

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 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: 1-34522

**ASURE SOFTWARE, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**74-2415696**

(I.R.S. Employer  
Identification No.)

**3700 N. Capital of Texas Hwy #350**

**Austin, Texas**

(Address of Principal Executive Offices)

**78746**

(Zip Code)

**(512) 437-2700**

(Registrant's Telephone Number, including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	ASUR	Nasdaq Capital Market

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of May 4, 2020, 15,745,255 shares of the registrant's Common Stock were outstanding.

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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

ASURE SOFTWARE, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2020 (unaudited)	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 20,780	\$ 28,826
Accounts receivable, net of allowance for doubtful accounts of \$986 and \$904 at March 31, 2020 and December 31, 2019, respectively	4,900	4,808
Inventory	572	656
Prepaid expenses and other current assets	6,829	12,218
<b>Total current assets before funds held for clients</b>	<b>33,081</b>	<b>46,508</b>
Funds held for clients	116,433	137,935
<b>Total current assets</b>	<b>149,514</b>	<b>184,443</b>
Property and equipment, net	8,475	7,867
Goodwill	68,697	68,697
Intangible assets, net	63,223	63,850
Operating lease assets, net	6,578	6,963
Other assets, net	3,651	3,224
<b>Total assets</b>	<b>\$ 300,138</b>	<b>\$ 335,044</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of notes payable	\$ 2,816	\$ 2,571
Accounts payable	755	1,736
Accrued compensation and benefits	3,220	3,424
Operating lease liabilities, current	1,553	1,575
Other accrued liabilities	5,685	6,556
Deferred revenue	3,526	5,500
<b>Total current liabilities before client fund obligations</b>	<b>17,555</b>	<b>21,362</b>
Client fund obligations	117,476	145,227
<b>Total current liabilities</b>	<b>135,031</b>	<b>166,589</b>
Long-term liabilities:		
Deferred revenue	254	322
Deferred tax liability	344	336
Notes payable, net of current portion	22,461	24,142
Operating lease liabilities, noncurrent	5,554	5,937
Other liabilities	73	139
<b>Total long-term liabilities</b>	<b>28,686</b>	<b>30,876</b>
<b>Total liabilities</b>	<b>163,717</b>	<b>197,465</b>
<b>Commitments</b>		
Stockholders' equity:		
Preferred stock, \$.01 par value; 1,500 shares authorized; none issued or outstanding	-	-
Common stock, \$.01 par value; 22,000 and 22,000 shares authorized; 16,127 and 16,098 shares issued, 15,743 and 15,714 shares outstanding at March 31, 2020 and December 31, 2019, respectively	161	161
Treasury stock at cost, 384 shares at March 31, 2020 and December 31, 2019	(5,017)	(5,017)
Additional paid-in capital	396,646	396,102
Accumulated deficit	(255,409)	(253,642)
Accumulated other comprehensive income (loss)	40	(25)
<b>Total stockholders' equity</b>	<b>136,421</b>	<b>137,579</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 300,138</b>	<b>\$ 335,044</b>

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

**ASURE SOFTWARE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Amounts in thousands, except share and per share data)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Revenue:</b>		
Recurring	\$ 18,436	\$ 19,791
Professional services, hardware and other	511	619
<b>Total revenue</b>	<b>18,947</b>	<b>20,410</b>
<b>Cost of Sales</b>	<b>7,840</b>	<b>6,254</b>
<b>Gross profit</b>	<b>11,107</b>	<b>14,156</b>
<b>Operating expenses:</b>		
Sales and marketing	3,575	2,705
General and administrative	6,453	8,189
Research and development	1,174	1,321
Amortization of intangible assets	2,349	2,418
<b>Total operating expenses</b>	<b>13,551</b>	<b>14,633</b>
<b>Loss from operations</b>	<b>(2,444)</b>	<b>(477)</b>
Interest expense and other, net	696	(2,714)
<b>Loss from continuing operations before income taxes</b>	<b>(1,748)</b>	<b>(3,191)</b>
Income tax expense	19	246
<b>Loss from continuing operations</b>	<b>(1,767)</b>	<b>(3,437)</b>
<b>Discontinued operations</b>		
Income from operations of discontinued operations	-	601
Income tax expense	-	58
<b>Gain on discontinued operations, net of taxes</b>	<b>-</b>	<b>543</b>
<b>Net loss</b>	<b>(1,767)</b>	<b>(2,894)</b>
<b>Other comprehensive income:</b>		
Unrealized gain (loss) on marketable securities	65	(52)
Foreign currency translation gain (loss)	-	319
<b>Comprehensive loss</b>	<b>\$ (1,702)</b>	<b>\$ (2,627)</b>
<b>Basic and diluted loss per share from continuing operations</b>		
Basic	\$ (0.11)	\$ (0.22)
Diluted	\$ (0.11)	\$ (0.22)
<b>Basic and diluted loss per share</b>		
Basic	\$ (0.11)	\$ (0.19)
Diluted	\$ (0.11)	\$ (0.19)
<b>Weighted average basic and diluted shares</b>		
Basic	15,727,000	15,405,000
Diluted	15,727,000	15,405,000

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

**ASURE SOFTWARE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Amounts in thousands)  
(Unaudited)

	<b>Common Stock Outstanding</b>	<b>Common Stock Amount</b>	<b>Treasury Stock</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Other Comprehensive Income (Loss)</b>	<b>Total Stockholders' Equity</b>
Balance at December 31, 2019	15,714	\$ 161	\$ (5,017)	\$ 396,102	\$ (253,642)	\$ (25)	\$ 137,579
Stock issued upon option exercise and vesting of restricted stock units	29	-	-	106	-	-	106
Share based compensation	-	-	-	438	-	-	438
Net loss	-	-	-	-	(1,767)	-	(1,767)
Other comprehensive income	-	-	-	-	-	65	65
Balance at March 31, 2020	<u>15,743</u>	<u>\$ 161</u>	<u>\$ (5,017)</u>	<u>\$ 396,646</u>	<u>\$ (255,409)</u>	<u>\$ 40</u>	<u>\$ 136,421</u>

