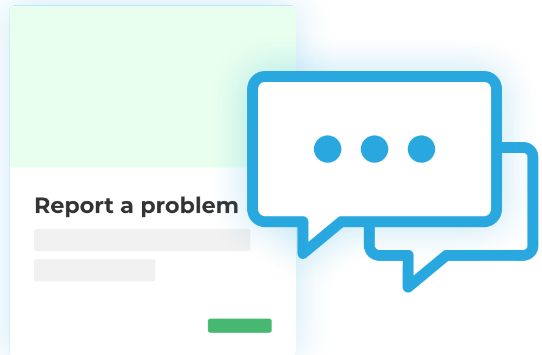
The CityBase Customer Support Team outpaces the industry with our ownership, drive, and tracking of client issues to successful resolution. Because of our experience and training to work with similar sized markets—and the fact that support is integrated at a molecular level into our broader engagement strategy—our support offerings include a fully staffed helpdesk, proactive monitoring and outreach, testing and diagnosis, root-cause analysis, emergency after hours on-call support, and customer satisfaction tracking.

The CityBase Customer Support Team consists of five software support and four hardware support professionals who are highly experienced in the field. In addition, CityBase will have a Customer Success Manager to act as the single point of contact for customer relations and is responsible for the client relationship with CityBase. The resume for our Customer Success Manager is included with other CityBase team resumes in the Appendix.

CityBase Support Team Structure



Technical Support



CityBase will be able to meet the support requirements for Jefferson Parish. While each engagement has its own nuances, there are some steps we take at the outset to ensure our expectations for service are aligned.

For Jefferson Parish, we will dive into what customer service means to you, and who precisely your customers are. This may include proactive outreach from our team to designated members or groups in Jefferson Parish , including those in customer service focused functions. We are prepared to facilitate discussion on this topic, or take direction from Jefferson Parish, and then manage the agreed upon plan.

Support Benefits and Response

SLA requires response within 4 hours of receiving a support ticket

- CityBase **responds** to support inquiries in **10 minutes on average.**
- CityBase **resolution** time is **20 minutes on average.**

Support is available **7:00 A.M. – 7:00 P.M. CT**

All tickets are visible to your **staff** through the **support tool**

Customers can request support via **phone and email**

Real-Time Resolution Dashboard

The CityBase Customer Support Team outpaces the industry with our ownership, drive, and tracking of client issues to successful resolution. Our Customer Support Team is well versed in supporting CityBase web payments in similar sized markets, and we offer:

- A fully staffed helpdesk
- Proactive monitoring and outreach
- Testing and diagnosis
- Root-cause analysis
- Emergency after hours on-call support
- Customer-satisfaction tracking

Staff will have access to a dashboard that will contain:

- User troubleshooting guides
- Access to tracking all Parish-wide support tickets (new, pending, on hold, and closed)
- A link to Revenue Management
- Useful tips and tricks

Submitting a Support Ticket

Jefferson Parish will be able to submit all support inquiries via dashboard and/or email and track their progress in real time. An email confirmation will be sent immediately upon receipt of the request, and the Customer Support Team will begin investigating the issue. The Customer Support Team will resolve the majority of issues and will escalate to other CityBase technical teams if necessary.

Our comprehensive supporting solution consists of a multi-tiered system. Standard support, including a toll free phone line and direct email, is available during regular business hours (7 a.m. to 7 p.m. CT), and a dedicated on-call member will respond via email after business hours.

Depending on the needs of Jefferson Parish, CityBase may enlist the help of a third-party call center to facilitate 24/7 phone support for all issue levels.

Sample SLA

Severity Level	Definition	Action 1	Action 2	Action 3	SLA
Critical	All payment channels unavailable in any one (1) location where no other location is available within two (2) miles; all lookup methods unavailable; unable to process	30 Minutes, 24x7	2 hour maximum interval, 24x7	24 hour, 24x7	99.95%

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	all payment types; payments improperly posting for five (5) or more users within one (1) business day; significant account reconciliation issues				
Major	More than one (1) payment channel unavailable in any one (1) location where no other location is available within two (2) miles; unable to process multiple payment types; payments improperly posting for four (4) or fewer users within one (1) business day; minor account reconciliation issues	2 hours	4 hour maximum interval	24 - 48 hours	99.95%
Medium	One (1) payment channel unavailable in any one (1) location; one (1) lookup method unavailable; unable to process one (1) payment type; payments improperly posting for one (1) user.	4 hours	24 hour maximum interval	48 - 72 hours	99.95%
Minor	Minor issues as reasonably determined by Client	4 hours	N/A	As appropriate	99.95%

System Maintenance and Support

CityBase will provide ongoing support, maintenance, and upgrades as part of our core service. Our model ensures that the Parish will not be burdened with version-based software that becomes frozen at the time of implementation. Rather, Jefferson Parish will benefit from continuous upgrades and improvements to the platform.

In the rare case of a planned downtime event, CityBase will reach out to Jefferson Parish well in advance to notify you of the planned downtime so that the Parish is fully aware of any potential interruptions. CityBase will also send a follow up email once this is completed. In the few instances this has happened, we provided our clients with a two hour window and the procedure lasted less than 10 minutes.

CityBase is dedicated to clear, consistent, and transparent communication regarding any interruptions or upgrades to Jefferson Parish's system. CityBase will reach out to the Parish immediately in the occurrence of an unplanned interruption and specifically, the CityBase team will work with your assigned steering committee to establish best practices for handling and communicating any issues or upgrades regarding Jefferson Parish's system.

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3. *Proposer shall provide resumes for account manager(s), designated customer service representative(s) and any and all key personnel anticipated to be assigned to this project, in addition to resumes of any and all subcontractors.*

The CityBase Team

Please see the Appendix for full CityBase team resumes.

Kiera Warner, *Account Executive*
Kiera Warner will be the appointed Account Executive for this project. Kiera will guide the CityBase relationship with Jefferson Parish to assess the Parish's drive and assist in implementing projects that best fosters the drive of Jefferson Parish. Kiera will be responsible for supporting Jefferson Parish throughout all sales processes, assist in creating business plans and provide quarterly product reviews to ensure that Jefferson Parish is properly informed on all government technology upgrades here at CityBase.

Previously, Kiera worked as an Inside Sales Account Executive for a Financial Services company named Corelogic. She graduated with her Master of Business Administration from University of North Texas at Dallas with an MBA focus in Strategic Management.

Amber Ray, *Director of Implementation*
Amber has overseen teams and portfolios of projects across the technology, government, and utility industries. As the Director of Implementation, she leads a team of project managers and solutions engineers and is directly responsible for the implementation of CityBase's payment products.

Amber has over 13 years of experience across multiple industries and leading teams in various functions. She is a proven leader with multiple cycles of success facilitating growth and driving operational excellence in settings of fortune 100 businesses, as well as privately owned start-ups. Amber has demonstrated success in multiple functions including sales, operations, supply chain, and project/program management. She holds certifications in Agile, Lean, and Six Sigma methodologies.

Adam Folta, *Solutions Engineering Manager*
Adam is the primary technical resource for the implementation team, and manages the CityBase team of solutions engineers. He specializes in CityBase kiosk applications and is responsible for ensuring resilient integrations. Adam has experience with data analytics, financial planning, large-scale data migration, and solutions architecture from his previous work experience and helps facilitate ongoing integration development at CityBase. Adam was the Solutions Engineer for a recent implementation with the City of Lawrence, IN. As the technical lead on the project, Adam coordinated with internal and external partners to ensure the application was built to the client's needs. Adam has a Bachelor's in Urban Studies from DePauw University.

Beth Gavin-Pearson*, Senior Project Manager*
Beth has a strong background and extensive experience as a project manager, leading the delivery of sustainable change to process improvements and implementation. Throughout her career, she has demonstrated proven success in Fortune 500 companies and privately owned small businesses. As a project manager, Beth oversees the deployment of CityBase technology throughout the engineering, product, operations, and engagement levels. Beth earned her master's degree in management from National-Louis University.

Kevin Lynch*, Senior Customer Success Manager*
Kevin guides the CityBase relationship with the City of Indianapolis and Marion County and works as a trusted advisor to bring strategy-driven solutions to the City. He has seven years of experience as a client manager, including Fortune 500 companies. Kevin holds a Bachelor's Degrees in English Literature and Education from Denison University and an MBA from Indiana University, with concentrations in Marketing and Entrepreneurship.

Kevin Lynch will serve as the Customer Success Manager and will operate as a dedicated resource and client advocate. He is responsible for the client relationship with CityBase. Kevin is responsible for ensuring that Jefferson Parish gets the full value of the CityBase solution, and is available to escalate support issues as needed.

Innovative Concepts

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Innovative Concepts

Present innovative concepts, if any, not discussed above for consideration.

CityBase Payment Processing Platform

CityBase is exclusively dedicated to government and utility use cases. We understand the unique challenges and opportunities of working with governments. Our experience in advancing our products alongside our partner-clients gives us an advantage over other firms. We embrace the opportunity that makes government so unique: to serve the entire population, inclusive of their needs and challenges.

The CityBase platform was designed to facilitate the “many to many” use case native to government, where many agencies and departments offer many services through multiple channels to many residents. The CityBase payment platform is built on the notion that residents value and will engage with simplicity, convenience, and flexibility. CityBase enables governments to offer digital and payment services via multiple channels including web, kiosks, and POS.

We believe smart governments should serve everyone, including people who pay in person due to preference or need. That’s why we focus on digitizing both online and in-person channels—so we leave no resident behind in the pursuit of better technology. It’s also why we never charge transaction fees on top of a cash payment: because we want to make payments as frictionless as possible, particularly for residents who are un- or under-banked.

The CityBase payment platform brings all payment activity together within a single back-office application, making reconciliation and revenue reporting significantly quicker and easier for government employees. Our significant investment in user experience design allows the users of our applications, both end residents and government staff, to accomplish their task at hand quickly and efficiently. User feedback tells us our end users have a positive experience when accomplishing tasks that can be cumbersome experiences, such as paying bills or interacting with government technology.

Dedicated to the Public Sector

CityBase is singularly focused on creating technology for the public sector—it’s a focus that consumes the entirety of our staff.

We’ve continued growing with this mission in mind, and joined GTY Technology with five founder-led companies similarly dedicated to improving the public sector experience. CityBase solutions are driven by our government and utility clients’ needs; our product roadmap is developed with direct input from states, cities, counties, and utilities across the United States.

We genuinely care about creating seamless interactions between public servants and the public. We problem-solve alongside our clients, continuously deliver value, and even answer the phone when you give us a call.

Multiple Payment Channels on One Platform

CityBase provides a unified, integrated payment platform for every payment channel. We understand that various Parish departments will have unique needs which may also change over time. CityBase technology allows for Jefferson Parish to have flexibility in setting implementation priorities by debt types and by channel. Our intimate knowledge of the inner workings of local and state governments provides us with the distinct ability to adapt to individual department needs while maintaining a macro approach to digitizing the municipal experience. Making technology sustainable, reusable, and scalable for our public-sector clients is the ultimate premise of the CityBase platform.

CityBase provides payment solutions via a software-as-a-service (SaaS) platform that includes all required technology and is accessible through multiple payment channels. We integrate the platform to all underlying systems of record, billing, and other source systems, and configure payments and digital services to meet the requirements of Jefferson Parish.

The CityBase **Web Payment** solution allows customers to make one-time payments as a guest, securely store payment information for faster checkout, or create a Jefferson Parish user Profile to set up recurring auto-payments and save all of their Parish financial obligations in a single place. For customers, the CityBase web solution operates fully on jeffparish.net, retaining the look and feel of the Jefferson Parish domain. The solution is mobile-optimized, with full functionality and ease of use on a desktop, tablet, or smartphone.

The CityBase **Point of Sale (POS)** cashiering solution will allow the Parish to accept payments at various locations in cash, credit and debit cards, and checks. The CityBase POS solution uses an Ingenico Lane 3000 card reader which supports EMV and is a fully certified, PCI validated solution, including Point to Point encryption and secure cellular communications.

CityBase **Kiosks** extend hours and increase convenience for in-person, self-service payments. Kiosks accept cash, check, and card payments. The cloud-based application runs on the same PCI Level-1 compliant payment platform via a secure cellular network to remove the Parish from PCI scope. Kiosks are ADA compliant and optimized for people with vision impairments and low literacy skills, and support multiple languages. They can accommodate payments from multiple departments while enforcing individual departmental business rules dynamically. Kiosks are easy for customers to use (average transaction times are under a minute), can allow for 24/7 self-service, and in many cases we have seen 100% adoption for our clients' cash customers

The CityBase platform integrates to all underlying systems of record, billing, and other source systems, and configures payments and digital services to meet the requirements of Jefferson Parish. Integrating an agency source system to the CityBase platform makes its data accessible from any channel. CityBase can host all payments and digital services migrated to the CityBase platform, and assumes all responsibility for maintenance, reliability, PCI compliance, and data encryption functionality of the systems. We require no infrastructure, hardware, or software from you—only access to the systems you want exposed. There are no requirements for network connectivity other than browser-based client-facing functionality, while back-end integrations require secured access to those systems.

Equitable and Accessible Payment Channels

CityBase leverages our expertise in user experience, user research, and accessibility to create a better payment experience for customers, business users, and government staff. When designing products that are used by a large variety of people, we strive to ensure that every product is developed with equity and empathy at its core. Although many citizens use web payments, we cannot forget the customers who prefer to pay using cash, especially those who are unbanked and underserved.

Our expansive kiosk network is particularly important for cash-preferred or underbanked customers, where in-person payments are the only option for monthly bill payments. According to our data, of the 400+ payment kiosks across the United States, 50% of walk-in payments are made in cash. In this case, CityBase will never charge a service or convenience fee to people paying cash at our kiosks. A 24/7 kiosk location can mean the difference between timely bill payment and late fees or service interruption. We are excited for this opportunity to collaborate with Jefferson Parish to create more opportunities for accessibility and equity at the community level.

Project Schedule

CITYBASE

Project Schedule

Detailed schedule of implementation plan for pilot (if applicable) and full implementation. This schedule is to include implementation actions, timelines, responsible parties, etc.

Implementation

CityBase uses an Agile philosophy for implementations and client engagements. This philosophy is anchored on delivering iteratively, working closely with end users throughout the development process. With that philosophy as the foundation, we have learned that our implementation process is often best served by being tailored for a specific engagement. As an example, we would favor more frequent check-ins and ongoing communication as we approach a major milestone.

CityBase will develop a detailed SOW and project schedule in partnership with Jefferson Parish to define deliverables, budget, and timeline that meet and exceed the Parish's needs. Methods used to ensure quality control include weekly check-ins, transparent and consistent communication, project milestones, and not exceeding budgetary options.

CityBase's implementation methodology includes:

- Weekly status meetings with appropriate Jefferson Parish personnel to discuss ongoing development, risks, issues, and priorities.
- In-person Discovery sessions to understand existing business processes and technical and business requirements.
- The CityBase Implementation Team works in two-week sprints allowing for tight feedback loops related to schedule. The progress of these sprints is reviewed in the weekly status meetings mentioned above.
- User Acceptance Testing (UAT) using a dedicated test environment to ensure implemented scope meets the expectations of all stakeholders.
- Training accompanied by a live training environment.

Training

Extensive Training for Staff

The CityBase platform is designed to be user-friendly and intuitive; however, thorough training of Parish staff is essential for a quick adoption of the system. We offer a no-cost, in-person "train the trainers" session for both admins and end users. Additionally, CityBase will provide user documentation and instructional materials detailing procedures for using full functionality provided in the application. As part of the implementation and user acceptance processes, CityBase will train Jefferson Parish staff, coordinated by the CityBase team, and give them the tools to empower customers. For a close look at CityBase training, visit http://go.thecitybase.com/kiosk-training-video for our CityBase kiosks training overview.

Project Approach

We understand the scope of this project to be a multi-department electronic payment processing solution for Jefferson Parish CityBase is committed to collaborating with you every step of the way. We will work through our governance routines to keep Jefferson Parish key stakeholders informed of the project's progress and inform them of any changes, before they occur. As the CityBase payment platform is implemented and integrated, we will build a repository of knowledge to enhance our ongoing engagement.

Statements of Work / Change Orders

The project will begin once the Statement of Work (SOW) has been signed. The SOW will govern the terms and deliverables of the project. There may also be high-level schedule information or milestone target dates in the SOW, depending on the project.

Meaningful changes to the scope will trigger the need for a Change Order. A change is considered meaningful if any of the following is true:

- The change impacts many stakeholders and would benefit from written verification of the new path forward
- The change introduces a change to the project schedule
- The change directly contradicts what is established in the SOW
- The change results in a change in pricing for the project

Document Management

During Project Kickoff, CityBase will work with the client to set up a place to manage documents. CityBase will defer to the client on which tool to use for this, since some clients already have a system established (Sharepoint, Microsoft Teams, etc.). If the client has no preference or has no system established, CityBase will create a Google Drive that is accessible to all parties.

Communication

In our experience, we have found that creating a place for communication via messaging is more efficient than relying only on email. We have found the best success when we are able to set up chat rooms such that the CityBase Project Team can communicate in real time with the Client Project Team using this method. We defer to the client on which tool the client prefers. If the client has no preference or has no existing tool in use, CityBase will create a Slack channel for the project.

Configuration Worksheet Approval

With any project, managing sign-offs across multiple departments can quickly become cumbersome and hard to keep track of. CityBase recommends using the CityBase Screendoor product to track the status and approval of configuration worksheets. This product will be used during the project at no cost to the client. Any change in requirements that happens after a worksheet has been approved may result in a Change Order.

Schedule

The project schedule is one of the most important living documents for our project. Since there are so many stakeholders involved, it is critical that we create visibility into what will happen and when, so that everyone is on the same page.

What you will see in our project schedules:

- **Tasks per Payment Application**. Work is organized such that all of the tasks related to delivering a payment application are listed together in a single section. This makes it easier for someone at an agency to see all of their work consolidated in one section of the project plan, while still providing an overall picture to the project team

- **Two-Week Sprints.** CityBase work is organized into two-week blocks of time, or “sprints,” which reflects our internal process for working.

- **Deadlines.** Client deliverables will be associated with deadlines. Where possible, our first deadline will not impact our critical path. This allows us to establish a second deadline without impacting the overall project.

- **Scheduling Consequences.** If a second deadline is missed, there may be a consequence to the schedule. Consequences often include overall project delay or de-prioritization of the impacted deliverable. CityBase will make these deadlines and their corresponding consequences clear.

The project schedule is owned by the CityBase Project Manager and is updated bi-weekly. The document will be stored at a mutually accessible location so that the client has access to the most recent version at any time.

Scheduling Phases To Expect

Following Project Kickoff	CityBase will communicate with each department to let them know where their payment falls within the schedule. This communication will include an overview of who CityBase is and what the overall project scope is, and it will describe the process below along with corresponding deadlines.
60 Days before Application Build	CityBase will send configuration documentation to the department to gather requirements for their payment application. The deadline for these documents will be in 30 days from receipt. CityBase will be available to answer questions/help departments fill out the worksheets.
30 Days before Application Build	**Deadline 1**. Ideally all documentation has been finalized and approved such that we are ready to build. If not, Deadline 2 will be established for 15 days later.
15 Days before Application Build	**Deadline 2**. If documents are not ready, the department will be put on hold and will not be added back to the schedule until their deliverables are complete.
Application Build / Quality Assurance (QA)	This is when CityBase staff will be working on the application. We will request that the department(s) have staff available to answer questions via email or, occasionally, we will request a phone call to quickly resolve issues. This includes both integration work as well as configuration work. As part of this phase, CityBase will be integrating with the source system to verify the integration is working as expected. We will also be building workflows for payments on the kiosks. This phase also includes CityBase internal testing.
User Acceptance Testing (UAT)	UAT sessions are scheduled on a particular date. This timing will be finalized during the application build. In addition, a detailed UAT process document will be sent to the UAT attendees so they know what to expect during testing. CityBase expects each UAT session to involve stakeholders who are familiar with what the customer is paying for, able to verify data in the source system, and able to confirm that the reporting meets back-office requirements. As such, we typically see two to five (2–5) participants involved in each UAT session. UAT is typically completed within two sessions with some time for fixes in between the two sessions.
Go Live	Once UAT is complete, we will work with the department to coordinate Go Live. Typically the application is live within one to two (1–2) weeks of successful UAT.

Documentation

The list below indicates the documentation you should expect from CityBase. The list also indicates the timing of delivery for each document.