	<b>Common Stock Outstanding</b>	<b>Common Stock Amount</b>	<b>Treasury Stock</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Other Comprehensive Income (Loss)</b>	<b>Total Stockholders' Equity</b>
Balance at December 31, 2018	15,282	\$ 157	\$ (5,017)	\$ 391,927	\$ (283,643)	\$ (906)	\$ 102,518
Stock issued upon acquisition	123	1	-	554	-	-	555
Share based compensation	-	-	-	611	-	-	611
Net loss	-	-	-	-	(2,894)	-	(2,894)
Other comprehensive income	-	-	-	-	-	267	267
Balance at March 31, 2019	<u>15,405</u>	<u>\$ 158</u>	<u>\$ (5,017)</u>	<u>\$ 393,092</u>	<u>\$ (286,537)</u>	<u>\$ (639)</u>	<u>\$ 101,057</u>

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

**ASURE SOFTWARE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)  
(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,767)	\$ (2,894)
Adjustments to reconcile net income (loss) to net cash used in operations:		
Depreciation and amortization	3,516	3,993
Amortization of operating lease assets	386	386
Amortization of debt financing costs and discount	75	419
Provision for doubtful accounts	75	(318)
Benefit from deferred income taxes	8	216
Gain on modification of debt	(36)	-
Share-based compensation	438	611
Loss on disposals of fixed assets	-	6
Changes in operating assets and liabilities:		
Accounts receivable	(462)	1,676
Inventory	84	(925)
Prepaid expenses and other assets	(900)	(966)
Accounts payable	(982)	2,052
Accrued expenses and other long-term obligations	(1,392)	1,010
Operating lease liabilities	(405)	(396)
Deferred revenue	(2,041)	(623)
<b>Net cash provided by (used in) operating activities</b>	<b>(3,403)</b>	<b>4,247</b>
<b>Cash flows from investing activities:</b>		
Acquisitions, net of cash acquired	-	(7,495)
Acquisition of intangible asset	(1,823)	-
Purchases of property and equipment	(241)	(926)
Software capitalization costs	(844)	(1,027)
Net change in funds held for clients	27,714	12,761
<b>Net cash provided by investing activities</b>	<b>24,806</b>	<b>3,313</b>
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable	-	8,000
Payments of notes payable	(1,784)	(687)
Proceeds from revolving line of credit	-	283
Debt financing fees	(20)	(1,102)
Payments of finance leases	-	(34)
Net proceeds from issuance of common stock	106	-
Net change in client fund obligations	(27,751)	(12,862)
<b>Net cash used in financing activities</b>	<b>(29,449)</b>	<b>(6,402)</b>
<b>Effect of foreign exchange rates</b>	<b>-</b>	<b>(11)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8,046)</b>	<b>1,147</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>28,826</b>	<b>15,444</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 20,780</b>	<b>\$ 16,591</b>
<b>Supplemental information:</b>		
Cash paid for:		
Interest	\$ 99	\$ 2,304
Income taxes	-	-
Non-cash Investing and Financing Activities:		
Subordinated notes payable –acquisitions	\$ -	\$ 2,000
Equity issued in connection with acquisitions	-	555

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

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

(Amounts in thousands, except share and per share data unless otherwise noted)

**NOTE 1 – THE COMPANY AND BASIS OF PRESENTATION**

Asure Software, Inc., (“Asure”, the “Company”, “we” and “our”), a Delaware Corporation, is a leading provider of Human Capital Management (“HCM”) and, until its divestiture in December 2019, Workspace Management software solutions. Asure facilitates the growth of small and mid-sized companies by helping them (i) build better teams with skills that get them to the next level, (ii) stay compliant with ever changing federal, state, and local tax jurisdictions and labor laws, and (iii) allocate more resources to support growth rather than back-office overhead that suffocates growth. Asure’s HCM suite, named AsureHCM, includes cloud-based Payroll & Tax, Human Resources (“HR”), and Time & Attendance software as well as HR Services ranging from HR projects to completely outsourcing payroll and HR staff. We develop, market, sell and support our offerings in North America through our principal office in Austin, Texas and in our marketplaces located in Alabama, California, Colorado, Florida, Georgia, Iowa, Michigan, Nebraska, New York, North Carolina, Ohio, Oregon, Tennessee, Vermont and Washington.

In December 2019, we completed the sale of the assets of our Workspace Management business for an aggregate purchase price of approximately \$121,500 in cash. We used the proceeds to pay down debt. The purchase price is subject to a working capital adjustment. For further information regarding the transaction, see Note 10 to the accompanying consolidated financial statements.

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with the rules and regulations of the Securities and Exchange Commission and accordingly, they do not include all information and footnotes required under U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. Certain reclassifications were made to conform to the current period presentation in the condensed consolidated statements of comprehensive loss. These reclassifications include a change in the presentation of revenues.

In the opinion of management, these interim financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of our financial position as of March 31, 2020 and the results of operations, statements of changes in stockholders' equity and statements of cash flows for the three months ended March 31, 2020 and March 31, 2019.

These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in our annual report on Form 10-K for the fiscal year ended December 31, 2019. The results for the interim periods are not necessarily indicative of results for a full fiscal year.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

**USE OF ESTIMATES**

Preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subjective in nature and involve judgments. The more significant estimates made by management include the valuation allowance for the gross deferred tax assets, useful lives of fixed assets, the determination of the fair value of its long-lived assets, and the fair value of assets acquired and liabilities assumed during acquisitions. We base our estimates on historical experience and on various other assumptions management believes reasonable under the given circumstances. These estimates could be materially different under different conditions and assumptions. Additionally, the actual amounts could differ from the estimates made. Management periodically evaluates estimates used in the preparation of the consolidated financial statements for continued reasonableness. We make appropriate adjustments, if any, to the estimates used prospectively based upon such periodic evaluation.