Document	Description	Timing
Solution Overview	This document describes who CityBase is and the solution CityBase is delivering as part of the engagement. This can serve as a useful introduction document as new stakeholders are introduced to the project. This document will be sent to each department following the project kickoff.	After Kickoff
Department Plan	This document is for Jefferson Parish employees who will be involved in the project during the development of their payment application(s). This document outlines what departments can expect from CityBase and what CityBase expects of the department(s). This document will be sent to each department following the project kickoff.	After Kickoff
Project Documents	The following documents will be created after kickoff and will be used by the core project team on both sides to successfully manage the project. ● Project Plan ● Issue Tracker ● Contact Sheet for all Stakeholders	After Kickoff
Configuration Worksheets	These worksheets are managed using the CityBase Screendoor product and are used to capture the configuration requirements for each payment application. These forms will be sent to identified department stakeholders once those stakeholders have been introduced to the project.	After Kickoff
UAT Overview and Test Plan	This document explains the User Acceptance Testing (UAT) process and includes test plans for City staff to refer to during UAT. This will be provided to each department as they head into UAT for their application.	During Application Build
Standard Product User Guides	CityBase has standard User Guides for products which have Jefferson Parish employees as primary end users. If appropriate, the User Guides will be modified to reflect client-specific functionality. These documents will be made available using the project Documentation Management Tool.	Training
Go Live Handoff	This document explains the process for transitioning from the active project to Go Live and subsequent support. It outlines	Pre Go Live

how to engage with our Support Team and what you can expect in your interactions with them. This document will be provided to each department upon UAT completion.

Beyond Go Live

CityBase is committed to improving the customer experience by partnering with institutions like Jefferson Parish. Our intimate knowledge of the public sector informs each of our engagements.

After Jefferson Parish's Go Live, we will closely monitor the performance of the software and applications, to ensure our solutions are performing at the highest caliber. The CityBase platform is built to accommodate seamless expansion of new departments and debt types over time to meet the evolving needs of governments, utilities, and public sector institutions.

Jefferson Parish will continue to have a dedicated resource and client advocate throughout the entirety of your engagement with CityBase. They will provide continuity and support post Go Live, bridging an expert understanding of your evolving needs and ongoing enhancements to the CityBase platform and products.

The CityBase philosophy for research and development necessitates meaningful relationships with our clients. We will learn from your needs and experiences, and offer insights into new product solutions and industry trends to keep you ahead of the curve on platform innovation.

Timeline

On discussion of details within the scope and of the Parish's priorities, CityBase will provide an estimated project timeline. This timeline includes all activity including requirements gathering, software development, testing, training, and Go Live. The overall project timeline will be based on the number of payments, number of integrations, and review of any additional functionality that may be required as part of the implementation.

CityBase recommends an iterative deployment for both web and POS payments. This drastically reduces any project risks because we can use the early production deployments to verify our assumptions and quickly learn if there are changes that need to be made for subsequent payments. It also helps build momentum for the project and allows us to mutually achieve our desired outcomes quicker using tangible results.

Please find a sample schedule below which shows two deployment cycles:

	Task Name	Duration	Start	Finish	Predecessors
1	SOW Finalized	1d	01/05/21	01/05/21	
2	Kickoff	10d	01/06/21	01/19/21	1
3	Phase 1 Payments (3-5 payments)	76d	01/06/21	04/21/21	
4	Discovery	15d	01/20/21	02/09/21	2
5	Citywide configuration worksheets complete	15d	01/20/21	02/09/21	2
6	Banking requirements / integrations discovery complete	15d	01/20/21	02/09/21	2
7	Configuration Worksheets finalized with each agency	15d	01/20/21	02/09/21	2
10	Integration specs from each agency	15d	01/20/21	02/09/21	
13	Build	65d	01/06/21	04/06/21	
14	Build Integrations for each agency	30d	02/10/21	03/23/21	
17	Configure city on Platform	10d	02/10/21	02/23/21	4
18	Configure agency payments	5d	02/10/21	02/16/21	4
21	Build Banking Integrations	10d	03/24/21	04/06/21	14
22	Procure / Ship Hardware	60d	01/06/21	03/30/21	1
23	Testing	15d	03/31/21	04/20/21	
24	Agency UAT	10d	03/31/21	04/13/21	
27	Production Tests to verify MIDs	10d	04/07/21	04/20/21	17, 21
28	Phase 1 Go-Live	1d	04/21/21	04/21/21	23
29	Phase 2 Payments	71d	02/10/21	05/19/21	
30	Discovery	15d	02/10/21	03/02/21	4
31	Configuration Worksheets finalized with each agency	15d	02/10/21	03/02/21	2
32	Integration specs from each agency	15d	02/10/21	03/02/21	
33	Build	55d	02/17/21	05/04/21	
34	Build Integrations for each agency	30d	03/24/21	05/04/21	14
35	Configure agency payments	5d	02/17/21	02/23/21	18
36	Testing	10d	05/05/21	05/18/21	33
37	Agency UAT	10d	05/05/21	05/18/21	
38	Production Tests to verify MIDs	5d	05/05/21	05/11/21	
39	Phase 2 Go-Live	1d	05/19/21	05/19/21	36

Financial Profile

CITYBASE

Financial Profile

Proposers are requested to submit documentation from the past three (3) years demonstrating proposer's financial stability. Documentation may include audited financial statements including balance sheets, income statements, documentation regarding retained earnings, assets, liabilities, etc. Such information should be included in the technical portion of the proposal submission and MUST NOT be included with the cost proposals and/or price schedules.

Please see the attached annual financial reporting from 2019, 2020, and 2021 in the Appendix to this proposal. We have also included a Certificate of Insurance as required in Attachment A – Insurance Requirements in the section entitled Attachments/Forms.

A founding premise of CityBase is making government more accessible and more transparent for all constituents. When CityBase joined GTY Technology (NASDAQ: GTYH) in 2019, our values and corporate governance aligned more closely with our municipal customers. The transparency and reporting required of public companies ensures CityBase customers have peace of mind. This provides a public insight into our operations that privately held firms will not and/or cannot provide. From a financial capacity perspective, being a part of a public company also provides CityBase access to capital markets. CityBase is not dependent on a small number of customers or any future events — we are fully capitalized and poised for growth in one of the fastest growing sectors in US markets: GovTech.

CityBase is a business unit of GTY Technology (GTY), a publicly traded company on NASDAQ(GTYH). CityBase's financial information is publicly accessible via the U.S. Securities and Exchange Commission:
https://www.sec.gov/cgi-bin/browse-edgar?CIK=gtyh&owner=exclude&action=getcompany&Find=Search

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References

References

Consolidated City of Indianapolis and Marion County

Client Name	Consolidated City of Indianapolis and Marion County
Contact Information	Kate Kotan, Constituent Digital Experience Manager Email: kate.kotan@indy.gov
Site Location	200 E. Washington St. Suite 1522 Indianapolis IN 46204
Industry	Government
Implementation Date	April 2017–ongoing

City and County of San Francisco

Client Name	City and County of San Francisco
Contact Information	Tajel Shah, Chief Assistant Treasurer Email: tajel.shah@sfgov.org Phone: (415) 554-4506
Site Location	1 Dr. Carlton B. Goodlett Pl. San Francisco, CA 94102
Industry	Government
Implementation Date	April 2018–ongoing

City of Austin, TX

Client Name	City of Austin
Contact Information	Mark Caraway, Information Systems Division Manager Email: mark.caraway@austintexas.gov Phone: (512) 974-1182
Site Location	301 West Second Street Austin, TX 78701
Industry	Government
Implementation Date	September 2020–ongoing

Attachments/Forms

CITYBASE

Request for Proposals #0438

Merchant Card Payment Processing Services

SIGNATURE PAGE

The Jefferson Parish Department of Purchasing is soliciting Request for Proposals (RFP'S) from qualified proposers who are interested in providing Merchant Card Payment Processing Services for the Jefferson Parish Finance Department.

Request for Proposals will be received until 3:30 p.m. Local Time on: May, 13, 2022.

Acknowledge Receipt of Addenda: Number: No. 1
Number: **No. 2**
Number: ______________
Number: ______________
Number: ______________
Number: ______________

Name of Proposer: CityBase, Inc.

Address: 363 W. Erie St. Fl. 7
Chicago, IL 60654

Phone Number: (866) 210-6270 Fax Number (312) 276-8123

Type Name of Person Authorized to Sign: Michael Duffy

Title of Person Authorized to Sign: CEO and Founder

Signature of Person Authorized to Sign: Michael Duffy

Email Address of Person Authorized to Sign: rfp@thecitybase.com

Date: 5/10/2022

This RFP signature page must be signed by an authorized Representative of the Company/Firm for proposal to be valid. Signing indicates you have read and comply with the Instructions and Conditions.

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 5/9/2022

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:	
Henderson Brothers Inc 920 Ft. Duquesne Blvd. Pittsburgh, PA 15222	PHONE (A/C, No, Ext): (412) 261-1842	FAX (A/C, No): (412) 261-4149
	E-MAIL ADDRESS: mailroom@hendersonbrothers.com	
	INSURER(S) AFFORDING COVERAGE	NAIC #
	INSURER A : Hartford Fire Insurance Company Payable	19682
INSURED	INSURER B :	
Citybase Inc. 30 N LaSalle St, Ste 3400 Chicago, IL 60602	INSURER C :	
	INSURER D :	
	INSURER E :	
	INSURER F :	

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY						EACH OCCURRENCE	$ 1,000,000
	CLAIMS-MADE X OCCUR			83UUNZV5456	8/10/2020	6/15/2021	DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 300,000
							MED EXP (Any one person)	$ 10,000
							PERSONAL & ADV INJURY	$ 1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$ 2,000,000
	X POLICY PRO-JECT LOC						PRODUCTS - COMP/OP AGG	$ 2,000,000
	OTHER:							$
A	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
	ANY AUTO			83UUNZV5456	8/10/2020	6/15/2021	BODILY INJURY (Per person)	$
	OWNED AUTOS ONLY SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	X HIRED AUTOS ONLY X NON-OWNED AUTOS ONLY						PROPERTY DAMAGE (Per accident)	$
								$
A	X UMBRELLA LIAB X OCCUR						EACH OCCURRENCE	$ 3,000,000
	EXCESS LIAB CLAIMS-MADE			83XHUZV5090	8/10/2020	6/15/2021	AGGREGATE	$ 3,000,000
	DED X RETENTION $ 10,000							$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N						X PER STATUTE OTH-ER	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	N / A		83WEAB50R6	8/10/2020	6/15/2021	E.L. EACH ACCIDENT	$ 1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Re: RFP 0438 / Jefferson Parish

Jefferson Parish, its Districts Departments and Agencies under the direction of the Parish President and the Parish Council are included as additional insured on the General Liability and Auto Liability when required by written contract. The Workers compensation includes a waiver of subrogation when required by written contract.

CERTIFICATE HOLDER	CANCELLATION
Jefferson Parish PO Box 9 Gretna, LA 70054	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE Robert J Hippert

CORPORATE RESOLUTION

EXCERPT FROM MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF CityBase, Inc. INCORPORATED.

AT THE MEETING OF DIRECTORS OF CityBase, Inc. INCORPORATED, DULY NOTICED AND HELD ON 5/9/2022, A QUORUM BEING THERE PRESENT, ON MOTION DULY MADE AND SECONDED. IT WAS:

RESOLVED THAT Michael Duffy, BE AND IS HEREBY APPOINTED, CONSTITUTED AND DESIGNATED AS AGENT AND ATTORNEY-IN-FACT OF THE CORPORATION WITH FULL POWER AND AUTHORITY TO ACT ON BEHALF OF THIS CORPORATION IN ALL NEGOTIATIONS, BIDDING, CONCERNS AND TRANSACTIONS WITH THE PARISH OF JEFFERSON OR ANY OF ITS AGENCIES, DEPARTMENTS, EMPLOYEES OR AGENTS, INCLUDING BUT NOT LIMITED TO, THE EXECUTION OF ALL PROPOSALS, PAPERS, DOCUMENTS, AFFIDAVITS, BONDS, SURETIES, CONTRACTS AND ACTS AND TO RECEIVE ALL PURCHASE ORDERS AND NOTICES ISSUED PURSUANT TO THE PROVISIONS OF ANY SUCH PROPOSAL OR CONTRACT, THIS CORPORATION HEREBY RATIFYING, APPROVING, CONFIRMING, AND ACCEPTING EACH AND EVERY SUCH ACT PERFORMED BY SAID AGENT AND ATTORNEY-IN-FACT.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE AND CORRECT COPY OF AN EXCERPT OF THE MINUTES OF THE ABOVE DATED MEETING OF THE BOARD OF DIRECTORS OF SAID CORPORATION, AND THE SAME HAS NOT BEEN REVOKED OR RESCINDED.

SECRETARY-TREASURER

May 9, 2022

DATE

CERTIFICATE OF SECRETARY

The undersigned, Jon Bourne, certifies that he is the duly elected, qualified and acting Secretary of CityBase, Inc. (the "**Company**") and GTY Technology Holdings Inc. ("**GTY**") and, as such, is authorized to execute and deliver this certificate on behalf of the Company and GTY, and further certifies that attached as Schedule 1 is a true and correct copy of resolutions duly adopted by the Board of Directors of the Company by unanimous consent effective as of February 11, 2022; such resolutions have not been amended, altered or repealed and are in full force and effect as of the date of this certificate; and such resolutions were duly adopted in accordance with Delaware law and the Amended and Restated By-Laws of CityBase.

EXECUTED as of the 9 day of May, 2022.

Jon C Bourne

Secretary

Schedule 1

RESOLVED, that each of the representatives of the Company, and of GTY Technology Holdings Inc. ("**GTY**"), set forth on Exhibit A be, and hereby is, authorized and empowered to execute and deliver contracts in the name and on behalf of the Company of the types and in the amounts set forth beside such representative's title on Exhibit A;

RESOLVED, that the officers and directors of the Company be, and each of them hereby is, authorized and directed to take all such other actions and to execute and deliver all such other documents as they deem necessary or advisable to carry out the full intent and purposes of the foregoing resolution; and

RESOLVED, that all actions heretofore taken by any officer or director of the Company, in the name and on behalf of the Company, related to or in connection with the matters contemplated by these resolutions, including without limitation the execution and delivery of any instruments or other documents as any such officer shall have deemed necessary, proper, or advisable, are hereby adopted, ratified, confirmed and approved in all respects.

Exhibit A

SIGNATURE AUTHORITY MATRIX

Revenue-Generating Contracts

AMOUNT[1]	AUTHORIZED COMPANY SIGNATORY	AUTHORIZED GTY SIGNATORY
$100,000 or less	Chief Executive Officer of the Company or Chief Financial Officer of the Company or Chief Operating Officer of the Company or Vice President, Sales of the Company or Director of the Company	Chief Executive Officer of GTY or Chief Financial Officer of GTY or Chief Operating Officer of GTY or Chief Growth Officer of GTY or Chief Accounting Officer of GTY or Executive Vice President and General Counsel of GTY or Senior Vice President, Human Resources of GTY
Greater than $100,000 and less than or equal to $500,000	Chief Executive Officer of the Company or Chief Operating Officer of the Company or Vice President, Sales of the Company	Chief Executive Officer of GTY or Chief Growth Officer of GTY
Greater than $500,000	Chief Executive Officer of the Company if one Authorized GTY Signatory also signs	Chief Executive Officer of GTY and Chief Financial Officer of GTY or Chief Operating Officer of GTY or Chief Growth Officer of GTY or Chief Accounting Officer of GTY or Executive Vice President and General Counsel of GTY or Senior Vice President, Human Resources of GTY

Non-Revenue-Generating Contracts

AMOUNT[2]	AUTHORIZED COMPANY SIGNATORY	AUTHORIZED GTY SIGNATORY
$100,000 or less	Chief Executive Officer of the Company or Chief Financial Officer of the Company or Chief Operating Officer of the Company	Chief Executive Officer of GTY or Chief Financial Officer of GTY or Chief Operating Officer of GTY or Chief Growth Officer of GTY or Chief Accounting Officer of GTY or Executive Vice President and General Counsel of GTY or Senior Vice President, Human Resources of GTY
Greater than $100,000 and less than or equal to $500,000	Chief Executive Officer of the Company	Chief Executive Officer of GTY
Greater than $500,000	Chief Executive Officer of the Company if one Authorized GTY Signatory also signs	Chief Executive Officer of GTY and Chief Financial Officer of GTY or Chief Operating Officer of GTY or Chief Growth Officer of GTY or Chief Accounting Officer of GTY or Executive Vice President and General Counsel of GTY or Senior Vice President, Human Resources of GTY

[1] Amount means the amount that the Company has a right to receive under the revenue-generating contract.
[2] Amount means the amount that the Company has a duty to pay under the non-revenue-generating contract.

Request for Proposal

AFFIDAVIT

STATE OF Louisiana

PARISH/COUNTY OF Jefferson

BEFORE ME, the undersigned authority, personally came and appeared: Michael Duffy ____________________, (Affiant) who after being by me duly sworn, deposed and said that he/she is the fully authorized CEO and Founder of CityBase, Inc. (Entity), the party who submitted a proposal in response to RFP Number 0438, to the Parish of Jefferson.

Affiant further said:

Campaign Contribution Disclosures

(Choose A or B, if option A is indicated please include the required attachment):

Choice A ______ Attached hereto is a list of all campaign contributions, including the date and amount of each contribution, made to current or former elected officials of the Parish of Jefferson by Entity, Affiant, and/or officers, directors and owners, including employees, owning 25% or more of the Entity during the two-year period immediately preceding the date of this affidavit or the current term of the elected official, whichever is greater. Further, Entity, Affiant, and/or Entity Owners have not made any contributions to or in support of current or former members of the Jefferson Parish Council or the Jefferson Parish President through or in the name of another person or legal entity, either directly or indirectly.

Choice B X there are **NO** campaign contributions made which would require disclosure under Choice A of this section.

Affiant further said:

<u>Debt Disclosures</u>

(Choose A <u>or</u> B, if option A is indicated please include the required attachment):

Choice A ______ Attached hereto is a list of all debts owed by the affiant to any elected or appointed official of the Parish of Jefferson, and any and all debts owed by any elected or appointed official of the Parish to the Affiant.

Choice B __X___ There are **<u>NO</u>** debts which would require disclosure under Choice A of this section.

Affiant further said:

<u>Solicitation of Campaign Contribution Disclosures</u>

(Choose A <u>or</u> B, if option A is indicated please include the required attachment):

Choice A ______ Attached hereto is a list of all elected officials of the Parish of Jefferson, whether still holding office at the time of the affidavit or not, where the elected official, individually, either by **<u>telephone or by personal contact</u>,** solicited a campaign contribution or other monetary consideration from the Entity, including the Entity's officers, directors and owners, and employees owning twenty-five percent (25%) or more of the Entity, during the two-year period immediately preceding the date the affidavit is signed. Further, to the extent known to the Affiant, the date of any such solicitation is included on the attached list.

Choice B __X___ there are **<u>NO</u>** solicitations for campaign contributions which would require disclosure under Choice A of this section.

Affiant further said:

That Affiant has employed no person, corporation, firm, association, or other organization, either directly or indirectly, to secure the public contract under which he received payment, other than persons regularly employed by the Affiant whose services in connection with the construction, alteration or demolition of the public building or project or in securing the public contract were in the regular course of their duties for Affiant; and

That no part of the contract price received by Affiant was paid or will be paid to any person, corporation, firm, association, or other organization for soliciting the contract, other than the payment of their normal compensation to persons regularly employed by the Affiant whose services in connection with the construction, alteration or demolition of the public building or project were in the regular course of their duties for Affiant.

Affiant further said:

Subcontractor Disclosures

(Choose A or B, if option A is indicated please include the required attachment):

Choice A ______ Affiant further said that attached is a listing of all subcontractors, excluding full time employees, who may assist in providing professional services for the aforementioned RFP.

Choice B __X__ There are NO subcontractors which would require disclosure under Choice A of this section.

Signature of Affiant

Michael Duffy

Printed Name of Affiant

SWORN AND SUBSCRIBED TO BEFORE ME

ON THE __11__ DAY OF __May__, 20__22__.

Notary Public

KSENIA KOZDOY
Official Seal
Notary Public - State of Illinois
My Commission Expires May 11, 2024

Ksenia Kozdoy

Printed Name of Notary

910894

Notary/Bar Roll Number

My commission expires __May, 11 2024__.

Appendix

Current CityBase Client List

Alabama
Alabama Power Company
City of Huntsville (Utilities)
Mobile Area Water and Sewer
Montgomery Water Works
City of Phenix

California
State of California
City of Berkeley
City of Lodi
City of Oakland
City of Sacramento
City and County of San Francisco
City of San Jose
City of Santa Monica
City of Victorville

Colorado
Colorado Springs Utilities
City and County of Denver
Colorado Community College System

Florida
City of Edgewater
Fort Pierce Utilities Authority
Hillsborough County
City of Ocala
St. Lucie County
Volusia County

Georgia
City of Augusta (Utility)

Illinois
City of Chicago
Village of Mount Prospect

Indiana
City of Indianapolis and Marion County
City of Lawrence
City of Portage

Kentucky
City of Henderson

Massachusetts
Town of Andover
Town of Holbrook
Town of Marshfield
Town of Plymouth

Michigan
DTE Energy

Missouri
City Utilities of Springfield

Nevada
Las Vegas Valley Water District

New Mexico
Albuquerque Bernalillo County Water Utility Authority

New Jersey
Lakewood Township

New York
New York City

North Carolina
City of Mooresville

South Carolina
City of Lancaster

Tennessee
Electric Power Board (EPB)
Metro Water Services, Nashville

Texas
City of Austin

Virginia
City of Lynchburg
Hampton Roads Sanitation District

Washington, DC
DC Department of Motor Vehicles
DC Metropolitan Police Department

Washington State
City of Mount Vernon
Tacoma Public Utilities

Kiera A. Warner

Dallas, TX 75201 • 214.675.7446
warnerkiera@gmail.com • linkedin.com/in/kiera-warner-a95b1a103

Profile

Self-motivated leader and analytical professional ready to leverage field experience and educational background. Strong communicator: responsible for working specifically with Carrier audience and understanding the persona with expertise. Able to collaborate and maintain partnership with Business Development Representatives and Marketing to convert totally qualified opportunities into closed-won deals. Possess the will to be well-informed on industry, products and services while exemplifying core values to achieve results and generate new business.

Areas of Expertise

- Contract Evaluation
- Account Management
- Discovery
- Interpersonal and communication skills
- Time Management and Planning
- Negotiation and Settlement techniques
- Value-based selling
- Adept at building trust and value in products
- Budget Management

PROFESSIONAL EXPERIENCE

THE CITYBASE Chicago, IL, 2021 - Present

Account Executive

Responsible for focusing, following up, and developing prospects who have engaged with CityBase, as well as proactively acquiring new government and utility accounts within a defined territory.

Key Accomplishments:

- Qualify and convert leads from marketing campaigns
- Prospect new opportunities using phone, email, LinkedIn, ZoomInfo etc.
- Being the voice of the company to potential clients through positioning, presentations, proposals, and providing a guide for their buying journey
- Partner with colleagues and peers to continuously improve processes, drive innovation and share best practices
- Consistently exceed new business revenue targets

SAFERENT SOLUTIONS (FORMERLY KNOWN AS CORELOGIC) Irving, TX, 2021

Inside Sales Account Executive

Responsible for generating new business and maintaining current accounts by educating prospects and current clients on all company products and services. Consistently developing new accounts and/or expanding existing accounts with scheduled Demos. Responsible for the development of new business opportunities or emerging areas that would benefit from our SaaS products. Focuses on critical, large, complex, high visibility, strategic, or tactically important accounts by providing exceptional customer experience to bring in new revenue.

Key Accomplishments:

- Made scheduled follow-ups to assigned book of business of business via telephone, e-mail, and social media platforms

- Utilized internal software/tools to engage clients
- Emphasized product features, quote prices and credit terms, and initiates contract process
- Provided recommendations to Management and Marketing regarding customer needs and concerns
- Maintained new customer data and other sales data for current customers in computer database for lead generation purposes

KEMPER INSURANCE, Dallas, TX, 2020 to 2021

Fire and Theft Specialist

Investigate and resolve first and third party auto physical damage claims. Investigate damages and maintain control of loss and of use expenses. Responsible for preparation of necessary correspondence to settle total loss claims with insureds, claimants, and their legal representatives, issue indemnity and expense payments with key initiative on accuracy of settlements.

Key Accomplishments:

- Compiled cost and technical elements for development and completion of proposal claim based on the customer request.
- Analyzed data and articulate proposal claim evaluation value.
- Confirmed, explained, and applied coverage, assisted with rental management, determined, and reported on subrogation potential, fraud indicators, negotiated and issued claim payments.
- Effectively used technology to navigate various systems, access information, and gather key data. Claim-related computer systems experience in Guidewire, Xactimate, ECS, Claim Platform and CCC.

STATE FARM INSURANCE, SPECIAL INVESTIGATIONS UNIT (SIU), Richardson, TX, January 2019 to June 2019 (contractor)

SIU Claims Specialist

Minimize incidence of fraud for a billion-dollar company as part of a specialized investigations unit. Collaborate with investigations team to verify claims validity through the identification of suspect issues for PIP, BI, Auto and Fire claims. Analyze submitted documents, interview claimants and witnesses, and examine evidence. Cultivate and apply knowledge in various investigation tools related to property and causality insurance.

Key Accomplishments:

- Develop and execute a clearly defined investigative plan, including assist with the preparation of quarterly reporting to Senior Management
- Prepared and conducted in-depth interviews, background investigations, and recorded statements
- Utilized authorizations to collect relevant personal, financial, property, medical, etc., information from the insured/claimant and thoroughly review for relevance to the claim investigation
- Arranged for property damage evaluation, photos, structural damage estimates, vehicle inspections, independent medical examinations, biomechanical reviews, utilization reviews, and other expert reviews as needed
- Participated in in-depth litigation processes and performed examinations/statements under oath
- Participated in pre-trial conferences, litigation conferences, and mediations to negotiate and settle specific claims before going to trial; efforts saved company a minimum of $50K per claim settled out of court.

TRAVELERS INSURANCE, Houston, TX, 2018 to 2019

Claims Representative

Processed all aspects of Complex Auto and Fire claims, from first notice of lost through settlement and payment, by working directly with policy holders, agents, medical providers, law enforcement, claimants, and witnesses. Attended continuous training sessions for claims handling process.

Key Accomplishments:

- Confirmed accuracy of total loss evaluation, explained the process, and settled total loss claims when appropriate.
- Established damages and negotiated settlement of claims with repair facilities and other carriers.
- Effectively collaborated with claim owners for customer interaction and resolution strategies.
- Confirmed, explained, and applied coverage, assisted with rental management, determined, and reported on subrogation potential, fraud indicators, negotiated and issued claim payments.
- Effectively used technology to navigate various systems, access information, and gather key data.

EDUCATION

Master of Business Administration | University of North Texas at Dallas, Dallas, TX, 2021
MBA Focus: Strategic Management

Bachelor of Science in Criminal Justice | Prairie View A&M University, Prairie View, TX, 2017
Coursework: Bachelor of Science in Criminal Justice - C++ course, Cyber Security, FEMA certifications

AWARDS & DISTINCTIONS

Prairie View A&M University (College of Arts and Science) Dean's Honors List Fall/Spring 2015-2017

Membership:

Dallas ACAP (Accounting Career Awareness Program), 2015 to present
PVAMU Football Recruiter, 2016 to 2017
Editor in Chief for "The Panther Newspaper", 2014 to 2017

Amber Ray

Work Experience

CityBase | Director of Implementation · October 2021–Present
Senior Project Manager · 2020–October 2021

Amber leads city and state wide deployments of CityBase technology. Responsible to lead teams of engineering, product, operations, engagement and customer groups to rollout govtech hardware and software.

Invenergy| Renewable Development Manager · 2018-2020

- Solar energy project manager - accountable for a team of 12+ direct and indirect reports across engineering, transmission, legal, sales, environmental and finance
- Developed and led team to execute regional market strategy for a pipeline of 20+ projects across 6+ utility customers that resulted in advancement of project pipeline and sale of two development transfer projects
- Created and presented capital investment financial models, cost breakouts, and bid pricing for multiple $50M+ projects to achieve buy in from senior executive leadership
- Managed Osceola Solar Energy Project to development transfer to utility buyer while overcoming buyer cost pressure, regulatory issues, and supplier cost increases to not only market original product, but add additional capacity for second buyer

LinkedIn | Enterprise Relationship Manager · 2016-2018

- Managed 40+ active accounts and new business growth of LinkedIn's Sales Solutions product, Sales Navigator
- Accountable for driving client's strategic initiatives and modern selling programs.
- Responsible for growth of direct report through early stage sales development
- Drove 15% new account growth year over year for LinkedIn Sales Solutions portfolio
- First in region to sell "all-in" strategic enterprise solution, turning a $50K transactional customer into a $1.5M multi-year strategic partner

CEB | Senior Account Manager · 2014-2016

- Advised clients based on best practice research and tailored to client's strategic initiatives to help reduce risk to the business, increase productivity or reduce spend
- Consistently exceeded 100% of annual goal and maintained an 87% client retention rate (vs. 82% goal)
- Partnered with 80+ C-Level Executives at Fortune 500 Companies in the Southeast, Midwest and Ontario regions to deliver value and generate business development from CEB's suite of services

Solar Turbines Inc. | Supplier Development Engineer · 2012-2014

- Led built in quality workshop across 5+ supplier facilities to promote collaboration

- Led negotiations for $14M in contract pricing agreements and commercial legal agreements with suppliers
- Executed continuous improvement projects with external suppliers to improve quality, shipment and cost performance

Education

Master of Business Administration (MBA) with Managerial Leadership Concentration, University of San Diego
Bachelor of Science, Industrial Engineering, Purdue University

Adam S. Folta

Work Experience

CityBase | **Solutions Engineering Manager February 2021–present**
Solutions Engineer Team Lead · 2019–February 2021

Adam is the primary technical resource for the solutions engineering team. He specializes in kiosk and web applications, and is responsible for ensuring resilient integrations.

Protiviti | Data and Analytics Consultant · 2018-2019

- Represented Protiviti with customers to achieve a mutually beneficial outcome by discovering, coordinating, problem solving, and implementing analytics solutions, such as: report automation, system migration, dashboard design, data assessments, etc.
- Managed accounting, finance, and IT stakeholders to produce high quality monthly reports that inform strategic decision-making.
- Completed a data migration from Oracle to SAP HANA, through scope assessment, collaboration, ETL automation, and troubleshooting.

Adesa Inc. | Financial Planning and Analysis Analyst · 2017-2018

- Collaborated with company strategists, finance, and IT members to architect solutions with advanced data integration tools (Microsoft SSIS & Tableau) that provided compelling insight into key business levers.
- Simplified the accounts receivable reporting, by synthesizing disparate data sources with ETL, improving the efficiency by 90%.
- Spearheaded Tableau for the finance team by routinely assisting in new user's discovery and development and conducted a training session for a 17,000+ employee enterprise.
- Consulted with the affected parties of a major cybersecurity patch to revitalize and enhance the affected reports, resulting in a streamlined reporting strategy.

Kar Auction Services Inc. | Analyst · 2016-2017

- Supported the Vice President of Strategy in competitive intelligence for a global company with $6.3B in market capitalization.
- Conducted analysis of a prospective target company acquisition to determine the viability of shifting business models toward a new customer segment, spurring a strategic shift towards high margin services.
- Selected and negotiated a $6M annual spend for corporate hotel partnerships with various providers.
- Gained insight and exposure to strategic thinking of top management suite.

Orr Fellowship | Orr Fellow · 2016-2018

- Selected out of 800+ applicants for a two-year, full-time professional development program that provided fellows with interdisciplinary roles in high-growth companies, entrepreneurship crash courses, case competitions, and non-profit consulting.
- Consulted in a team to assess feasibility for geographic expansion by non-profit organization People for Urban Progress; presented detailed report to the CEO, considering legal, financial, and brand constraints.

Education

Bachelor of Arts, Urban Studies, DePauw University

Beth Gavin-Pearson

Work Experience

CityBase | Senior Project Manager · January 2021-Present

Beth is responsible for leading and developing project schedules and tracking all deliverables for cloud-based web and kiosk products. Collaborates with all internal teams to share best practices and articulate project enhancements and product gaps to escalate appropriately. Responsible for all payment processing onboarding with CityBase and payfac partners.

Blue Steel Recycling LLC | Accounts Payable · 2018-2020

- Responsible for all accounts payable for scrap steel recycling business.
- Responsible for tracking monthly trading pricing, quantities, and receipts of scrap steel
- commodities.
- Verify pricing and receipts for all purchases of scrap steel material.
- Track railcars from suppliers to steel mill customers and provide daily updates on status.
- Write monthly Purchase Order contracts for purchases of all scrap steel material and distribute
- to suppliers.
- Manage all freight billing for movement of scrap steel from suppliers to customers.

The Family Resilience Group | Operations Manager · 2014-2018

- Handled all accounts receivable, accounts payable, human resources and property management.
- Coordinated construction and move into new office space in August 2017.
- Transitioned practice from a desktop tool to a web-based practice management and billing system.
- Implemented process improvements that enabled the practice to double the number of full-time employees with minimal increase in overhead costs.
- Revenue increased in 2017 more than 200%.

Belden Interiors LLC | Office Manager · 2012-2014

- First point of contact for managing implementation of design ideas
- Documented all steps and timelines of the process from initial client contact to project reveal and close.
- Created documents to support the sales process and outlined all the terms and timelines for the clients.
- Implemented project software for client invoicing and vendor purchases

RR Donnelley | Offshore Implementation Manager, 1996-2011

- Implemented several successful offshore solutions to RR Donnelley employees in India and Philippines for domestic business units.
- Managed projects from concept through governance transition, with a focus on legal projects: litigation, review and contract drafting.
- Contributed to company cost savings of more than $20 million.
- Implemented the first voice to external client offshore solution for Operations Support team in India

Education

Master of Science in Management, National Louis University
Bachelor of Arts, Kendall College

Kevin Lynch

Work Experience

CityBase, Inc. | Senior Customer Success Manager · 2018-Present

Kevin guides the CityBase relationship with the City of Indianapolis and works as a trusted advisor to bring strategy-driven solutions to the City.

PNC Bank | Client Solutions Advisor · 2016-2019

- Provided sales, service and execution support to new and ongoing client relationships
- Partnered with clients to identify and implement solutions for managing client liquid assets and cash flows
- Managed and grew relationships as a trusted advisor to clients
- Identified, developed, and implemented process improvement and strategy initiatives to be utilized by peers bank-wide
- Developed Kanban board as a workload prioritization and sharing solution to more effectively track projects through the lifecycle
- Mentored and trained new hires on critical systems and client engagement practices
- Member of pilot team for new digital onboarding product, to be rolled out bank-wide in Q4 2018

Nielsen-Innovation Practice | Project Developer · 2012-2016

- Developed proposals that highlighted key business questions and outlined solutions, timelines, and investment information
- Reviewed proposals and custom surveys written by peers, and identified areas for improvement
- Executed and completed on time more than $4.5M in projects in 2015
- Proposed, developed, and implemented a five-month, $234K multi-country research pipeline organization project that rectified client business issues and identified top-performing new product ideas from more than 120 concepts
- Executed a two-phase, $108K multi-country project by utilizing a new service that optimized previously unsuccessful research to create the strongest candidate for a new-to-market product positioning

Education

Master of Business Administration, Indiana University, Kelley School of Business
Bachelor of Arts, English Literature $ Education Studies, Denison University

CityBase Reporting Examples

Below, please find examples of reports that can be configured on our dynamic revenue management dashboard.

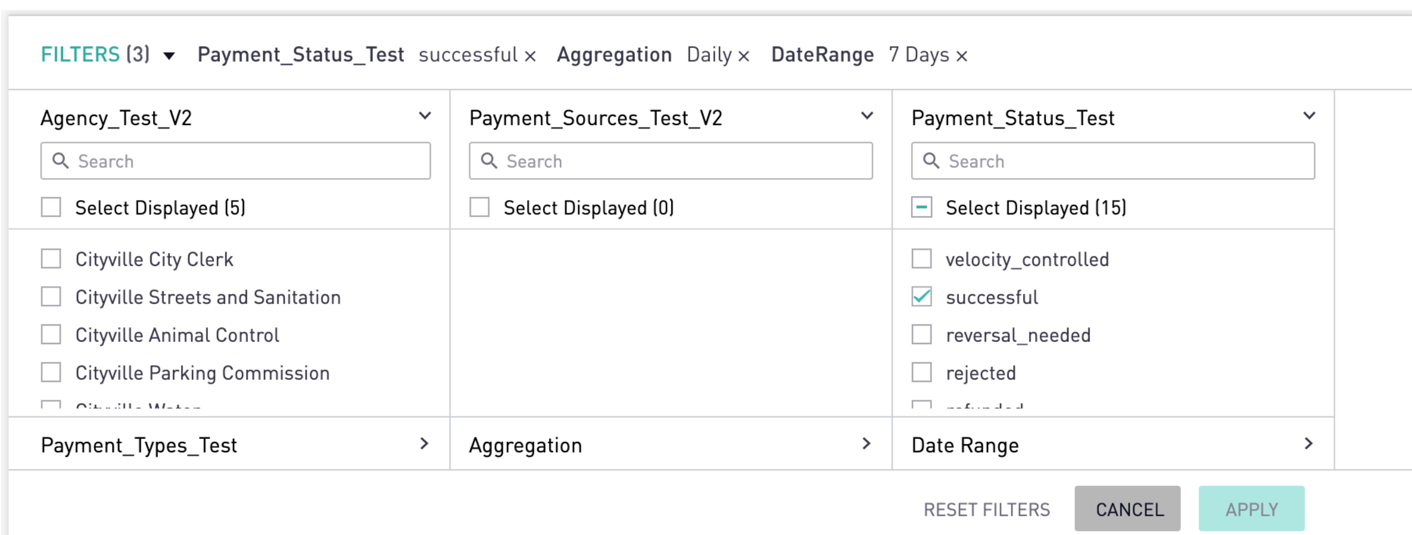
Daily Settlement Report - Credit Card

	SETTLEMENT DATE	PMT DATE	BATCH ID	AGENCY NAME	PAYMENT TYPE	CARD TYPE	ACCOUNTING CODE	TOTAL
1		2019-08-28 00:00:00		Cityville Animal Control	cash			
2		2019-08-28 00:00:00		Cityville Animal Control	check			
3		2019-08-28 00:00:00		Cityville Animal Control	credit_card	non-amex		
4		2019-08-28 00:00:00		Cityville City Clerk	cash			
5		2019-08-28 00:00:00		Cityville City Clerk	check			
6		2019-08-28 00:00:00		Cityville City Clerk	credit_card	amex		
7		2019-08-28 00:00:00		Cityville City Clerk	credit_card	non-amex		
8		2019-08-28 00:00:00		Cityville Parking Commission	cash			
9		2019-08-28 00:00:00		Cityville Parking Commission	check			

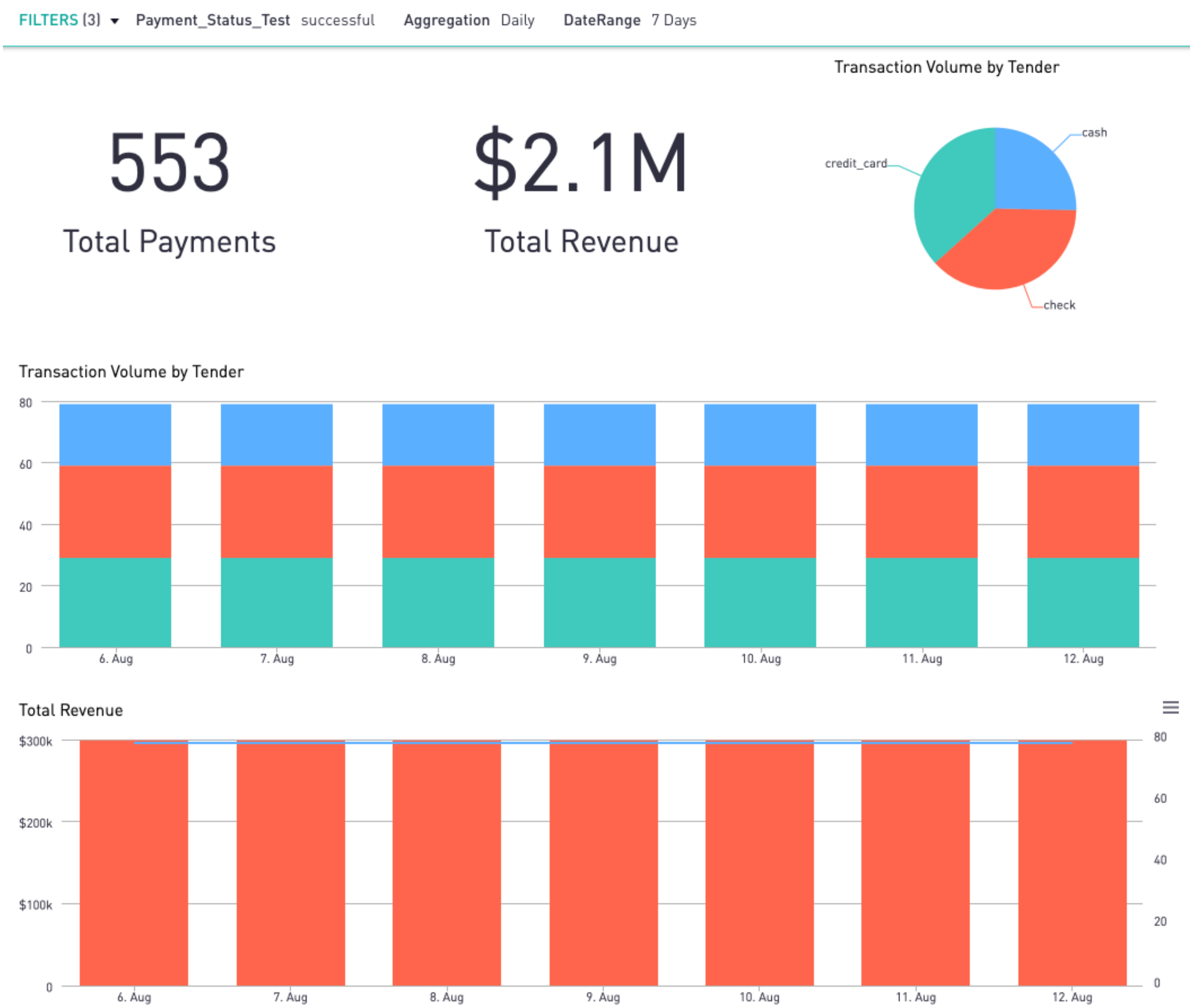
Refund Report

	RETURN TYPE	REFUND TIME	RETURN DATE	REFUND LINE ITEM TIME	REVERSAL AMOUNT	REVERSAL REASON	REFUND TRANS
1	Refunds	2019-08-26 17:13:28.703189	2019-08-28	2019-08-26 17:13:29.174674	$-8,762.58	Credit card refund	

Gain a clear picture of your settlement and refund data on the revenue management dashboard, or download into .csv, .pdf, .xml, or word formats.