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

(Amounts in thousands, except share and per share data unless otherwise noted)

**SIGNIFICANT RISKS AND UNCERTAINTIES**

The COVID-19 pandemic has resulted in a global economic slowdown and disruptions that have and could continue to negatively impact our business. The pandemic and numerous measures implemented to contain the virus such as business shutdowns, shelter-in-place orders and travel bans and restrictions have caused businesses, especially small and medium sized businesses some of whom are our customers, to reduce headcount or cease operations as customer demand decreased. Given the economic slowdown and other risks and uncertainties associated with the pandemic, we expect that our business, financial condition, results of operations and growth prospects will be adversely affected in the future. Our business is impacted by employment levels as we have contracts that charge clients on a per-employee basis. In addition, the conditions caused by the COVID-19 pandemic could adversely affect our customers' ability or willingness to purchase our offerings, delay prospective customers' purchasing decisions, adversely impact our ability to provide on-site consulting services to our customers, delay the provisioning of our offerings, lengthen payment terms, reduce the value or duration of customer subscription contracts, or affect attrition rates, all of which could adversely affect our future sales, operating results and overall financial performance.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions and the impact of these and other factors on our employees, customers, partners and vendors. If we are not able to respond to and manage the impact of such events effectively, our business will be harmed.

**RECENT ACCOUNTING PRONOUNCEMENTS**

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement* (Topic 820). The new guidance modifies disclosure requirements related to fair value measurement. We adopted the standard on January 1, 2020. The adoption of this standard did not have an impact on our financial statements and disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software* (Subtopic 350-40). The new guidance reduces complexity for the accounting for costs of implementing a cloud computing service arrangement and aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). We adopted the standard on January 1, 2020 prospectively to all implementation costs incurred after the date of adoption. The effects of this standard on our financial position, results of operations and cash flows were not material.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform* (Topic 848), *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides temporary optional expedients and exceptions to the guidance in U.S. GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The guidance simplifies the accounting for modifying contracts that refer to LIBOR and other interbank offered rates. The guidance is effective upon issuance through December 31, 2022. We do not expect this guidance to be applicable to our Third Restated Credit Agreement (defined below in Note 5) since it contains a benchmark rate which will be applied to our outstanding notes as the LIBOR rate is phased out. To the extent we enter into modifications of agreements that are impacted by the LIBOR rate phase-out, we will apply such guidance to those contract modifications.

**Standards Yet to Be Adopted**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*. ASU 2016-13 requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. As we are a smaller reporting company, ASU 2016-13 is effective for us beginning January 1, 2023. We are currently evaluating the impact, if any, the adoption will have on our financial position and results of operations.

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*. ASU 2019-12 eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. We are currently evaluating the impact, if any, the adoption will have on our financial position and results of operations.



**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

(Amounts in thousands, except share and per share data unless otherwise noted)

**CONTINGENCIES**

Although we have been, and in the future may be, the defendant or plaintiff in various actions arising in the normal course of business, as of March 31, 2020, we were not a party to any pending legal proceedings that are material to our business.

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

As of March 31, 2020 and December 31, 2019, funds held for clients invested in available-for-sale securities consisting of government and commercial bonds, including mortgage-backed securities, amounted to \$26,885 and \$24,136, respectively. As of March 31, 2020 and December 31, 2019, funds held for clients invested in money market funds and other cash equivalents amounted to \$38,200 and \$48,500, respectively. Additionally, as of March 31, 2020, we had \$17,994 in money market funds, classified as cash equivalents. Cash equivalents as of December 31, 2019 were not material.

Investments classified as available-for-sale consisted of the following:

	<b>March 31, 2020</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains (1)</b>	<b>Gross Unrealized Losses (1)</b>	<b>Aggregate Estimated Fair Value</b>
Funds Held for Clients (2)				
Certificates of deposit	\$ 10,236	\$ 58	\$ (19)	\$ 10,275
Corporate debt securities	8,981	20	(91)	8,910
Municipal bonds	6,629	70	-	6,699
US Government agency securities	500	2	-	502
Asset-backed securities	499	-	-	499
<b>Total</b>	<b>\$ 26,845</b>	<b>\$ 150</b>	<b>\$ (110)</b>	<b>\$ 26,885</b>

	<b>December 31, 2019</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains (1)</b>	<b>Gross Unrealized Losses (1)</b>	<b>Aggregate Estimated Fair Value</b>
December 31, 2019				
Funds Held for Clients (2)				
Certificates of deposit	\$ 8,828	\$ 11	\$ -	\$ 8,839
Corporate debt securities	6,883	6	(9)	6,880
Municipal bonds	6,383	6	(7)	6,382
US Government agency securities	1,000	-	-	1,000
Asset-backed securities	1,067	-	(32)	1,035
<b>Total</b>	<b>\$ 24,161</b>	<b>\$ 23</b>	<b>\$ (48)</b>	<b>\$ 24,136</b>

- (1) Unrealized gains and losses on available-for-sale securities are included as a component of comprehensive loss. As of March 31, 2020 and December 31, 2019, there were 60 and 53 securities, respectively, in an unrealized gain position and there were 19 and 18 securities, respectively, in an unrealized loss position. As of March 31, 2020 and December 31, 2019, these unrealized losses were less than \$35 individually and \$111 in the aggregate. These securities have not been in a continuous unrealized gain or loss position for more than 12 months. We do not intend to sell these investments and we do not expect to sell these investments before recovery of their amortized cost basis, which may be at maturity. We review our investments to identify and evaluate investments that indicate possible other-than-temporary impairment. Factors considered in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has been less than the cost basis, the financial condition and near-term prospects of the investee, and our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.
- (2) At March 31, 2020 and December 31, 2019, none of these securities were classified as cash and cash equivalents on the accompanying condensed consolidated balance sheets.