Easily search for transaction data using clickable filters.

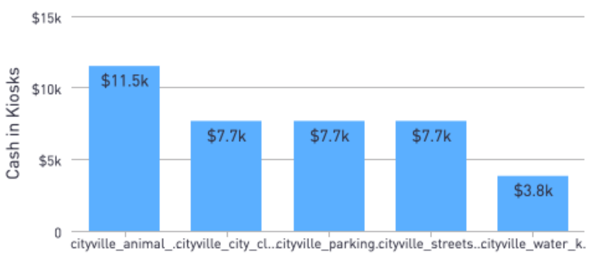


View filter defined transaction data in clear, easy to understand charts.

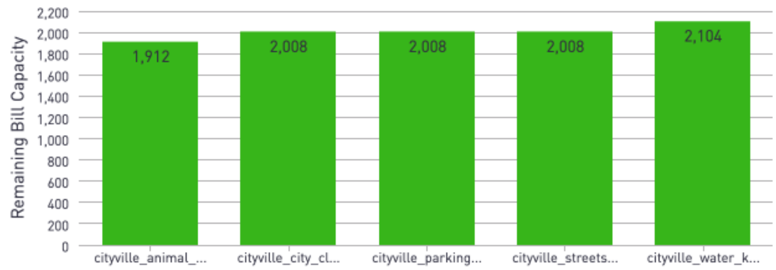
Agency Transaction Report - custom

	AGENCY NAME	PMT DATE TIME	SETTLEMENT DATE	TRANSACTION ID	PAYMENT TYPE	BATCH ID	PAYMENT STATUS	BIL
1	Cityville Animal Control	2019-08-28 05:01:02		70025768	check		successful	Mo
2	Cityville City Clerk	2019-08-28 05:01:02		70025766	check		successful	Nir
3	Cityville Streets and Sanitation	2019-08-28 05:01:01		70025763	credit_card		successful	Gle
4	Cityville Streets and Sanitation	2019-08-28 05:01:00		70025761	check		successful	Mo
5	Cityville Streets and Sanitation	2019-08-28 05:01:00		70025759	check		successful	La
6	Cityville Animal Control	2019-08-28 05:00:59		70025756	credit_card		successful	Au
7	Cityville Animal Control	2019-08-28 05:00:57		70025753	credit_card		successful	La
8	Cityville Parking Commission	2019-08-28 05:00:57		70025751	check		successful	Au
9	Cityville Animal Control	2019-08-28 05:00:56		70025748	credit_card		successful	Gic

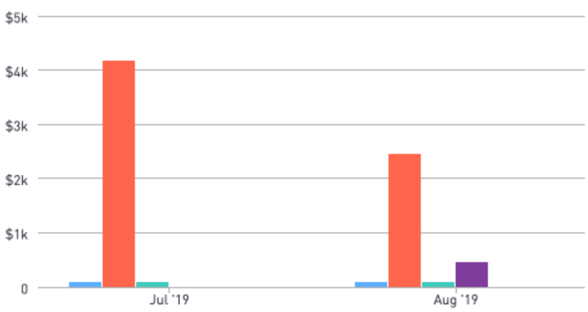
Cash in Deposit



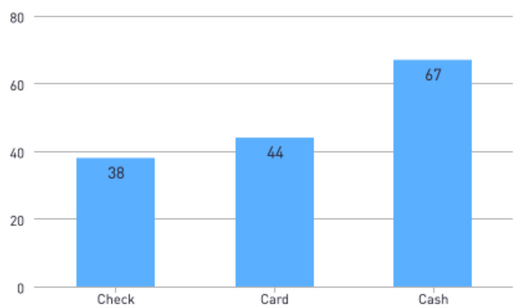
Cash Capacity



Avg Ticket by Tender



Average Transaction Time in Seconds



View custom reports specific to each department.

CITYBASE

Revenue Management Dashboard

User Guide

Overview

Revenue Management Dashboard is the portal for finance and customer service to manage and reconcile payment transactions. This document serves as a reference for you to navigate the tool for reporting, reconciliation, research and user administration.

You will access Revenue Management Dashboard at

https://revenue.thecitybase.com

Users and Roles

The Dashboard is designed around the needs of different users who require different access to payment information. Creating users and assigning them to roles and agencies allows you to manage who can access your payment data.

PCI security standards require that you create a separate user for every person how needs access to the dashboard. Since each user will have unique login credentials, you can track which user interacted with certain transactions.

User Roles

Permission	Researcher	Supervisor	Administrator
View dashboard	★	★	★
Search	★	★	★
View details	★	★	★
Void		★	★
Refund		★	★
Add & update users			★

Departments

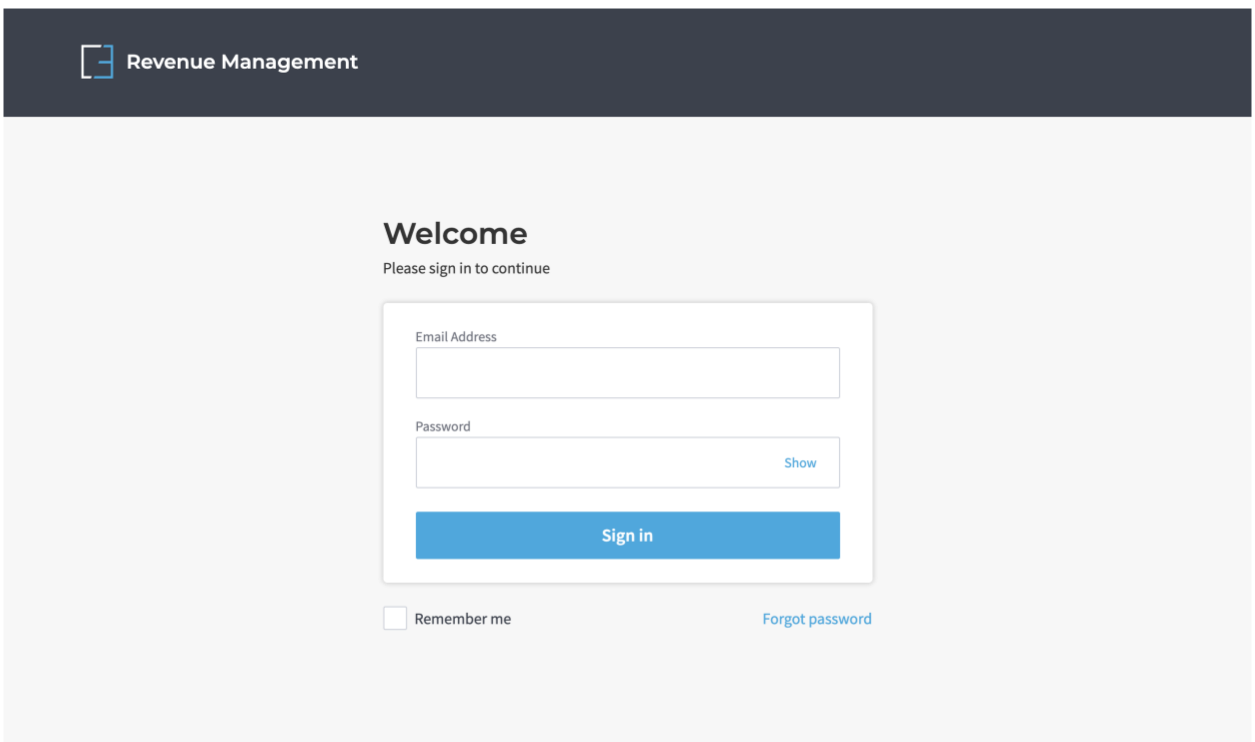
Each user can be assigned to one or more departments, regardless of their role. When a user is assigned to a department, they will be able to see and interact with payments made to those departments, based on their role. Admins are able to add update and deactivate all users in the departments that admin is assigned to.

Department are entirely configurable based on your implementation. Some examples might include:

- Department of Public Health
- Recreation and Parks
- Department of Public Works
- Municipal Transportation Agency
- Animal Care and Control
- Fire Department
- Planning Department
- Health Services
- Treasurer and Tax Collector Business Tax
- Treasurer and Tax Collection Property Tax
- Department of Building Inspection

Login

Using any supported web browser, navigate to: https://revenue.thecitybase.com/login



- You will use your email address as a username to login.
- You set your initial password thorough an email that you receive when an Admin adds you as a user.

Forgot Password

A "Forgot Password" link on the login page will allow you to change you password. This involves the following steps.

1. User selects "Forgot Password"
2. User provides their email address
3. User receives an email with a link to reset password
4. User provides a new password that meets the minimum requirements
5. User is able to login

General Navigation

Dashboard provides an overview of an agency specific transaction history including summary statistics and tables for reconciliation. The Dashboard will contain transaction data based on the agencies that are assigned to the user who is logged in.

Search Payments allows users to search for transactions and view transaction detail. Supervisors and Admins can also issue Refunds and Voids from this page.

The **User Settings** page allows Admins to create and manage users.

Your **email address** appears in at the top of the page and will take you to a profile page where you can modify your account.

Dashboard

The Dashboard features a number of summary statistics and tables that can be used to monitor transactions and for reconciliation purposes. Filters can be used to focus the content displayed across date ranges, as well as agencies assigned to the logged in user. Your dashboard may include:

Summary Statistics

- Total count of payments
- Total dollar amount of payments
- Volume by Agency

Trends

- Transaction volume by date
- Transaction volume by tender
- Average transaction time at kiosk

Reports

- Daily Settlement - ACH
- Daily Settlement - Card
- Refunds
- ACH Returns by Reason
- Chargebacks
- Chargeback Reversals
- Invoice Report - Card Service Fees by Agency
- Invoice report - ACH Fees by Agency
- Cash Closeout Summary per Kiosk

Dashboard filters

Under **Agency**, users can select which agency data is displayed. Multiple agencies can be selected.

Payment Source allows user to filter for payments based on the device used to collect the payment. Examples may include Kiosk or Point of Sale device names.

Payment Status allows users to filter for payments based on the payment status. See Payment status definitions in the next section.

Payment Types allows users to filter for specific types of payment including credit card, check, and tokenized payments.

Aggregation allows users to adjust the time period in which data is aggregated including Daily (default) as well as Hourly, Weekly, Quarterly, Yearly.

Date Range allows users to filter the data within a specific number of days or a *Custom Range.*

Note : dashboard is pre-filtered to 7 days to optimize performance. To see more data, a wider timeframe can be selected in the filters bar.

Click the APPLY button to see the dashboard with these filters applied.

Payment Status Definitions

Status	Definition	Example
Successful	Transaction has been processed	
Voided	Transaction authorization has been cancelled (voided)	
Failed	Transaction has failed to process successfully	Card decline Insufficient Funds
Errored	Transaction did not process due to a system error	External payment provider is having an outage
Duplicate	Transaction was identified as a duplicate and blocked from processing by our system	
Expired	Transaction was attempted after the user's session expired. Sessions expire after 30 minutes	
Rejected	Transaction failed to process due to a rejection from the payment processor	CVV or AVS failure
Rejected-Velocity	Transaction was rejected due to velocity controls	
Refund	A transaction that reverses an original payment transaction. Each transaction has a unique Transaction ID and the events are linked	
ACH Return	A return item for an ACH Transaction. The ACH return and original payment each have a unique Transaction ID and the events are linked. Funds are debited from you.	Insufficient Funds, No Account/Unable to Locate Account, Payment Stopped, Non-Transaction Account, Corporate Customer Advises Not Authorized
Chargeback	A return item for a card transaction. The chargeback and original payment transaction each have a unique transaction id and the events are linked. Funds are debited from you.	Unauthorized/Fraud, Unrecognized Charge

Chargeback Reversal	A chargeback that has been reversed in your favor. The chargeback and chargeback return each have a unique transaction id and the events are linked. Funds are credited to you.	Evidence of refund provided

Search Payments

Search

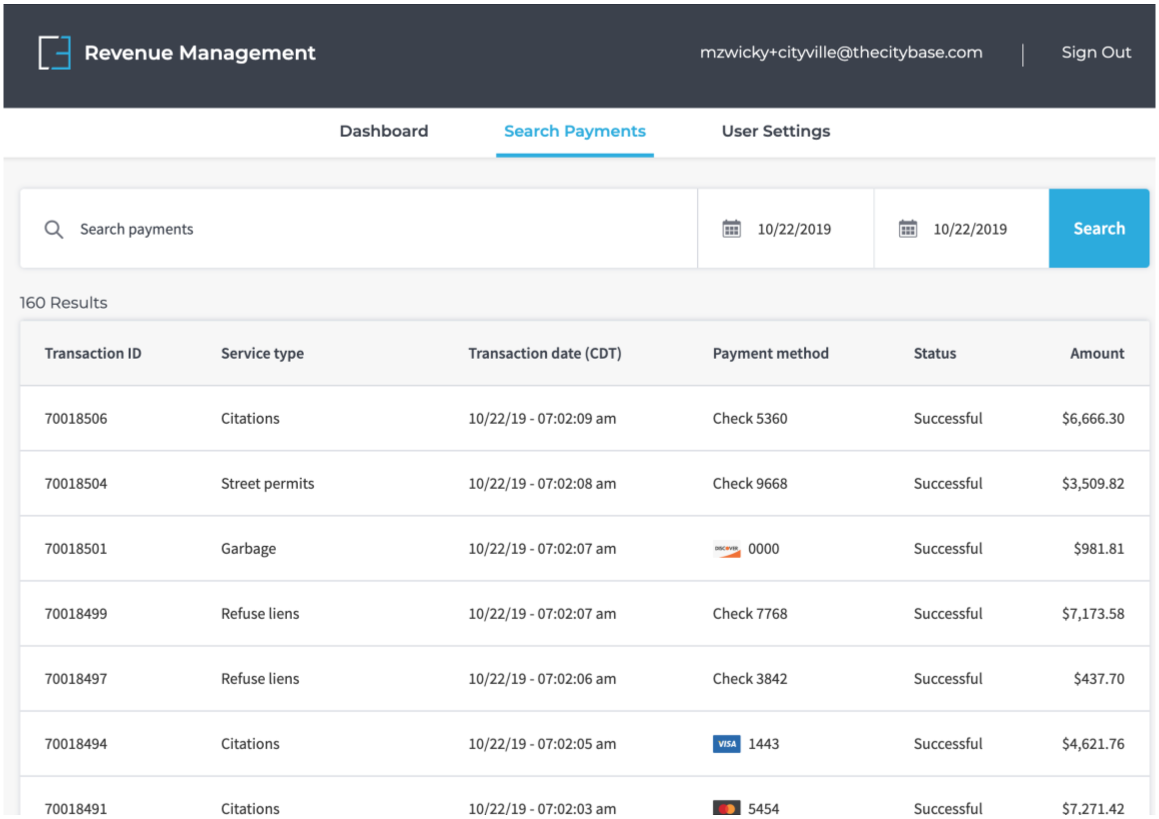
A user is able to search by

Search Option	Definition	Example
Transaction date	Transaction date of payment, refund, ACH return or chargeback	4/1/2019
Funded date	Date when funds were delivered to your bank account	4/2/2019
Account Number	Customer account number from source system or CIS. This could be a meter number for a utility. *Note: When payment is captured <u>without</u> an account number, a unique identifier is stamped by CityBase and can be ignored.*	001432456 *bc3992b2-0607-4364-9e05-ab5cc4941ecf*
Amount	Dollar amount of payment not including any service charge. Displayed as subtotal in details page	$290
Bank account last 4	Last 4 digits of account number used to make an eCheck payment	5720
Cardholder Name	Name on card when a credit card used to make payment	Mary Lambert
Credit card last 4	Last 4 digits of credit card used to make a card payment	5454
Transaction ID	CityBase assigned unique identifier for any payment, refund, ACH return or chargeback	70026348

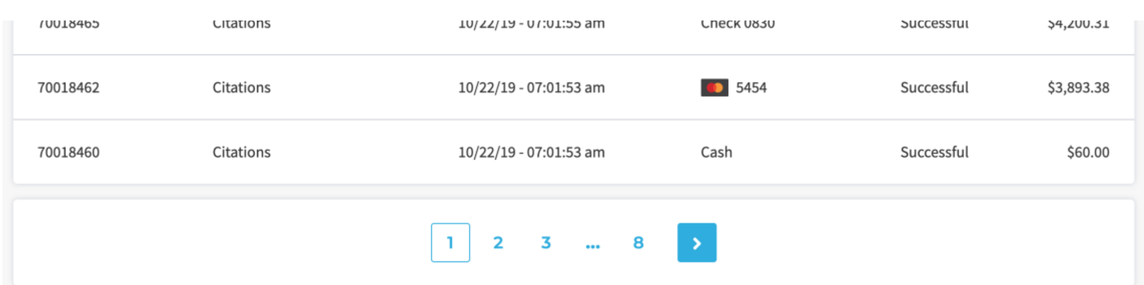
Agency	Agency or Department that collected the payment	Animal Care and Control Property Tax Collector
Service Type	Description of what payment was collected for	Permit Inspection Fee
Status	Description of the success or failure of a payment	Successful
Payment channel	Channel where the payment was collected	Kiosk Cashier Web
Payment method	Form of payment accepted. Also known as tender type	Cash Check Card
Payment source	Device name where payment was collected.	kiosk01 pos01 _web

Search Results

Under *Search Payments*, user can view a list of transactions that match a search. Payments will be displayed in descending order, meaning the most recent payment will be at the top of page 1.