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

(Amounts in thousands, except share and per share data unless otherwise noted)

Expected maturities of available-for-sale securities as of March 31, 2020 are as follows:

Expected Maturities	<u>Amount</u>
One year or less	\$ 4,234
After one year through five years	22,651
After five years through 10 years	-
After 10 years	-
	<u>\$ 26,885</u>

Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements.

ASC 820 establishes a three-tier fair value hierarchy, which is based on the reliability of the inputs used in measuring fair values. These tiers include:

- Level 1: Quoted prices in active markets for *identical* assets or liabilities;
- Level 2: Quoted prices in active markets for *similar* assets or liabilities; quoted prices in markets that are not active for identical or similar assets or liabilities; and model-driven valuations whose significant inputs are observable; and
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the fair value hierarchy for our financial assets measured at fair value on a recurring basis as of March 31, 2020 and December 31, 2019, respectively:

	<u>March 31, 2020</u>			
	<u>Total Carrying Value</u>	<u>Quoted Prices in Active Market (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets:</b>				
Cash equivalents				
Money market funds	\$ 17,994	\$ 17,994	\$ -	\$ -
Funds held for clients				
Money market funds	38,210	38,210	-	-
Available-for-sale securities	26,885	-	26,885	-
<b>Total</b>	<u>\$ 83,089</u>	<u>\$ 56,204</u>	<u>\$ 26,885</u>	<u>\$ -</u>
	<u>December 31, 2019</u>			
	<u>Total Carrying Value</u>	<u>Quoted Prices in Active Market (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets:</b>				
Funds held for clients				
Money market funds	\$ 48,500	\$ 48,500	\$ -	\$ -
Available-for-sale securities	24,136	-	24,136	-
<b>Total</b>	<u>\$ 72,636</u>	<u>\$ 48,500</u>	<u>\$ 24,136</u>	<u>\$ -</u>

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

(Amounts in thousands, except share and per share data unless otherwise noted)

**NOTE 4 – GOODWILL AND OTHER INTANGIBLE ASSETS**

As of March 31, 2020 and December 31, 2019, goodwill was \$68,697, which is net of the \$35,060 impairment loss recognized in the fourth quarter of 2019. There is no impairment of goodwill during the three months ended March 31, 2020.

The gross carrying amount and accumulated amortization of our intangible assets as of March 31, 2020 and December 31, 2019 are as follows:

March 31, 2020				
Intangible Assets	Weighted Average Amortization Period (in Years)	Gross	Accumulated Amortization	Net
Customer relationships	8.9	\$ 80,710	\$ (22,004)	\$ 58,706
Developed technology	6.0	10,001	(6,436)	3,565
Reseller relationships	7.0	853	(853)	-
Trade names	3.0	780	(136)	644
Noncompete agreements	5.2	1,032	(724)	308
	8.5	\$ 93,376	\$ (30,153)	\$ 63,223

December 31, 2019				
Intangible Assets	Weighted Average Amortization Period (in Years)	Gross	Accumulated Amortization	Net
Customer relationships	8.9	\$ 78,558	\$ (19,757)	\$ 58,801
Developed technology	6.0	10,001	(6,004)	3,997
Reseller relationships	7.0	853	(853)	-
Trade names	3.0	780	(78)	702
Noncompete agreements	5.2	1,032	(682)	350
	8.5	\$ 91,224	\$ (27,374)	\$ 63,850

We record amortization expenses using the straight-line method over the estimated useful lives of the intangible assets, as noted above. Amortization expenses recorded in Operating Expenses were \$2,349 and \$2,418, for the three months ended March 31, 2020 and 2019, respectively. Amortization expenses recorded in Cost of Sales were \$431 and \$360 for the three months ended March 31, 2020 and 2019, respectively. There is no impairment of intangibles during the three months ended March 31, 2020.

The following table summarizes the future estimated amortization expense relating to our intangible assets as of March 31, 2020:

Calendar Years	Amount
2020 (April to December)	\$ 8,120
2021	10,548
2022	10,015
2023	8,889
2024	8,662
Thereafter	16,989
	\$ 63,223

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**NOTE 5 – NOTES PAYABLE**

The following table summarizes our outstanding debt as of the dates indicated:

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Subordinated Notes Payable – acquisitions	10/1/2019 – 7/1/2021	2.00% - 3.00%	\$ 5,813	\$ 7,185
Term Loan – Wells Fargo Syndicate Partner	12/31/2024	4.75%	19,875	20,000
<b>Total Notes Payable</b>			<b>\$ 25,688</b>	<b>\$ 27,185</b>
Short-term Notes Payable			2,956	2,696
Long-term Notes Payable			<u>\$ 22,732</u>	<u>\$ 24,489</u>

The following table summarizes the debt issuance costs as of the dates indicated:

	<u>March 31, 2020</u>		
	<u>Gross Notes Payable</u>	<u>Debt Issuance Costs and Debt Discount</u>	<u>Net Notes Payable</u>
Notes payable, current portion	\$ 2,956	\$ (140)	\$ 2,816
Notes payable, net of current portion	22,732	(271)	22,461
<b>Total</b>	<u>\$ 25,688</u>	<u>\$ (411)</u>	<u>\$ 25,277</u>
	<u>December 31, 2019</u>		
	<u>Gross Notes Payable</u>	<u>Debt Issuance Costs and Debt Discount</u>	<u>Net Notes Payable</u>
Notes payable, current portion	\$ 2,696	\$ (125)	\$ 2,571
Notes payable, net of current portion	24,489	(347)	24,142
<b>Total</b>	<u>\$ 27,185</u>	<u>\$ (472)</u>	<u>\$ 26,713</u>

The following table summarizes the future principal payments related to our outstanding debt as of March 31, 2020:

<b>Year Ending</b>	<b>Amount</b>
2020	\$ 912
2021	5,776
2022	1,000
2023	1,000
2024	17,000
<b>Total</b>	<u>\$ 25,688</u>

*Term Loan - Wells Fargo*

In March 2014, we entered into a credit agreement (the “Credit Agreement”) with Wells Fargo, as administrative agent, and the lenders that are party thereto. The Credit Agreement contains customary events of default, including, among others, payment defaults, covenant defaults, judgment defaults, bankruptcy and insolvency events, cross defaults to certain indebtedness, incorrect representations or warranties, and change of control. In some cases, the defaults are subject to customary notice and grace period provisions. In March 2014 and in connection with the Credit Agreement, we and our wholly owned active subsidiaries entered into a Guaranty and Security Agreement with Wells Fargo Bank. Under the Guaranty and Security Agreement, we and each of our wholly owned active subsidiaries have guaranteed all obligations under the Credit Agreement and granted a security interest in substantially all of our and our subsidiaries’ assets.

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*Third Amended and Restated Credit Agreement*

In December 2019, we entered into a third amended and restated credit agreement (the “Third Restated Credit Agreement”) with Wells Fargo Bank, as agent and lender, amending and restating the terms of the Second Amended and Restated Credit Agreement dated as of March 2018.

The Third Restated Credit Agreement provides for \$20,000 in term loans and a \$10,000 revolver.

The Third Restated Credit Agreement amends the applicable margin rates for determining the interest rate payable on the loans as follows:

Leverage Ratio	Applicable Margin Relative to Base Rate Loans	Applicable Margin Relative to LIBOR Rate Loans
< 2.00:1.00	2.25% percentage points	3.25% percentage points
≤ 3.00:1.00, and ≥ 2.00:1.00	2.75% percentage points	3.75% percentage points
≥ 3.00:1.00	3.25% percentage points	4.25% percentage points

The outstanding principal amount of the term loan is payable as follows:

- \$125 beginning on March 31, 2020 and the last day of each fiscal quarter thereafter through and including December 31, 2021; and
- \$250 beginning on March 31, 2022 and the last day of each fiscal quarter thereafter.

The outstanding principal balance and all accrued and unpaid interest on the term loans is due on December 31, 2024.

The Third Restated Credit Agreement also:

- adds a covenant that requires that we achieve EBITDA of at least \$3,750 for the three months ended March 31, 2020, \$4,850 for the six months ended June 30, 2020 and \$5,950 for the nine months ended September 30, 2020, which covenant is in lieu of a leverage covenant calculated at March 31, 2020, June 30, 2020 and September 30, 2020;
- amends our leverage ratio covenant to decrease the maximum ratio to 3.50:1.00 at December 31, 2020, 3.25:1.00 at March 31, 2021 and June 30, 2021 and 2.50:1.00 at September 30, 2021 and each quarter-end thereafter; and
- amends our fixed charge coverage ratio to be no less than 1.00:1.00 at March 31, 2020, and each quarter end thereafter through and including December 31, 2021, 1.50:1.00 at March 31, 2022, 1.60:1.00 at June 30, 2022, and 2.00:1.00 at September 30, 2022 and each quarter end thereafter.

As of March 31, 2020 and December 31, 2019, no amount was outstanding and \$9,500 and \$10,000, respectively, was available for borrowing under the revolver. As of March 31, 2020, a letter of credit of \$500 was outstanding under the revolver.

As of March 31, 2020, we were in compliance with all financial covenants and all payments were current.

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**NOTE 6 – STOCKHOLDERS’ EQUITY**

***Share Repurchase Program***

On March 10, 2020, our Board of Directors authorized a new stock repurchase program, under which we may repurchase up to \$5,000 of our outstanding common stock. This new stock repurchase program is in addition to the approximately 66,000 shares available under our existing stock repurchase plan.

Under this new stock repurchase program, we may repurchase shares in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The extent to which we repurchase our shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, regulatory requirements and other corporate considerations, as determined by our management. The repurchase program may be extended, suspended or discontinued at any time. We expect to finance the program from existing cash resources.

While the program remains in place, there had been no repurchases in 2020 and 2019.

***Accumulated Other Comprehensive Income (Loss)***

As of March 31, 2020 and December 31, 2019, accumulated other comprehensive income (loss) consisted of net unrealized gains and losses on available-for-sale securities.

**NOTE 7 – CONTRACTS WITH CUSTOMERS AND REVENUE CONCENTRATION**

***Receivables***

Receivables from contracts with customers, net of allowance for doubtful accounts of \$986 were \$4,900 at March 31, 2020. Receivables from contracts with customers, net of allowance for doubtful accounts of \$904 were \$4,808 at December 31, 2019.

***Deferred Commissions***

Deferred commission costs from contracts with customers were \$2,985 and \$2,697 at March 31, 2020 and December 31, 2019, respectively. The amount of amortization recognized for the three months ended March 31, 2020 and 2019 was \$249 and \$225, respectively.

***Deferred Revenue***

During the three months ended March 31, 2020 and 2019, revenue of \$2,704 and \$1,583, respectively, was recognized from the deferred revenue balance at the beginning of each period.

***Transaction Price Allocated to the Remaining Performance Obligations***

As of March 31, 2020, approximately \$32,323 of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 60% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

***Revenue Concentration***

During the three months ended March 31, 2020 and 2019, there were no customers that individually represented 10% or more of consolidated revenue.