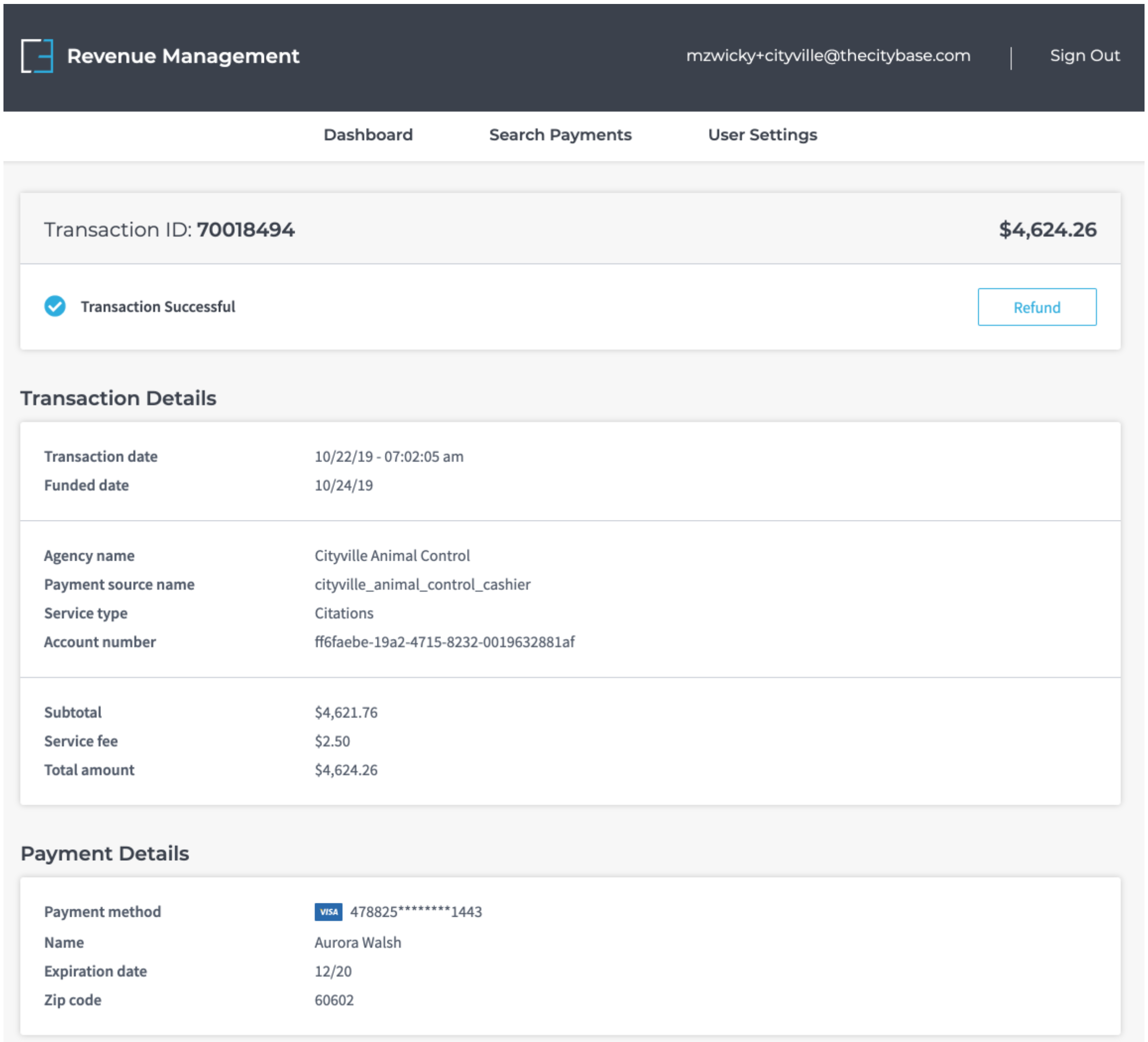


User will view 20 transactions at a time and can use page options to find additional results.



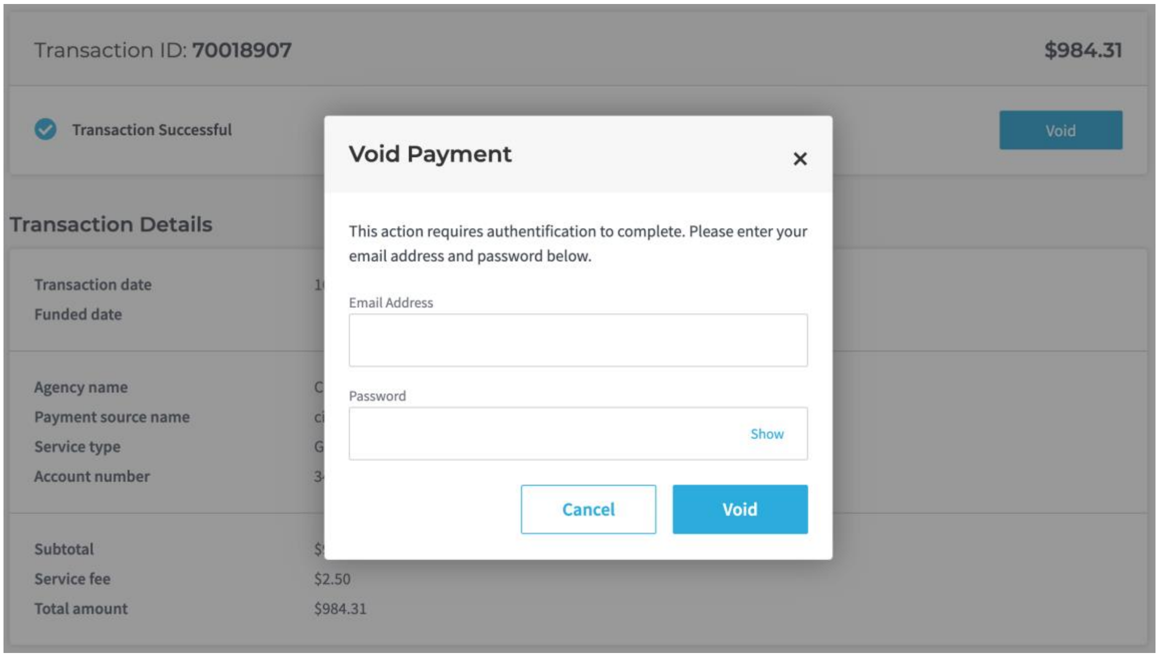
Transaction Details

Details about a payment can be viewed by clicking any Transaction ID in the search results. On this page, Supervisors and Admins have the ability to void or refund the transaction.



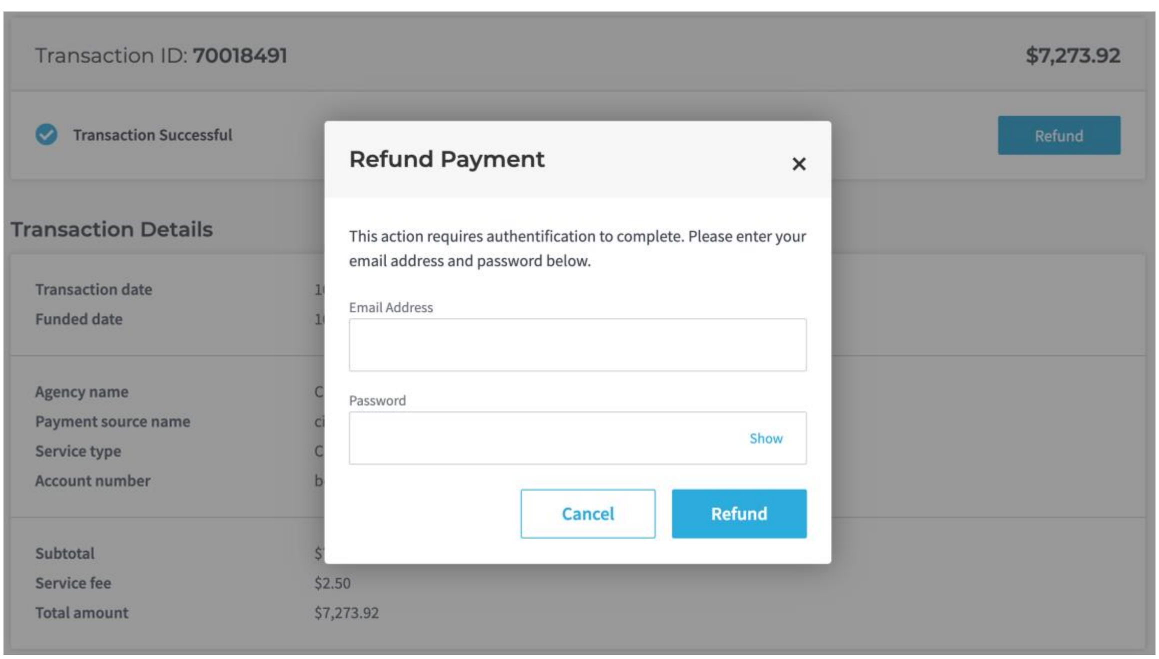
Void

To cancel a transaction before it has settled, Supervisor and Admin users can **Void** the transaction. Funds will not be deducted from the customer

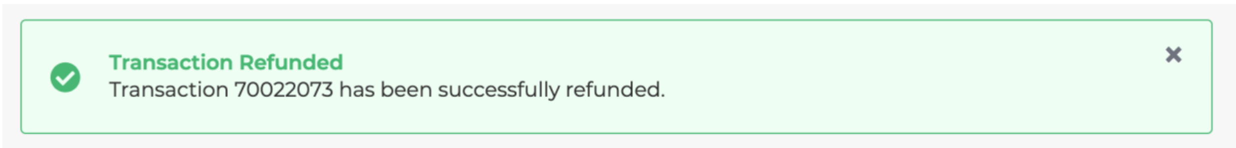


Refund

To refund a transaction after it has settled, Supervisor and Admin users can **Refund** the transaction. Funds will be returned to the customer within the same timeline the funds were received, typically 2-3 business days.



A confirmation appears when the refund is successful.



Settings

New User

From the Settings page, Admins can create users with the **Add New User** button. The Admin will provide:

- First name
- Last name
- Email address (username)
- Role (select one)
- Timezone (select one)
- Departments (select one or more)

After the admin completes this page, an email will be sent to the new user with a link they will follow to set their password. Once a password has been set, the new user will be able to login.

Password rules

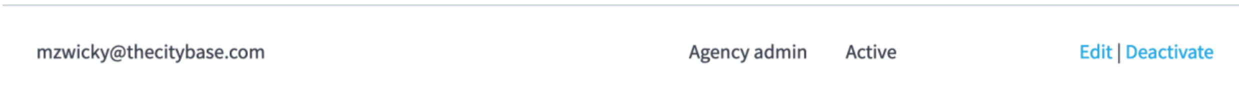
- Password must be at least 8 characters
- Password must contain at least one number
- Password must contain an upper and lower case letter
- Password must contain a special character (!@#$%^&*)

Edit User

Admins can also edit the details of existing users. This is useful to add and remove users from agencies or change a user's role. And example of this might be to promote a Researcher to a Supervisor to give that user the ability to Void and Refund.

Deactivate/Reactivate

Admins can deactivate a user who should no longer have access to Revenue Management Dashboard. Deactivation will prevent future login with that username. A deactivated user can always be reactivated to allow login.

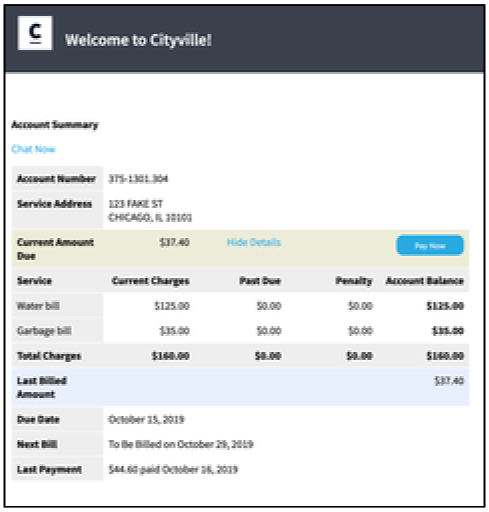


Standard Checkout

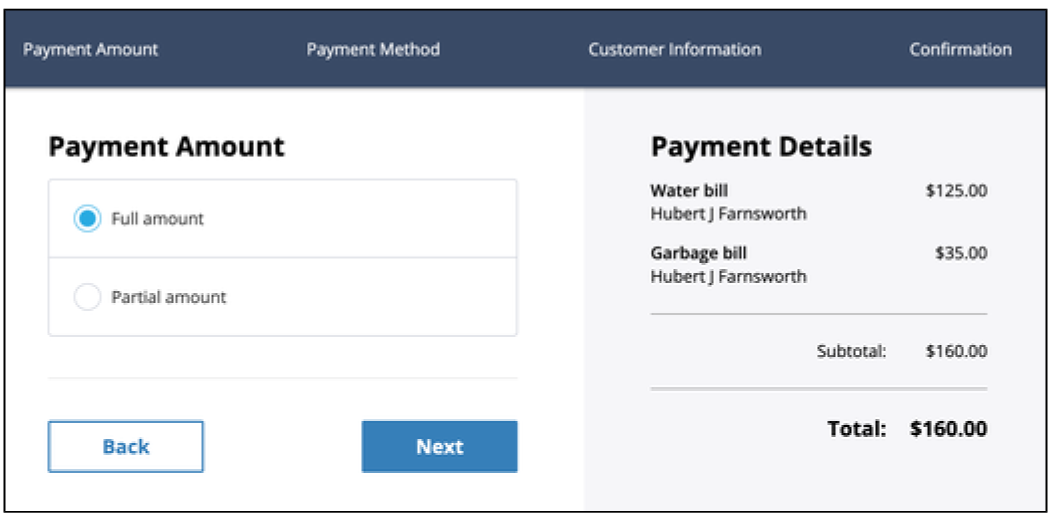
Overview

CityBase Standard Checkout creates creates a secure and seamless payment experience for your customer

Your website



CityBase Checkout



CityBase Checkout default features support many payment needs:

- **Payment methods:** Credit cards, debit cards, or checking
- **Payment amounts:** Partial or full payment, configurable minimum and maximum amount
- **Service Fee:** configurable fee calculation based on payment method
- **Email receipts:** Automatic email receipts to your customers
- **Navigation:** determine your customer's next step after payment or if they change their mind

One-time payments

A payment post from your application represents the details of your customer's intent to make a payment. You create a payment post when your customer wants to pay for something. After redirecting your customer, CityBase presents a payment form where your customer can complete their purchase. Once your customer has completed a purchase, they will be redirected back to your site.

Step 1: Create a payment post

You will create a JSON payload that is POSTed to CityBase

Example Post

```
{
   "account_id" : "A12345-0001",
   "allowed_payment_methods" : ["CARD", "BANK"],
   "line_items" : [
      {
         "description" : "Trash collection",
         "amount" : 2137,
         "sub_description" : "Spring 2020",
         "custom_attributes" : [
             {"key": "reference_id", "value": "55409"}
         ]
      },
      {
         "description" : "Recycling collection",
         "amount" : 899,
         "sub_description" : "Spring 2020",
         "custom_attributes" : [
             {"key": "reference_id", "value": "55407"}
         ]
      }
   ],
   "cancel_url" : {
      "url" : "http://cancel.url.com",
      "label" : "cancel url for the Cancel button"
   },
   "return_url" : {
      "url" : "http://return.url.com",
      "label" : "return url for the Continue button"
   },
   "custom_attributes": [
        {"key": "customer_invoice_id", "value": "9182736450"}
   ]
}
```

Description of elements

item	required	data type	notes
account_id	optional	string	The account number or id used for the customer's account. This will be used to post back to clients's source system to let them know what has been paid.
line_items	required	collection	
line item description	required	string	A description of the thing being paid for. It might be generic, like "utility bill", or more specific, like the property address for the bill. This will be used as the main label when displaying an item in our checkout.
line item sub_description	optional	string	An additional piece of information that the client would like displayed for an item in our checkout.
line item amount	required	integer	The amount to be paid, expressed in cents. For example, 2137 is the equivalent of $21.37.
custom attributes	optional	collection	In order to have Description and SubDescription appear on receipt and a webhook, it's advised to include those paired attributes as custom attributes.
key		string	use snake_case, not CamelCase
value		string	
return_url	optional	string	The URL provided by the client that can redirect the user from the confirmation page back to your application
cancel_url	optional	string	The URL provided by client where the user is redirected if the payment is cancelled
custom attributes	optional	collection	
key		string	
value		string	
allowed_payment_methods	optional	array	A list of enumerated payment_method types that the customer is allowed to use ("BANK", "CARD")

note: You can collect payment for one or more line items at a time. In the example here, we're collecting payment for a water bill and a garbage bill due from this customer.

For more details, see section Payment post responses.

Step 2: Collecting payment details from customer

Payment Amount

- Full Amount: Customer is required to pay the amount due
- Partial Amount: Customer can make a partial payment to one or all line items. *note: the Partial Amount feature is optional and CityBase can disable this option if you prefer to collect full payment from your customer each time.*

Payment Method

- Customer can pay with Bank or Credit card based on the business rules CityBase has configured for you.
- A service fee is calculated based on the payment method selected based on the business rules CityBase has configured for you. For example you may charge a flat $2.50 service fee if the customer chooses to pay with a card, but charge no service fee if they choose to pay by bank.
- When paying by bank, customer will provide
  - Name on bank account
  - Routing Number
  - Account Number
  - Account Type (checking or savings)
- When paying by card, customer will provide
  - Name on card
  - Credit card number
  - Expiration date (MM/YY)
  - CVV

Customer information

- Customer will provide billing and contact information including
    - Billing Address, City State, Zip
    - Phone Number
    - Email address

Review & Confirm

- Customer can review and edit any of the information they have provided so far including Payment Method, Address, Phone and Email
- Customer must agree to Terms and Conditions that you can define before completing the payment

Step 3: After the payment

Confirmation

- Customer will view a confirmation page that includes a Transaction Number that uniquely identifies this payment.
- Customer will receive a receipt at the email address specified during checkout.
- Customer can be redirected back to your site using the return_URL specified in the original payment POST.
- Transaction information can be be sent to the source system to record the payment in realtime using the Payment Response Webhook

Research Reporting & Reconciliation

- The payment is will show up immediately in CityBase Revenue Management
- Revenue Management users, with the right permissions, are able to Void or Refund the payment as necessary

Customizing CityBase Checkout

Branding

CityBase can customize the look and feel of Checkout to match your company brand including

- logo or icon
- customize the accent color of the checkout page

Business Rules

Payment Amount:

- Full amount only
- Full or partial amount

Over / Under

- Max payment amount (e.g. $600)
- Min payment amount (e.g. $2.50)

Payment Methods

- Card only
- Bank only
- Card or bank

Service Fees

- Flat fee (e.g. $2.49)

- Percentage fee (e.g. 2.25%)
    - Optional Fee minimum (e.g. 2.49)

Messaging

- Custom Terms & Conditions text. Can be unique for card vs bank payment method
- Configurable confirmation page to include your customer service contact phone number and email address
- Customize text in emailed receipt footer

Security

CityBase is a certified Level 1 payment processor; as such, CityBase works closely with an independent third-party team of PCI Qualified Security Assessors to ensure that all cardholder data which enters, and traverses CityBase network systems, is doing so in a way that strictly adheres to the standards and requirements, as defined by the Payment Card Industry Data Security Standard (PCI DSS).

We invest heavily in building our endpoint detection and response capabilities

CityBase monitors for new vulnerability notifications and checks our systems against affected components, across all servers, endpoints, and network devices. We leverage these security events and log data from within our environment to gain actionable threat intelligence and visibility into suspicious processes and behaviors.

We are always monitoring our systems for security events

CityBase uses next-generation cloud security monitoring and alerting for all critical infrastructure components and payment systems, including Threat Stack, CrowdStrike, and the ELK Stack. We focus on rapid response to risks and potential threats with an enterprise threat-detection and response framework crafted from industry-leading commercial and open-source technologies. CityBase will be hosting all payments migrated to the CityBase platform, and assumes all responsibility for maintenance, reliability, PCI compliance, and data encryption functionality of the systems.

We build security into our software development life cycle

This allows us to move beyond security as a feature; rather it is part of the process from beginning to end.

As CityBase hosts its solution within AWS, this infrastructure carries certifications/attestations including, but not limited to: ISO-27001, ISO-9001, ISO-27017, ISO-27018, PCI DSS Level 1, FIPS, SOC 2, and SOC 3. Relating to the controls surrounding the CityBase solution, CityBase makes extensive use of real-time alerting and threat detection for all assets in the environment. These systems are designed to monitor and notify security personnel of anti-virus alerts, attacks on applications, attacks against system services, host-based intrusion detection and prevention events, cloud configuration events, and more. All of these controls meet or exceed the standards set forth in the PCI DSS.

Payment post responses

Here are some details about what kinds of responses you can expect when you send a payment post to CityBase.

> For more information about payment posts, see section One-time payments.

303 See Other

Success!

The payment payload was accepted and your customer will be redirected to CityBase Checkout.

404 Not found

The post was sent to an unknown route.

Please double-check the *path* portion of the URL.

422 Unprocessable entity

The payment payload is malformed.

Please double-check that required fields are present and that values are correctly typed. If you need help troubleshooting, please note the timestamp of the request and contact your CityBase support engineer.

500 Internal server error

Something unexpected happened.