**ASURE SOFTWARE, INC.**  
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(Amounts in thousands, except share and per share data unless otherwise noted)

**NOTE 8 – LEASES**

We have entered into office space lease agreements, which qualify as operating leases under Topic 842. Under such leases, the lessors receive annual minimum (base) rent. The leases have original terms (excluding extension options) ranging from one to ten years. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We record base rent expense under the straight-line method over the term of the lease. In the accompanying condensed consolidated statements of comprehensive loss, rent expense is included in operating expenses under selling, general and administrative expenses. The components of the rent expense for the three months ended March 31, 2020 and 2019 were as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Operating lease cost	\$ 552	\$ 579
Sublease income	(48)	(37)
Net rent expense	<u>\$ 504</u>	<u>\$ 542</u>

For purposes of calculating the operating lease assets and lease liabilities, extension options are not included in the lease term unless it is reasonably certain we will exercise the option, or the lessor has the sole ability to exercise the option. The weighted average discount rate of our operating leases is 9%. The weighted average remaining lease term of leases with a lease liability as of March 31, 2020 and December 31, 2019 is 6 years.

Supplemental cash flow information related to operating leases for the three months ended March 31, 2020 and 2019 follow:

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 573	\$ 588
Non-cash operating activities:		
Operating lease assets obtained in exchange for new operating lease liabilities	\$ -	\$ 8,093

Future minimum commitments over the life of all operating leases, which exclude variable rent payments, are as follows:

<b>Year Ending December 31</b>	<b>Operating Leases</b>
2020 (remainder)	\$ 1,615
2021	2,074
2022	1,548
2023	845
2024	716
Thereafter	2,397
Total minimum lease payments	<u>9,195</u>
Less imputed interest	(2,088)
Total lease liabilities	<u>\$ 7,107</u>

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9 – SHARE-BASED COMPENSATION**

We have one active equity plan, the 2018 Incentive Award Plan (the “2018 Plan”). The 2018 Plan, approved by our shareholders, replaced our 2009 Equity Incentive Plan, as amended (the “2009 Plan”), however, the terms and conditions of the 2009 Plan continues to govern any outstanding awards previously granted under the 2009 Plan.

The number of shares available for issuance under the 2018 Plan is equal to the sum of (i) 1,350,000 shares, and (ii) any shares subject to issued and outstanding awards under the 2009 Plan as of the effective date of the 2018 Plan that expire, are canceled or otherwise terminate following the effective date of the 2018 Plan. We have outstanding options to purchase 1,029,218 shares at a weighted exercise price of \$8.25, of which options to purchase 63,000 shares at an exercise price of \$5.96, vesting over a three-year period, were granted in the three months ended March 31, 2020. We also had 235,215 outstanding restricted stock units as of March 31, 2020.

In December 2019, we offered to exchange certain outstanding options to purchase shares of our common stock previously granted under the 2009 Plan and the 2018 Plan that have an exercise price per share higher than the greater of \$8.50 or the closing trading price of our common stock on the offer expiration date (“eligible options”) for new RSUs to be granted under the 2018 Plan. The offer exchange program was approved by our board of directors and by our shareholders earlier in 2019. Under the offer exchange program, every 2.5 shares underlying an eligible option would be exchanged for one new RSU. Upon expiration of the exchange offer in January 2020, we granted 187,000 RSUs in exchange for the cancellation of options to purchase 467,500 shares that were tendered by employees who participated in the offer exchange program.

As of March 31, 2020, we had 849,105 shares available for grant pursuant to the 2018 Plan.

Share based compensation for our stock option plans for the three months ended March 31, 2020 and March 31, 2019 was \$438 and \$502, respectively. We issued 19,317 shares and no shares of common stock related to exercises of stock options for the three months ended March 31, 2020 and 2019, respectively. We issued 9,944 and no shares of common stock related to the issuance of vested restricted stock units for the three months ended March 31, 2020 and 2019, respectively.

**NOTE 10 – DISCONTINUED OPERATIONS**

In December 2019, we sold our Workspace Management business to FM:Systems for approximately \$121,500 in cash, of which \$1,685 is held in escrow and is included in prepaid expenses and other current assets in the consolidated balance sheets as of March 31, 2020 and December 31, 2019. The purchase price is subject to a working capital adjustment. This transaction enables us to focus on and continue to deliver its HCM solutions to small and mid-size businesses.

The table below reflects the operating results of the Workspace Management business reported as discontinued operations during the three months ended March 31, 2019.

	<b>Three Months Ended March 31, 2019</b>
Revenue	\$ 6,350
Income from discontinued operations	\$ 601
Income tax expense	58
Income from discontinued operations, net of taxes	\$ 659



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The table below reflects the depreciation, amortization, capital expenditures, and significant operating and investing non-cash items of the Workspace Management business reported as discontinued operations during the three months ended March 31, 2019:

Depreciation and amortization	\$	629
Provision for doubtful accounts		(142)
Share based compensation		107
Capital expenditures		(297)
Software capitalization		(202)

**NOTE 11 – NET LOSS PER SHARE**

We compute net loss per share based on the weighted average number of common shares outstanding for the period. Diluted net loss per share reflects the maximum dilution that would have resulted from incremental common shares issuable upon the exercise of stock options. We compute the number of common share equivalents, which includes stock options, using the treasury stock method. We have excluded stock options and restricted stock units of approximately 1,264,000 and 1,630,000 shares for the three months ended March 31, 2020 and 2019, respectively, from the computation of the diluted shares because the effect of including the stock options and restricted stock units would have been anti-dilutive.

The following table sets forth the computation of basic and diluted net loss per common share for the three months ended March 31, 2020 and March 31, 2019:

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Numerator:</b>		
Loss from continuing operations	\$ (1,767)	\$ (3,437)
Income from discontinued operations	-	543
Net loss	<u>\$ (1,767)</u>	<u>\$ (2,894)</u>
<b>Denominator:</b>		
Weighted-average shares of common stock outstanding, basic and diluted	15,727,000	15,405,000
<b>Basic and diluted income (loss) per share</b>		
Loss per share from continuing operations	\$ (0.11)	\$ (0.22)
Income per share from discontinued operations	-	0.03
Loss per share	<u>\$ (0.11)</u>	<u>\$ (0.19)</u>

**NOTE 12 – SUBSEQUENT EVENTS**

The Company evaluated subsequent events through the date of the filing of this Quarterly Report on Form 10-Q with the SEC, to ensure that this filing includes appropriate disclosure of events both recognized in the condensed consolidated financial statements as of March 31, 2020, and events which occurred subsequent to March 31, 2020 but were not recognized in the condensed consolidated financial statements.

In April 2020, we entered into a Promissory Note (the “PPP Note”) with Pinnacle Bank as the lender (the “Lender”), pursuant to which the Lender agreed to give us a loan under the Paycheck Protection Program (the “PPP Loan”) offered by the U.S. Small Business Administration (the “SBA”) in a principal amount of \$8,856 pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”).

The PPP Loan proceeds are available to be used to pay for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt.

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According to the terms of the Paycheck Protection Program and current guidance from the SBA and U.S. Department of Treasury, all or a portion of loans under the program may be forgiven if the PPP Loan proceeds are used for permitted expenses, as outlined in the CARES Act and related regulations, including 75% of the PPP Loan proceeds being used for payroll related costs. The amount that may be forgiven will be calculated in part with reference to our full time headcount during the eight week period following the funding of the PPP Loan. The SBA and U.S. Department of Treasury may continue to update guidance on the calculation of loan forgiveness, which updated guidance could affect the amount of the PPP Loan proceeds that could be forgiven.

The interest rate on the PPP Note is a fixed rate of 1% per annum. To the extent that the amounts owed under the PPP Loan, or a portion of them, are not forgiven, we will be required to make principal and interest payments in monthly installments beginning seven months from April 2020. The PPP Note matures in two years.

The PPP Note includes events of default. Upon the occurrence of an event of default, the Lender will have the right to exercise remedies against us, including the right to require immediate payment of all amounts due under the PPP Note.

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Report represent forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results of operations, levels of activity, economic performance, financial condition or achievements to be materially different from future results of operations, levels of activity, economic performance, financial condition or achievements as expressed or implied by such forward-looking statements. Asure has attempted to identify these forward-looking statements with the words “believe,” “estimate,” “continue,” “seek,” “plan,” “expect,” “intend,” “anticipate,” “may,” “will,” “could” and other similar expressions. Although these forward-looking statements reflect management’s current plans and expectations, which we believe are reasonable as of the filing date of this report, they inherently are subject to certain risks and uncertainties. These risks and uncertainties include — but are not limited to — our ability to achieve or sustain profitability; the impact of COVID-19 on the US and global economy, including business disruptions, reductions in employment and a decrease in business failures, specifically among our clients; adverse changes in the economy, financial markets, and credit markets, including a continuing high unemployment rate and the impact of low interest rates on the interest we receive on our cash, cash equivalents and investments; delays or reductions in information technology spending; the development of the market for cloud-based workplace applications; product development; market acceptance of new products and product improvements; changes in the forgiveness provisions for loans under the Paycheck Protection Program; our ability to retain or increase our customer base; security breaches; errors, disruptions or delays in our services; privacy concerns and laws; changes in our sales cycle; competition, including pricing pressures, entry of new competitors, and new technologies; intellectual property enforcement and litigation; our ability to obtain additional capital; our ability to hire, retain and motivate employees; our ability to manage our growth; our ability to realize benefits from acquisitions; limited or single sources of supply of key components; the level of our indebtedness; changes in sales may not be immediately reflected in our operating results due to our subscription model; changes in U.S and foreign laws and regulations; changes in the Internet infrastructure; disruptions in computing and communication infrastructure; and changes in accounting standards. Please refer to Part II, Item IA, “Risk Factors” of this Form 10-Q and Part I, Item IA, “Risk Factors” of our most recently filed Annual Report on Form 10-K for a further description of these and other factors. Asure is under no obligation to update any of the forward-looking statements after the date of this Form 10-Q to conform such statements to actual results.

### OVERVIEW

The following review of Asure’s financial position as of March 31, 2020 and December 31, 2019, and results of operations for the three months ended March 31, 2020 and 2019 should be read in conjunction with our 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission. Asure’s internet website address is <http://www.asuresoftware.com>. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the investor relations page of our internet website free of charge as soon as reasonably practicable after they are electronically filed, or furnished to, the Securities and Exchange Commission. Asure’s internet website and the information contained in our website or connected to our website is not incorporated into this Quarterly Report on Form 10-Q.

Asure is a leading provider of cloud-based Human Capital Management (“HCM”) software and services and, until its divestiture in December 2019, Workspace Management software solutions. Asure helps small and mid-sized companies grow by helping them build better teams with skills that get them to the next level, stay compliant with ever changing federal, state, and local tax jurisdictions and labor laws, and better allocation of cash so they can spend their financial capital on growing their business rather than back-office overhead that suffocates growth. Asure’s Human Capital Management suite, named AsureHCM, includes cloud-based Payroll & Tax, HR, and Time & Attendance software as well as HR Services ranging from HR projects to completely outsourcing payroll and HR staff.

Asure’s platform vision is to help clients grow their business and become the most trusted HCM resource to entrepreneurs everywhere. The Asure product strategy is driven by three primary challenges that prevent businesses from growing: HR complexity, allocation of both human and financial capital, and the ability to build great teams. The AsureHCM suite includes four product lines: AsurePayroll&Tax, AsureHR, AsureTime&Attendance, and AsureHRServices.

For all of Asure’s product lines, support and professional services are key elements of our value proposition and overall solution. In addition to state-of-the-art hosting platforms and regular software upgrades and releases, Asure gives clients easy access to our skilled support team. Our services and support representatives are knowledgeable about Asure’s solutions and HR best practices as many staff have professional certifications in payroll (CPP) and human resources (PHR and SPHR).