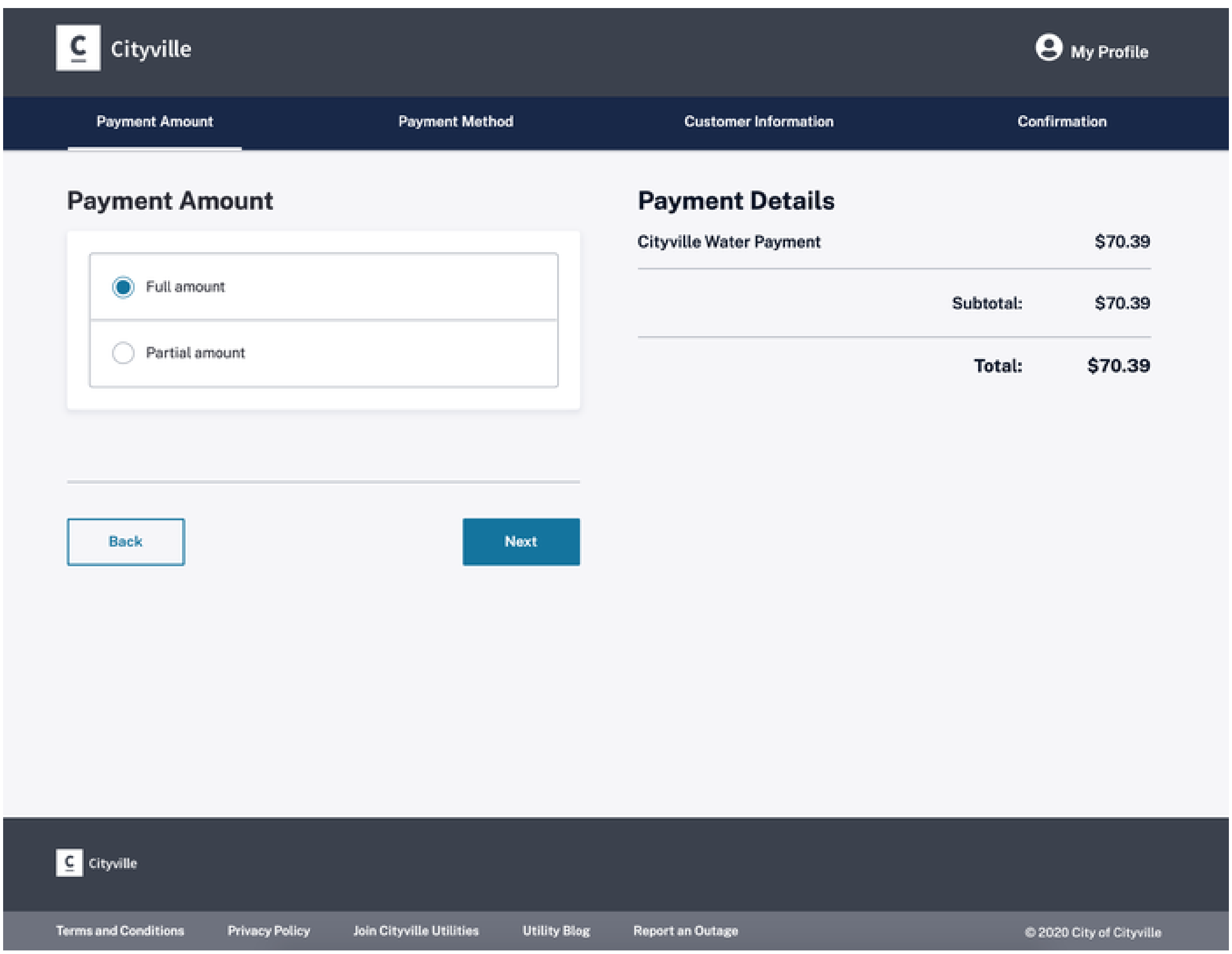
keep:

API Diagram

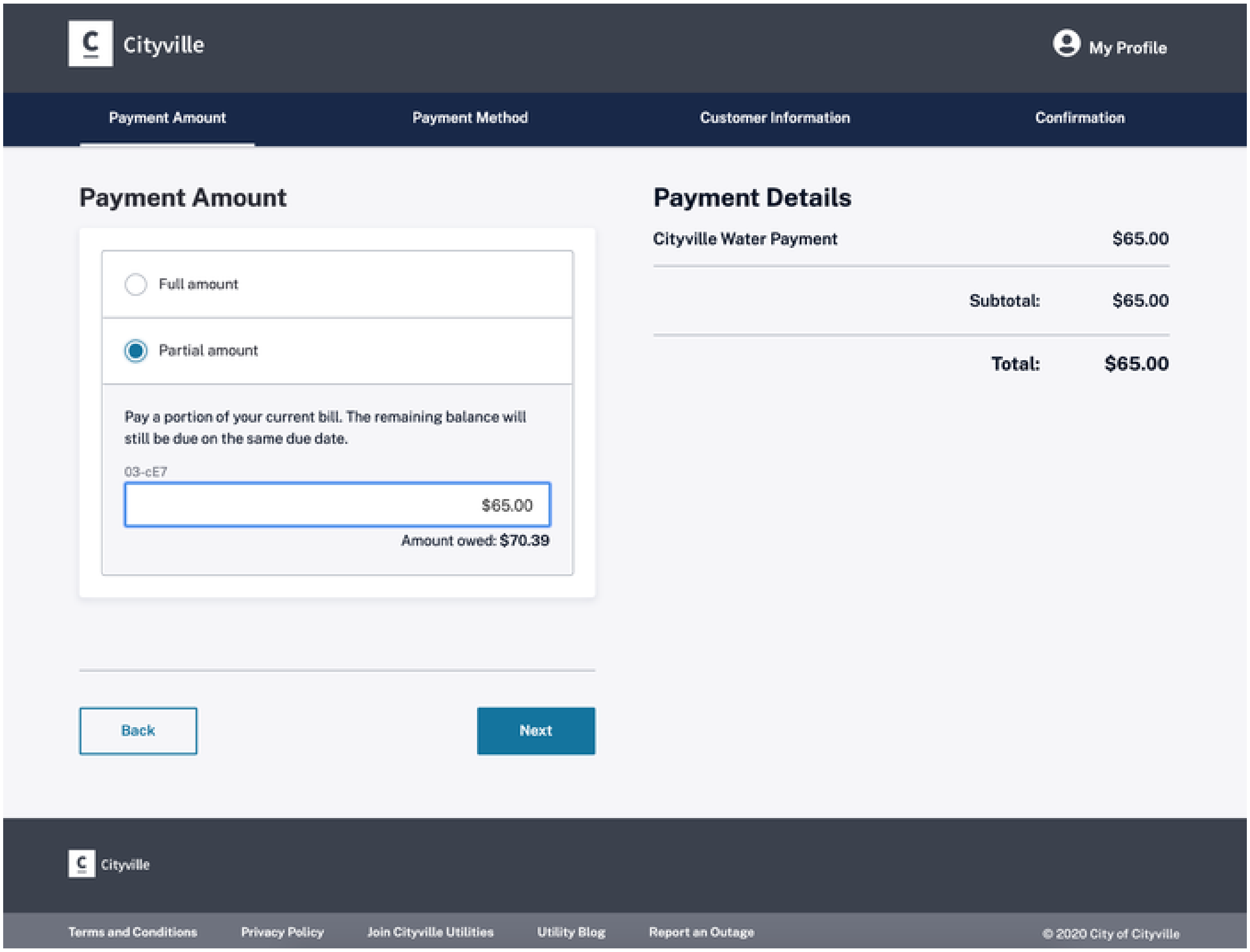
< insert here >

Detailed User Experience

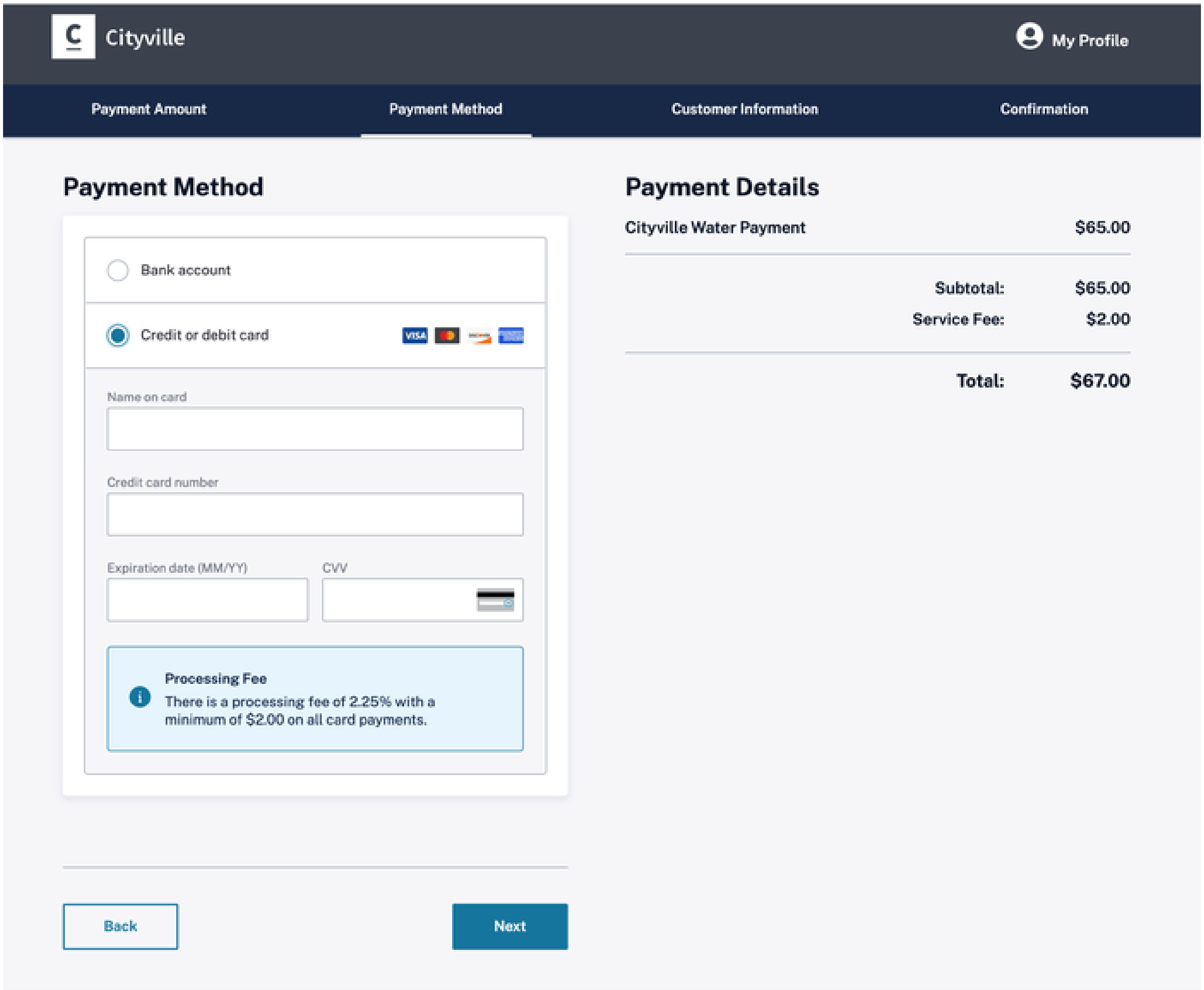
Step 1. Customer determines the payment amount.



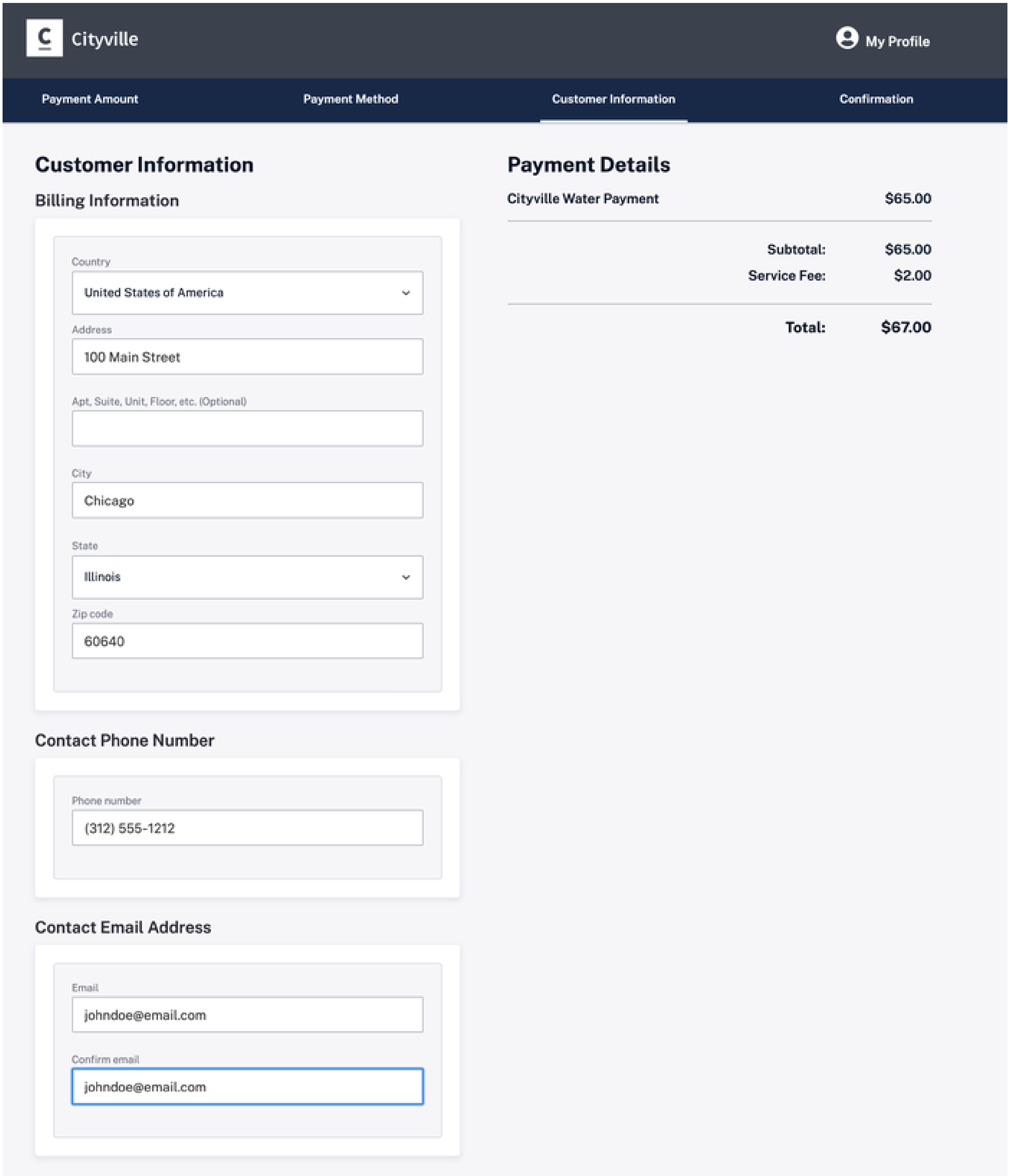
Step 2. Customer can make a partial payment if this option is enabled. Checkout allows for overpayment with a maximum determined by your business rule.



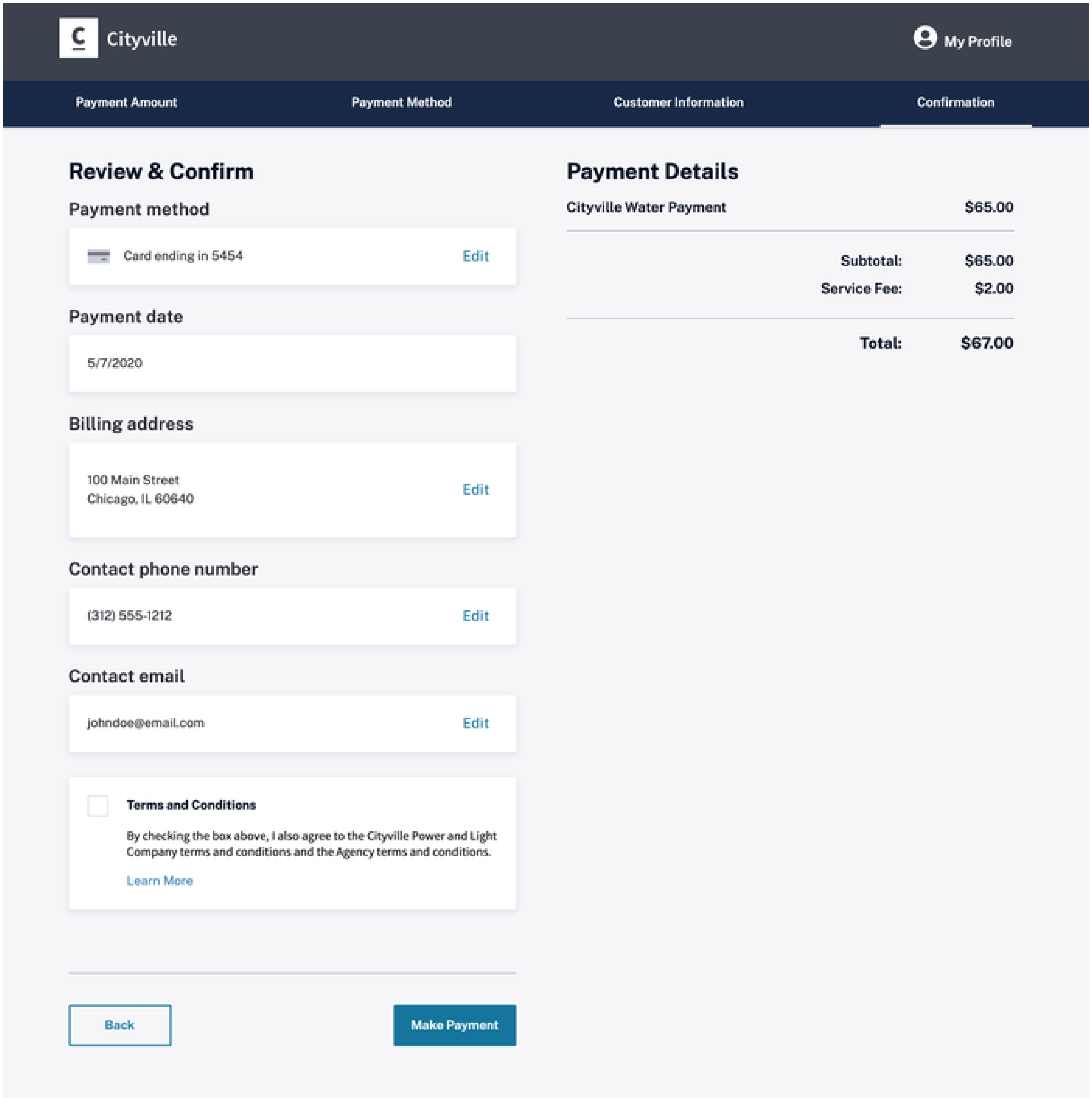
Step 3. Customer provides bank or credit card detail. Service Fees are added to total as configured based on your business rules.



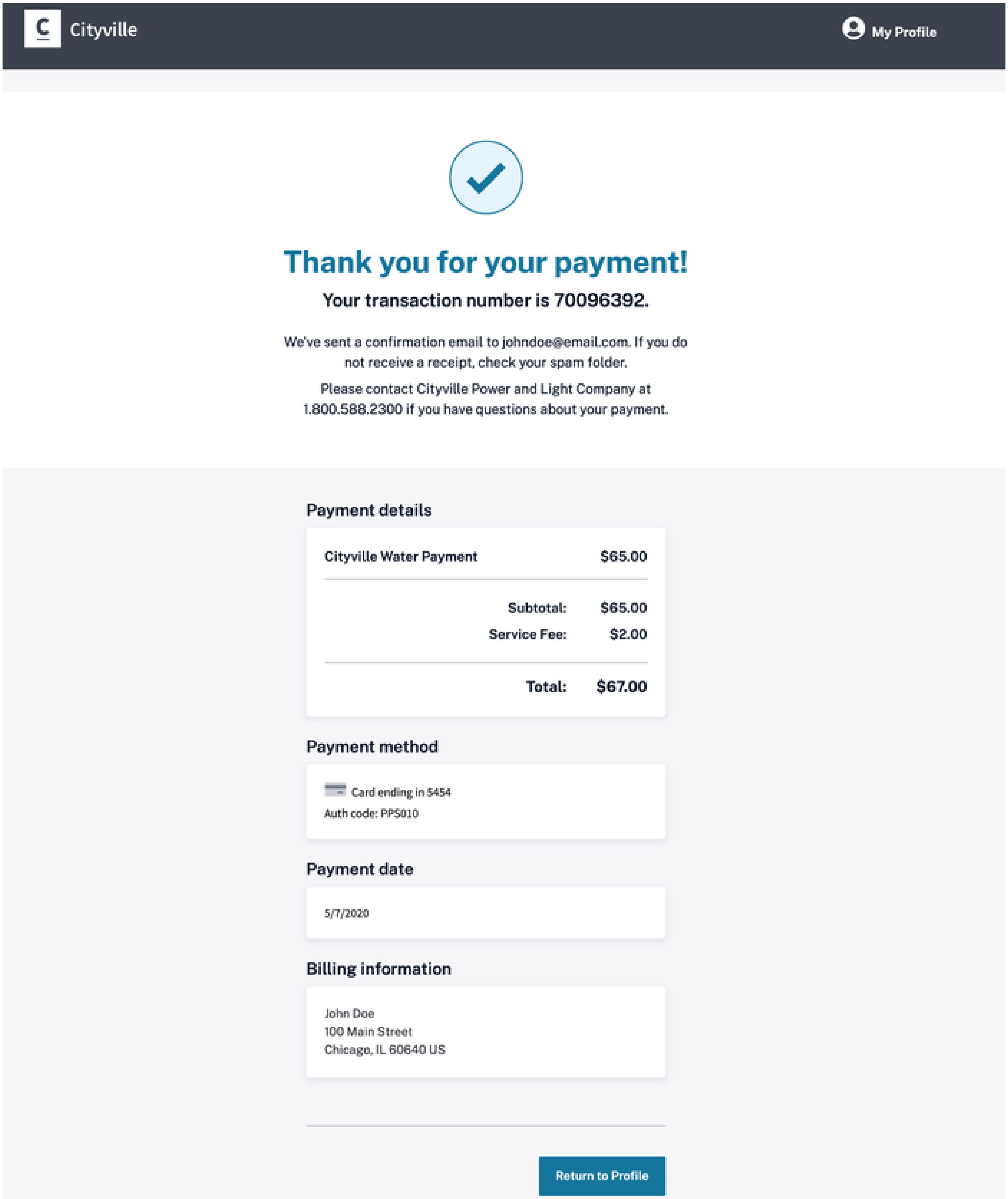
Step 4. Customer provides address, phone, and email details.



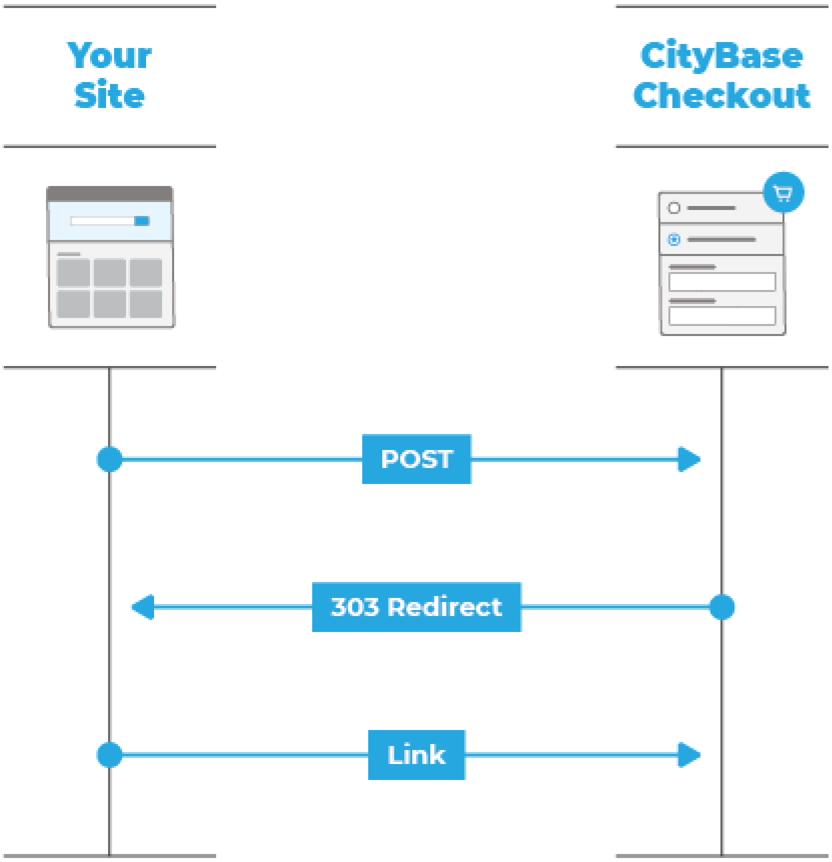
Step 5. Customer can review and update the details provided before finalizing their payment. The Customer must also agree to your Terms & Conditions



Step 6. Customer receives a confirmation page with transaction number. Customer will also receive a receipt emailed to the address they provided above.



Client Integration Digram


Your Site
CityBase Checkout
POST
303 Redirect
Link

Payment Response Webhook

Reporting a payment

Following a successful payment, refund or void, CityBase will send a POST request to a preconfigured URL specified by the client with details of the transaction.

> If the initial webhook request fails for some reason (e.g. timeout), it will be retried until a successful response is received or until a retry limit is reached.

Payment data

The payment webhook can be configured to report either:

- successful payments, or
- successful payments, refunds, and voids

Samples

Data for a successful card payment


```
{
  "data": {
    "total_amount": "984.31",
    "service_fee": "2.5",
    "amount": "981.81",
    "status": "successful",
    "payment_type": "credit_card",
    "agency": "Cityville Streets and Sanitation",
    "voidable": true,
    "refundable": false,
    "id": 70062495,
    "credit_card": {
      "last_four": "0000",
      "card_type": "discover"
    },
    "created_at": "2020-02-10T12:02:30Z",
    "associated_payments": [],
    "custom_attributes": [
      {
        "key": "invoice_record_id",
        "value": "ABC123"
      }
    ]
  }
}
```


Data for a successful bank payment

```
{
  "data": {
    "total_amount": "6035.21",
    "service_fee": "0.0",
    "amount": "6035.21",
    "status": "successful",
    "payment_type": "check",
    "agency": "Cityville Parking Commission",
    "voidable": false,
    "refundable": false,
    "id": 70062483,
    "credit_card": null,
    "bank_account": {
      "routing_number": "031000503",
      "bank_account_type": "checking",
      "account_number_last_four": "6770"
    },
    "created_at": "2020-02-10T12:02:25Z",
    "associated_payments": [],
    "custom_attributes": [
      {
        "key": "invoice_record_id",
        "value": "ABC123"
      }
    ]
  }
}
```

Data for a refund

```
{
  "data": {
    "total_amount": "981.81",
    "service_fee": "0.0",
    "amount": "981.81",
    "status": "refunded",
    "payment_type": "credit_card",
    "agency": "Cityville Streets and Sanitation",
    "voidable": false,
    "refundable": false,
    "id": 70063268,
    "credit_card": {
      "last_four": "0000",
      "card_type": "discover"
    },
    "bank_account": null,
    "created_at": "2020-02-12T15:23:31Z",
    "auth_code": null,
    "associated_payments": [
      {
        "status": "successful",
        "id": 70062495
      }
    ],
    "custom_attributes": [
      {
        "key": "invoice_record_id",
        "value": "ABC123"
      }
    ]
  }
}
```


Data for a voided payment

```
{
  "data": {
    "total_amount": "984.31",
    "service_fee": "2.5",
    "amount": "981.81",
    "status": "voided",
    "payment_type": "credit_card",
    "agency": "Cityville Streets and Sanitation",
    "voidable": false,
    "refundable": false,
    "id": 70062495,
    "credit_card": {
      "last_four": "0000",
      "card_type": "discover"
    },
    "created_at": "2020-02-10T12:02:30Z",
    "associated_payments": [],
    "custom_attributes": [
      {
        "key": "invoice_record_id",
        "value": "ABC123"
      }
    ]
  }
}
```

Custom Attributes

Custom attributes are returned to the client in the same key-value pairs that are sent with the initial payment request through the Standard Checkout.

Securing the webhook

Webhooks sent to the client employ a hash-based message authentication code (HMAC) to allow the recipient to verify that they were sent by CityBase. The authentication code is placed in CityBase-Signature header. It will be signed with a signing secret that is shared between CityBase and the client. The client can verify the message's authenticity by hashing the message with the same signing secret and comparing the hash CityBase sends with the hash they have computed.

HMAC header

CityBase will include a header named "CityBase-Signature".

Example header

```
CityBase-Signature: t=2020-02-12T21:48:05Z,
sha256=db93bf3941f34f0fd888b2985c52b03f45d748d5b5ad866cad1e29cfdaa2ab09
```

Description

The header body will have two parts, separated by a comma.

- The first part is a timestamp. The timestamp will be preceded by “t=”, and shall be formatted according to ISO-8601
- The second part is an HMAC-SHA256 signature. The signature will be preceded by “sha256=”, and shall be Base-16 encoded.

Signature generation

The signature will be a Base-16-encoded HMAC-SHA256 digest of the concatenation of:

- the timestamp in the header
- followed by a dot (.)
- followed by the raw payload from the request body

The key used for HMAC will be generated by CityBase and sent to the client. In the above example, the string being hashed is


```
2020-02-12T21:48:05Z.{"data":{"voidable":false,"total_amount":"984.31","status":"successful","settled_at":"2020-02-11T08:00:11.917Z","
service_type":"garbage","service_fee_payment_auth_code":"PPS015","service_fee":"2.5","request_id":null,"refundable":false,"
payment_type":"credit_card","payment_source":{"name":"cityville_streets_and_sanitation_web"},"original_payment_id":null,"id":70062495,"
funded_at":"2020-02-12","credit_card":{"zip_code":"60602","last_four":"0000","first_six":"601100","exp_year":"20","exp_month":"12","
cardholder_name":"Glenda Vasquez","card_type":"discover"},"created_at":"2020-02-10T12:02:30Z","bank_account":null,"auth_code":"
PPS015","associated_payments":[{"status":"refunded","id":70063268}],"amount":"981.81","agency":"Cityville Streets and Sanitation","
account":{"number":"62910841-f2b1-4f77-b586-8c0645c5fd4b"}}}
```


The signing secret for the above hash is `PG6xrCqJlrOhuY4lX0Lh+yMhLjjrKsCoVUVKbM/Cfq0=` (encoded as Base-64). The signing secret for the client will be a value unique to them.

> Please note that the *signing secret* is Base-64 encoded and the *HMAC signature* is Base-16 encoded.

Signature verification

Verification can be done by reversing the signing process.

- Concatenate the timestamp (as a string) from the header, a dot, and the request body (as a string).
- Compute the SHA256 hash using the signing secret as the key.
- Compare the output with the signature in the header.
- If the signatures match, verify that the difference between the current time and the timestamp in the header is within tolerance.

```ruby
# Compute signature in Ruby
def compute_signature(timestamp, payload, secret)
  timestamped_payload = "#{timestamp}.#{payload}"
  OpenSSL::HMAC.hexdigest(OpenSSL::Digest.new("sha256"), secret,
                          timestamped_payload)
end
```

Responding to a webhook

The client system should respond with a `2xx` level response code. Response codes outside the `2xx` range will be interpreted as failed by CityBase.

SECURITY PROFESSIONAL SERVICES

2021 Payment Card Industry Data Security Standard Attestation of Compliance for Onsite Assessments Service Providers

PREPARED FOR:

CityBase, Inc.

Provided By:

Specialized Security Services, Inc.

Presented By:

John Knight, Senior Vice President
September 23, 2021
Assessor: Kevin B. Weston, Senior Security Assessor

Version 3.2.1

June 2018

Section 1: Assessment Information

Instructions for Submission

This Attestation of Compliance must be completed as a declaration of the results of the service provider's assessment with the *Payment Card Industry Data Security Standard Requirements and Security Assessment Procedures (PCI DSS).* Complete all sections: The service provider is responsible for ensuring that each section is completed by the relevant parties, as applicable. Contact the requesting payment brand for reporting and submission procedures.

Part 1. Service Provider and Qualified Security Assessor Information

Part 1a. Service Provider Organization Information						
Company Name:	CityBase, Inc.		DBA (doing business as):	None		
Contact Name:	Michael Duffy		Title:	CEO		
Telephone:	(312)925-9911		E-mail:	mduffy@thecitybase.com		
Business Address:	30 N LaSalle, Suite 3400		City:	Chicago		
State/Province:	Illinois	Country:	USA		Zip:	60607
URL:	www.thecitybase.com					

Part 1b. Qualified Security Assessor Company Information (if applicable)						
Company Name:	Specialized Security Services, Inc.					
Lead QSA Contact Name:	Kevin B. Weston		Title:	Senior Security Assessor		
Telephone:	(972) 378-5554 x501		E-mail:	kbweston@s3security.com		
Business Address:	4975 Preston Park Blvd, Suite 510		City:	Plano		
State/Province:	Texas	Country:	USA		Zip:	75093
URL:	www.s3security.com					

Part 2. Executive Summary		
Part 2a. Scope Verification		
Services that were INCLUDED in the scope of the PCI DSS Assessment (check all that apply):		
Name of service(s) assessed:	CityBase, Inc. Kiosk Payment Solution and Web Pay Solution	
Type of service(s) assessed:		
Hosting Provider: ☐ Applications / software ☐ Hardware ☐ Infrastructure / Network ☐ Physical space (co-location) ☐ Storage ☐ Web ☐ Security services ☐ 3-D Secure Hosting Provider ☐ Shared Hosting Provider ☐ Other Hosting (specify):	**Managed Services (specify):** ☐ Systems security services ☐ IT support ☐ Physical security ☐ Terminal Management System ☐ Other services (specify):	**Payment Processing:** ☐ POS / card present ☐ Internet / e-commerce ☐ MOTO / Call Center ☐ ATM ☐ Other processing (specify):
☐ Account Management	☐ Fraud and Chargeback	☒ Payment Gateway/Switch
☐ Back-Office Services	☐ Issuer Processing	☐ Prepaid Services
☐ Billing Management	☐ Loyalty Programs	☐ Records Management
☐ Clearing and Settlement	☐ Merchant Services	☐ Tax/Government Payments
☐ Network Provider		
☒ Others (specify): CityBase inc. Kiosk Payment Solution (card present) and Web Pay Solution (card not present)		
***Note**: These categories are provided for assistance only, and are not intended to limit or predetermine an entity's service description. If you feel these categories don't apply to your service, complete "Others." If you're unsure whether a category could apply to your service, consult with the applicable payment brand.*		

Part 2a. Scope Verification *(continued)*		
Services that are provided by the service provider but were NOT INCLUDED in the scope of the PCI DSS Assessment (check all that apply):		
Name of service(s) not assessed:	Not applicable	
Type of service(s) not assessed:		
Hosting Provider: ☐ Applications / software ☐ Hardware ☐ Infrastructure / Network ☐ Physical space (co-location) ☐ Storage ☐ Web ☐ Security services ☐ 3-D Secure Hosting Provider ☐ Shared Hosting Provider ☐ Other Hosting (specify):	**Managed Services (specify):** ☐ Systems security services ☐ IT support ☐ Physical security ☐ Terminal Management System ☐ Other services (specify):	**Payment Processing:** ☐ POS / card present ☐ Internet / e-commerce ☐ MOTO / Call Center ☐ ATM ☐ Other processing (specify):
☐ Account Management	☐ Fraud and Chargeback	☐ Payment Gateway/Switch
☐ Back-Office Services	☐ Issuer Processing	☐ Prepaid Services
☐ Billing Management	☐ Loyalty Programs	☐ Records Management
☐ Clearing and Settlement	☐ Merchant Services	☐ Tax/Government Payments
☐ Network Provider		
☐ Others (specify):		
Provide a brief explanation why any checked services were not included in the assessment:		

Part 2b. Description of Payment Card Business	
Describe how and in what capacity your business stores, processes, and/or transmits cardholder data.	CityBase, Inc. is a service provider that provides payment platforms for their clients, such as local governments and utility companies, to interface with their customers and integrate with the client's designated acquirers for payment processing and authorization. These payment platforms include the CityBase Kiosk and Webpay Point of Sale user interfaces which accept payments that are processed through a unified payment back end. The CityBase Kiosk payment platform accepts a card present payment which is transmitted over a private, encrypted VPN tunnel to the back-end payment infrastructure in the AWS Virtual Private Cloud. Payment cardholder data is then transmitted encrypted over HTTPS or API TLS 1.2 connections to the payment acquirer for authorization. The CityBase Webpay Point of Sale payment platform accepts a card-not-present payment which is entered into the Webpay payments page and then transmitted over a TLS 1.2 encrypted connection to the back-end payment infrastructure in the AWS Virtual Private Cloud. Payment cardholder data is then transmitted encrypted over HTTPS or API TLS 1.2 connections to the payment acquirer for authorization
Describe how and in what capacity your business is otherwise involved in or has the ability to impact the security of cardholder data.	CityBase, Inc. is involved in and secures payment cardholder data only in the ways described above. All CHD is secured at the point of capture and all CHD transmissions are secured with strong encryption. CityBase, Inc. does not store cardholder data

Part 2c. Locations

List types of facilities (for example, retail outlets, corporate offices, data centers, call centers, etc.) and a summary of locations included in the PCI DSS review.

Type of facility:	Number of facilities of this type	Location(s) of facility (city, country):
Example: Retail outlets	*3*	*Boston, MA, USA*
Corporate Office	1	Chicago, IL, USA
Kiosk Payment Solutions	Approximately 300	Various Cities, USA

Part 2d. Payment Applications				
Does the organization use one or more Payment Applications? ☒ Yes ☐ No				
Provide the following information regarding the Payment Applications your organization uses:				
Payment Application Name	**Version Number**	**Application Vendor**	**Is application PA-DSS Listed?**	**PA-DSS Listing Expiry date (if applicable)**
CityBase Inc. Kiosk Payment Solution	N/A	Custom Developed Application	☐ Yes ☒ No	Not applicable
CityBase Inc. Web Pay Solution	N/A	Custom Developed Application	☐ Yes ☒ No	Not applicable
Clover	N/A	Clover Network, Inc. a wholly-owned subsidiary of First Data Corpporation	☐ Yes ☒ No	N/A -the Clover solution is PCI P2PE certified (Reference #2017-00893.001)

Part 2e. Description of Environment	
Provide a ***high-level*** description of the environment covered by this assessment. *For example:* • *Connections into and out of the cardholder data environment (CDE).* • *Critical system components within the CDE, such as POS devices, databases, web servers, etc., and any other necessary payment components, as applicable.*	Specialized Security Services, Inc. covered all people, processes, and technologies in use within the CityBase, Inc. cardholder data environment, including but not limited to, the hardware and software of their Kiosks, development and security of their Webpay web applications, their production AWS environment assets and architecture that hosts their unified payment solution backend, all connections into and out of the CDE, all transmissions and processing of cardholder data, the implementation of their tokenization solutions, that the Clover PCI P2PE solution was implemented according to the Product Implementation Manual (PIM), and the configuration of their IT security solutions in use.
Does your business use network segmentation to affect the scope of your PCI DSS environment? *(Refer to "Network Segmentation" section of PCI DSS for guidance on network segmentation)*	☒ Yes ☐ No

Part 2f. Third-Party Service Providers	
Does your company have a relationship with a Qualified Integrator & Reseller (QIR) for the purpose of the services being validated?	☐ Yes ☒ No
If Yes:	
Name of QIR Company:	Not Applicable
QIR Individual Name:	Not Applicable
Description of services provided by QIR:	Not Applicable
Does your company have a relationship with one or more third-party service providers (for example, Qualified Integrator Resellers (QIR), gateways, payment processors, payment service providers (PSP), web-hosting companies, airline booking agents, loyalty program agents, etc.) for the purpose of the services being validated?	☒ Yes ☐ No
If Yes:	

Name of service provider:	**Description of services provided:**
US Bank/Evalon Merchant Processing System	Payment Processing
First Data Merchant Services	Payment Processing
Fiserv (Card Services)	Payment Processing
Invoice Cloud, Inc.	Payment Processing
Card Connect, LLC	Payment Processing
Amazon Web Services, Inc.	Hosting Provider (Hardware, Security Services, Infrastructure/Network)
Note: *Requirement 12.8 applies to all entities in this list.*	

Part 2g. Summary of Requirements Tested

For each PCI DSS Requirement, select one of the following:

- **Full** – The requirement and all sub-requirements of that requirement were assessed, and no sub-requirements were marked as "Not Tested" or "Not Applicable" in the ROC.
- **Partial** – One or more sub-requirements of that requirement were marked as "Not Tested" or "Not Applicable" in the ROC.
- **None** – All sub-requirements of that requirement were marked as "Not Tested" and/or "Not Applicable" in the ROC.

For all requirements identified as either "Partial" or "None," provide details in the "Justification for Approach" column, including:

- Details of specific sub-requirements that were marked as either "Not Tested" and/or "Not Applicable" in the ROC
- Reason why sub-requirement(s) were not tested or not applicable

Note: *One table to be completed for each service covered by this AOC. Additional copies of this section are available on the PCI SSC website*.

Name of Service Assessed:	CityBase, Inc. Kiosk Payment Solution and Web Pay Solution

PCI DSS Requirement	**Details of Requirements Assessed**			
	Full	**Partial**	**None**	**Justification for Approach** (Required for all "Partial" and "None" responses. Identify which sub-requirements were not tested and the reason.)
Requirement 1:	☒	☐	☐	
Requirement 2:	☐	☒	☐	Not Applicable: 2.1.1 (a-e) CityBase does not use wireless technologies in the CDE 2.2.3 – CityBase does not enable any insecure services, ports, or daemons on CDE systems. 2.6 CityBase is not a shared hosting provider
Requirement 3:	☐	☒	☐	Not applicable: 3.1, 3.3, 3.4, 3.5, 3.6, 3.7 CityBase does not store cardholder data.
Requirement 4:	☐	☒	☐	Not applicable: 4.1 (a-g) CityBase does not send cardholder data via Public networks 4.1.1 CityBase does not use wireless technologies in the CDE 4.2 (a,b) CityBase does not send PAN data via email, SMS, Chat or other end user messaging technology
Requirement 5:	☒	☐	☐	
Requirement 6:	☐	☒	☐	Not applicable:

				6.4.6 CityBase has not had significant changes to the CDE within the past 12 months.
Requirement 7:	☒	☐	☐	
Requirement 8:	☐	☒	☐	Not applicable: 8.6 CityBase does not use smart cards, security tokens or certificates of logins. 8.7 CityBase does not store any cardholder data.
Requirement 9:	☐	☒	☐	Not applicable: 9.5, 9.6, 9.7, 9.8.2 CityBase does not store any cardholder data.
Requirement 10:	☒	☐	☐	
Requirement 11:	☒	☐	☐	
Requirement 12:	☒	☐	☐	
Appendix A1:	☐	☒	☐	Not applicable: Appendix A1 All: CityBase is not a shared hosting provider.
Appendix A2:	☐	☒	☐	Not Applicable: A.2.1, A2.2: CityBase does not use SSL or early TLS protocols

Section 2: Report on Compliance

This Attestation of Compliance reflects the results of an onsite assessment, which is documented in an accompanying Report on Compliance (ROC).

The assessment documented in this attestation and in the ROC was completed on:	*August 26 , 2021*	
Have compensating controls been used to meet any requirement in the ROC?	☐ Yes	☒ No
Were any requirements in the ROC identified as being not applicable (N/A)?	☒ Yes	☐ No
Were any requirements not tested?	☐ Yes	☒ No
Were any requirements in the ROC unable to be met due to a legal constraint?	☐ Yes	☒ No

Section 3: Validation and Attestation Details

Part 3. PCI DSS Validation

This AOC is based on results noted in the ROC dated *August 26, 2021.*

Based on the results documented in the ROC noted above, the signatories identified in Parts 3b-3d, as applicable, assert(s) the following compliance status for the entity identified in Part 2 of this document (***check one):***

☒	**Compliant:** All sections of the PCI DSS ROC are complete, all questions answered affirmatively, resulting in an overall **COMPLIANT** rating; thereby *CityBase, Inc.* has demonstrated full compliance with the PCI DSS.
☐	**Non-Compliant:** Not all sections of the PCI DSS ROC are complete, or not all questions are answered affirmatively, resulting in an overall **NON-COMPLIANT** rating, thereby *(Service Provider Company Name)* has not demonstrated full compliance with the PCI DSS. **Target Date** for Compliance: An entity submitting this form with a status of Non-Compliant may be required to complete the Action Plan in Part 4 of this document. *Check with the payment brand(s) before completing Part 4.*
☐	**Compliant but with Legal exception:** One or more requirements are marked "Not in Place" due to a legal restriction that prevents the requirement from being met. This option requires additional review from acquirer or payment brand. *If checked, complete the following:*

Affected Requirement	Details of how legal constraint prevents requirement being met

Part 3a. Acknowledgement of Status

Signatory(s) confirms:

(Check all that apply)

☒	The ROC was completed according to the *PCI DSS Requirements and Security Assessment Procedures*, Version *3.2.1*, and was completed according to the instructions therein.
☒	All information within the above-referenced ROC and in this attestation fairly represents the results of my assessment in all material respects.
☒	I have confirmed with my payment application vendor that my payment system does not store sensitive authentication data after authorization.
☒	I have read the PCI DSS and I recognize that I must maintain PCI DSS compliance, as applicable to my environment, at all times.
☒	If my environment changes, I recognize I must reassess my environment and implement any additional PCI DSS requirements that apply.

Part 3a. Acknowledgement of Status (continued)	
☒	No evidence of full track data[1], CAV2, CVC2, CID, or CVV2 data[2], or PIN data[3] storage after transaction authorization was found on ANY system reviewed during this assessment.
☒	ASV scans are being completed by the PCI SSC Approved Scanning Vendor *Specialized Security Services, Inc. (3765-01-14)*

Part 3b. Service Provider Attestation

DocuSigned by:
Mike Duffy
FF4BFCEFFA0B47F...

Signature of Service Provider Executive Officer ↑	*Date:* 9/23/2021
Service Provider Executive Officer Name: Michael Duffy	*Title: CEO*

Part 3c. Qualified Security Assessor (QSA) Acknowledgement (if applicable)

If a QSA was involved or assisted with this assessment, describe the role performed:	Specialized Security Services, Inc. performed the security assessment and prepared the Report on Compliance in accordance with the PCI DSS 3.2.1 Guidelines.

Signature of QSA's Executive Officer ↑	*Date:* 9/22/2021
QSA's Executive Officer Name: Mitchelle Schanbaum	*QSA Company:* Specialized Security Services, Inc.

Kevin B. Weston

Signature of QSA ↑	*Date:* 9/23/2021
QSA Name: Kevin B. Weston, Senior Security Assessor	*QSA Company:* Specialized Security Services, Inc.

Part 3d. Internal Security Assessor (ISA) Involvement (if applicable)

If an ISA(s) was involved or assisted with this assessment, identify the ISA personnel and describe the role performed:	None

[1] Data encoded in the magnetic stripe or equivalent data on a chip used for authorization during a card-present transaction. Entities may not retain full track data after transaction authorization. The only elements of track data that may be retained are primary account number (PAN), expiration date, and cardholder name.

[2] The three- or four-digit value printed by the signature panel or on the face of a payment card used to verify card-not-present transactions.

[3] *Personal identification number entered by cardholder during a card-present transaction, and/or encrypted PIN block present* within the transaction message.

Part 4. Action Plan for Non-Compliant Requirements

Select the appropriate response for "Compliant to PCI DSS Requirements" for each requirement. If you answer "No" to any of the requirements, you may be required to provide the date your Company expects to be compliant with the requirement and a brief description of the actions being taken to meet the requirement.

Check with the applicable payment brand(s) before completing Part 4.

PCI DSS Requirement	Description of Requirement	Compliant to PCI DSS Requirements *(Select One)* YES	NO	Remediation Date and Actions (If "NO" selected for any Requirement)
1	Install and maintain a firewall configuration to protect cardholder data	☒	☐	
2	Do not use vendor-supplied defaults for system passwords and other security parameters	☒	☐	
3	Protect stored cardholder data	☒	☐	
4	Encrypt transmission of cardholder data across open, public networks	☒	☐	
5	Protect all systems against malware and regularly update anti-virus software or programs	☒	☐	
6	Develop and maintain secure systems and applications	☒	☐	
7	Restrict access to cardholder data by business need to know	☒	☐	
8	Identify and authenticate access to system components	☒	☐	
9	Restrict physical access to cardholder data	☒	☐	
10	Track and monitor all access to network resources and cardholder data	☒	☐	
11	Regularly test security systems and processes	☒	☐	
12	Maintain a policy that addresses information security for all personnel	☒	☐	
Appendix A1	Additional PCI DSS Requirements for Shared Hosting Providers	☒	☐	
Appendix A2	Additional PCI DSS Requirements for Entities using SSL/early TLS for Card-Present POS POI Terminal Connections	☒	☐	

SECTION 1: INDEPENDENT SERVICE AUDITORS' REPORT

Auditwerx
3000 Bayport Drive
Suite 500
Tampa, FL 33607

866.446.4038
Auditwerx.com

INDEPENDENT SERVICE AUDITORS' REPORT

To: CityBase, Inc.

Scope

We have examined CityBase, Inc.'s (CityBase) accompanying description of its Unified Payment Platform System found in Section 3 titled "CityBase, Inc.'s Description of its Unified Payment Platform System" throughout the period May 1, 2020 to October 31, 2020 ("description") based on the criteria for a description of a service organization's system set forth in *DC 200, 2018 Description Criteria for a Description of a Service Organization's System in a SOC 2® Report* (AICPA, *Description Criteria*), ("description criteria") and the suitability of the design and operating effectiveness of controls stated in the description throughout the period May 1, 2020 to October 31, 2020, to provide reasonable assurance that CityBase's service commitments and system requirements were achieved based on the trust services criteria relevant to security, availability, and processing integrity ("applicable trust services criteria") set forth in *TSP 100, 2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy (*AICPA*, Trust Services Criteria)*.

CityBase uses a subservice organization to provide infrastructure as a service (IAAS) services. The description indicates that complementary subservice organization controls that are suitably designed and operating effectively are necessary, along with controls at CityBase, to achieve CityBase's service commitments and system requirements based on the applicable trust services criteria. The description presents CityBase's controls, the applicable trust services criteria, and the types of complementary subservice organization controls assumed in the design of CityBase's controls. The description does not disclose the actual controls at the subservice organization. Our examination did not include the services provided by the subservice organization, and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

The description indicates that certain complementary user entity controls that are suitably designed and operating effectively are necessary, along with controls at CityBase, to achieve CityBase's service commitments and system requirements based on the applicable trust services criteria. The description presents CityBase's controls, the applicable trust services criteria, and the complementary user entity controls assumed in the design of CityBase's controls. Our examination did not include such complementary user entity controls and we have not evaluated the suitability of the design or operating effectiveness of such controls.

The information included in Section 5, "Other Information Provided by CityBase Inc.," is presented by management of CityBase to provide additional information and is not a part of CityBase's description of its Unified Payment Platform System made available to user entities during the period May 1, 2020 to October 31, 2020. Information about CityBase's management responses to exceptions identified in the report has not been subjected to the procedures applied in the examination and accordingly, we express no opinion on it.

CityBase's Responsibilities

CityBase is responsible for its service commitments and system requirements and for designing, implementing, and operating effective controls within the system to provide reasonable assurance that CityBase's service commitments and system requirements were achieved. In Section 2, CityBase has provided the accompanying assertion titled "CityBase, Inc.'s Assertion" ("assertion") about the description and the suitability of design and operating effectiveness of controls stated therein. CityBase is also responsible for preparing the description and assertion, including the completeness, accuracy, and method of presentation of the description and assertion; providing the services covered by the description; selecting the applicable trust services criteria and stating the related controls in the description; and identifying the risks that threaten the achievement of the service organization's service commitments and system requirements.

Auditwerx's Responsibilities

Our responsibility is to express an opinion on the description and on the suitability of design and operating effectiveness of controls stated in the description based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the description is presented in accordance with the description criteria and the controls stated therein were suitably designed and operated effectively to provide reasonable assurance that the service organization's service commitments and system requirements were achieved based on the applicable trust services criteria. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of controls involves—

- obtaining an understanding of the system and the service organization's service commitments and system requirements.
- assessing the risks that the description is not presented in accordance with the description criteria and that controls were not suitably designed or did not operate effectively.
- performing procedures to obtain evidence about whether the description is presented in accordance with the description criteria.
- performing procedures to obtain evidence about whether controls stated in the description were suitably designed to provide reasonable assurance that the service organization

achieved its service commitments and system requirements based on the applicable trust services criteria.

- testing the operating effectiveness of controls stated in the description to provide reasonable assurance that the service organization achieved its service commitments and system requirements based on the applicable trust services criteria.
- evaluating the overall presentation of the description.

Our examination also included performing such other procedures as we considered necessary in the circumstances

Inherent Limitations

The description is prepared to meet the common needs of a broad range of report users and may not, therefore, include every aspect of the system that individual report users may consider important to meet their informational needs. There are inherent limitations in any system of internal control, including the possibility of human error and the circumvention of controls. Because of their nature, controls may not always operate effectively to provide reasonable assurance that the service organization's service commitments and system requirements are achieved based on the applicable trust services criteria. Also, the projection to the future of any conclusions about the suitability of the design or operating effectiveness of controls is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Description of Tests of Controls

The specific controls tested and the nature, timing, and results of those tests are listed in Section 4.

Opinion

In our opinion, in all material respects–

a. the description presents CityBase's Unified Payment Platform System that was designed and implemented throughout the period May 1, 2020 to October 31, 2020 in accordance with the description criteria.

b. the controls stated in the description were suitably designed throughout the period May 1, 2020 to October 31, 2020 to provide reasonable assurance that CityBase's service commitments and system requirements would be achieved based on the applicable trust services criteria, if its controls operated effectively throughout that period, and if the subservice organization and user entities applied the complementary controls assumed in the design of CityBase's controls throughout that period.

c. the controls stated in the description operated effectively throughout the period May 1, 2020 to October 31, 2020 to provide reasonable assurance that CityBase's service commitments and system requirements were achieved based on the applicable trust services criteria, if complementary subservice organization and user entity controls assumed in the design of CityBase's controls operated effectively throughout that period.

Restricted Use

This report, including the description of tests of controls and results thereof in Section 4, is intended solely for the information and use of CityBase, user entities of CityBase's Unified Payment Platform System during some or all of the period May 1, 2020 to October 31, 2020, business partners of CityBase subject to risks arising from interactions with the Unified Payment Platform System, practitioners providing services to such user entities and business partners, prospective user entities and business partners, and regulators who have sufficient knowledge and understanding of the following:

- The nature of the service provided by the service organization.
- How the service organization's system interacts with user entities, business partners, subservice organizations, and other parties.
- Internal control and its limitations.
- Complementary user entity controls and complementary subservice organization controls and how those controls interact with the controls at the service organization to achieve the service organization's service commitments and system requirements.
- User entity responsibilities and how they may affect the user entity's ability to effectively use the service organization's services.
- The applicable trust services criteria.
- The risks that may threaten the achievement of the service organization's service commitments and system requirements and how controls address those risks.

This report is not intended to be, and should not be, used by anyone other than the specified parties.

Auditwerx, LLC

Auditwerx, LLC, a Division of Carr, Riggs & Ingram Capital, LLC

Tampa, Florida
March 17, 2021

SECTION 2: CITYBASE, INC.'S ASSERTION

CITYBASE, INC.'S ASSERTION

We have prepared the accompanying description of CityBase, Inc.'s (CityBase) Unified Payment Platform System entitled "CityBase, Inc.'s Description of its Unified Payment Platform System" throughout the period May 1, 2020 to October 31, 2020 ("description") based on the criteria for a description of a service organization's system set forth in *DC 200, 2018 Description Criteria for a Description of a Service Organization's System in a SOC 2® Report* (AICPA, *Description Criteria*), ("description criteria"). The description is intended to provide report users with information about the Unified Payment Platform System that may be useful when assessing the risks arising from interactions with CityBase's system, particularly information about system controls that CityBase has designed, implemented, and operated to provide reasonable assurance that its service commitments and system requirements were achieved based on the trust services criteria relevant to security, availability, and processing integrity ("applicable trust services criteria") set forth in *TSP 100, 2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy (*AICPA*, Trust Services Criteria)*.

CityBase uses a subservice organization to provide infrastructure as a service (IAAS) services. The description indicates that complementary subservice organization controls that are suitably designed and operating effectively are necessary, along with controls at CityBase, to achieve CityBase's service commitments and system requirements based on the applicable trust services criteria. The description presents CityBase's controls, the applicable trust services criteria, and the types of complementary subservice organization controls assumed in the design of CityBase's controls. The description does not disclose the actual controls at the subservice organization.

The description indicates that complementary user entity controls that are suitably designed and operating effectively are necessary, along with controls at CityBase, to achieve CityBase's service commitments and system requirements based on the applicable trust services criteria. The description presents the service organization's controls, the applicable trust services criteria, and the complementary user entity controls assumed in the design of the service organization's controls.

We confirm, to the best of our knowledge and belief, that-

1. the description presents CityBase's Unified Payment Platform System that was designed and implemented throughout the period May 1, 2020 to October 31, 2020 in accordance with the description criteria.
2. the controls stated in the description were suitably designed throughout the period May 1, 2020 to October 31, 2020 to provide reasonable assurance that CityBase's service commitments and system requirements would be achieved based on the applicable trust services criteria, if its controls operated effectively throughout that period, and if the subservice organization and user entities applied the complementary controls assumed in the design of CityBase's controls throughout that period.
3. the controls stated in the description operated effectively throughout the period May 1, 2020 to October 31, 2020 to provide reasonable assurance that CityBase's service commitments and system requirements were achieved based on the applicable trust services criteria, if

complementary subservice organization controls and complementary user entity controls assumed in the design of CityBase's controls operated effectively throughout that period.

By: /S/ Andrew Brooks

Andrew Brooks
Vice President of Information Security

March 17, 2021

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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, 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;

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- 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

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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

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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.

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- 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.

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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.

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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.

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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.

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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. 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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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

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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.

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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

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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

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- 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.

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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.

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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;

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- 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.

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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

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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.

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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.

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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

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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.

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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

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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

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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

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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.

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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	$	$ 7,663	$ 2,778	$	$

		13,283			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 %*

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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.

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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.

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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

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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.

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Item 8. Financial Statements and Supplementary Data.

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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.

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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

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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.

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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.

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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.

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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.

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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.

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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

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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

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GTY TECHNOLOGY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except share and per share amounts)

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.

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.

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GTY TECHNOLOGY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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.

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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.

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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

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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, 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.

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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

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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 $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.

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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

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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.

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.

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

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.

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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.

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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.

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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).

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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).

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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).

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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).

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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)

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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

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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.”

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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.

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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.

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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.

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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.

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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.

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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.

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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

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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.

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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

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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.

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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.

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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;

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- 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.

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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

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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.

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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.

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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

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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;

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- 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.

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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.

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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.

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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.

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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.

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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.

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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):

	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 %

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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)%

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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

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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.

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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	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 %*

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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.

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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.

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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: 387

(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

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$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.

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Item 8. Financial Statements and Supplementary Data.

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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, 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

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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.

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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.

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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.

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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.

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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.

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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.

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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

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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.

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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 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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GTY TECHNOLOGY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables in thousands, except share and per share amounts)

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.

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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.

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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.

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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).

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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

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	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)

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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

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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, 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.).

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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.

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- 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 AllocateTM; Cost Allocation Software

eCivis AllocateTM 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 FundMaxTM; Cost Allocation Software

eCivis FundMaxTM 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.

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 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.

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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.

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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

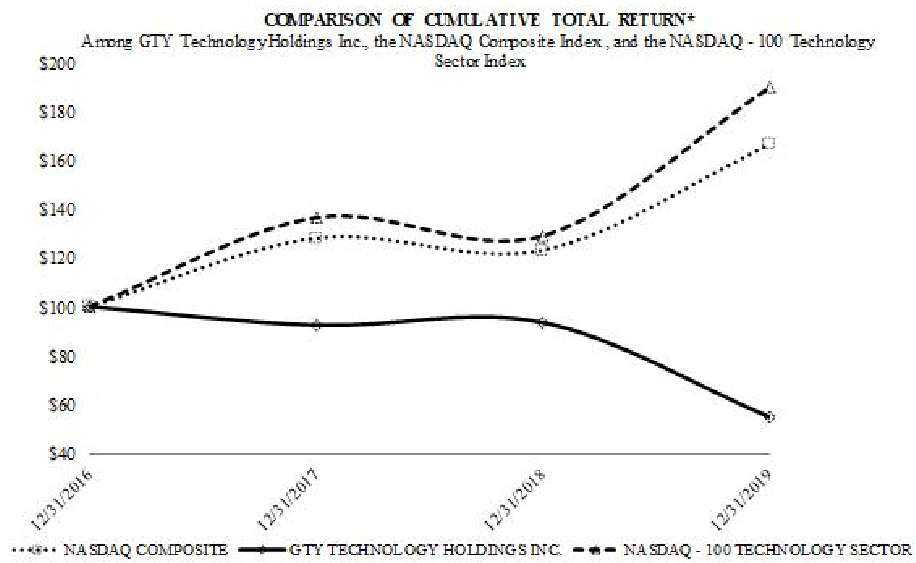
We have not paid any cash dividends on our common stock to date and GTY did not pay cash dividends prior to the consummation of the business combination. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition. 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.

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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.

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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	Year Ended December 31, 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.

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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.

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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, 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

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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)

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)**

Predecessor from December 31, 2017 to December 31, 2018

		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.

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. ("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.

GTY TECHNOLOGY HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Amounts in tables in thousands, except share and per share amounts)

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.

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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

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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.

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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

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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.

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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.

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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.

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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.

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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

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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.

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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.

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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.

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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.

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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.

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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

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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)

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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

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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

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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.

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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.

GTY TECHNOLOGY HOLDINGS INC.
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Amounts in tables in thousands, except share and per share amounts)

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

GTY TECHNOLOGY HOLDINGS INC.
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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%

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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.

GTY TECHNOLOGY HOLDINGS INC.
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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

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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.

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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

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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.

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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).

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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

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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