Our sales and marketing strategy includes both direct and indirect channels to target small and mid-sized businesses (SMBs) throughout the United States. Our direct sales and marketing efforts include marketing directly to SMBs and their trusted advisors which include CPAs, banks, and benefits brokers who frequently refer their clients to HCM vendors. Our indirect model licenses our HCM software to resellers that provide value-add HCM services to their clients. These resellers include pure-play payroll providers focused on a geographic or industry niche as well as CPAs, banks, and benefits brokers that want to expand relationships with their clients directly without referring those clients outside their business.

## Recent Developments

The COVID-19 outbreak has disrupted businesses on a global scale. The rapid spread has resulted in authorities around the world implementing numerous measures to contain the virus, such as business shutdowns, quarantines, shelter-in-place orders and travel bans and restrictions. The pandemic and these containment measures have had, and are expected to continue to have, a substantial negative impact on businesses, especially SMBs. We expect a COVID-19 related decrease in customer demand across all our markets to negatively and materially impact our revenues for the remainder of 2020, with the most significant impact currently expected in the second and third quarters. We implemented cost-saving initiatives in the first quarter of 2020. In April 2020, we entered into a loan under the Paycheck Protection Program (“PPP”) offered by the U.S. Small Business Administration in a principal amount of \$8,856. We did not record any asset impairments or bad debt reserves related to COVID-19 during the first quarter of 2020 but future events may require such charges. We will continue to evaluate the nature and extent of the COVID-19 outbreak’s impact on our financial condition, results of operations and cash flows.

## RESULTS OF OPERATIONS

(\$ in thousands)

### Three Months Ended March 31, 2020 Compared to Three Ended March 31, 2019

The following table sets forth, for the fiscal periods indicated, the percentage of total revenues represented by certain items in Asure’s Condensed Consolidated Statements of Comprehensive Loss:

	Three Months Ended March 31,	
	2020	2019
<b>Revenues</b>	100%	100%
Gross margin	59	69
Sales and marketing	19	13
General and administrative	34	40
Research and development	6	6
Amortization of intangible assets	12	12
Total operating expenses	72	72
Interest expense and other, net	4	(13)
Loss from continuing operations before income taxes	(9)	(16)
Net loss	(9)	(14)

## Revenue

Our revenue was derived from the following sources:

	Three Months Ended March 31,		Increase (Decrease)	%
	2020	2019		
Recurring	\$ 18,436	\$ 19,791	\$ (1,355)	(6.8)
Professional services, hardware and other	511	619	(108)	(17.4)
Total	\$ 18,947	\$ 20,410	\$ (1,463)	(7.2)

Total revenue represents our consolidated revenues, including sales of our payroll and tax services, time and attendance and human resource software, as well as complementary hardware devices to enhance our software products. Recurring revenue consists of cloud revenue, hardware as a service, maintenance and support revenue and interest earned on client funds. Professional services, hardware and other revenue consists of hardware revenue, on-premise software license revenue as well as installation services and other professional services revenue. Revenue mix varies by product.

Revenue for the three months ended March 31, 2020 was \$18,947, a decrease of \$1,463, or 7.2%, from \$20,410 for the three months ended March 31, 2019, which excludes revenue from discontinued operations. Recurring revenue decreased primarily due to higher client losses and lower volume on year-end processing fees.

Although our total customer base is widely spread across industries, our HCM sales are concentrated in small to mid-size businesses. We continue to target small and medium-sized businesses across industries as prospective customers. Geographically, we sell our HCM products in the United States.

In addition to continuing to develop our workforce solutions and release of new software updates and enhancements, we continue to actively explore other opportunities to acquire additional products or technologies to complement our current software and services.

### **Gross Profit and Gross Margin**

Consolidated gross profit for the three months ended March 31, 2020 was \$11,107, a decrease of \$3,049 or 21.5%, from \$14,156 for the three months ended March 31, 2019. Gross margin as a percentage of revenue was 58.6% for the three months ended March 31, 2020 as compared to 69.4% for the three months ended March 31, 2019. Gross margin decreased due to a growing investment in HCM service resources and personnel as well as migration to secure cloud hosting services.

### **Sales and Marketing Expenses**

Sales and marketing expenses primarily consist of salaries and related expenses, including stock-based expenses, for sales and marketing staff, including commissions, as well as marketing programs, which include events, corporate communications and product marketing activities. Selling and marketing expenses for the three months ended March 31, 2020 were \$3,575, an increase of \$870 from \$2,705 for the three months ended March 31, 2019. Selling and marketing expenses as a percentage of revenue increased to 18.9% for the three months ended March 31, 2020 from 13.3% for the same period in 2019.

We continue to expand and increase selling costs as we focus on hiring direct sales personnel, expanding recognition of our brand, and lead generation.

### **General and Administrative Expenses**

General and administrative expenses primarily consist of salaries and related expenses, including stock-based expenses for finance and accounting, legal, internal audit, human resources and management information systems personnel, legal costs, professional fees, and other corporate expenses such as transaction costs for acquisitions. General and administrative expenses for the three months ended March 31, 2020 were \$6,452, a decrease of \$1,737 from \$8,189 for the three months ended March 31, 2019. General and administrative expenses as a percentage of revenue decreased to 34.1% for the three months ended March 31, 2020 from 40.1% for the same period in 2019.

We continue to drive efficiencies within our payroll operations and execute vendor rationalization with the sale of the Workspace Management business in the fourth quarter of 2019.

### **Research and Development Expenses**

Research and development ("R&D") expenses consist primarily of salaries and related expenses, including stock-based expenses for employees supporting our R&D activities. R&D expenses for the three months ended March 31, 2020 were \$1,174, a decrease of \$147, or 11.1%, from \$1,321 for the three months ended March 31, 2019. R&D expenses as a percentage of revenues of 6.2% for the three months ended March 31, 2020 was consistent with 6.5% for the same period in 2019.

Our R&D expenses remained relatively flat for the three months ended March 31, 2020 compared to the same period in 2019 as we restructure our R&D organization after the sale of our Workspace Management business in the fourth quarter of 2019 and continue to consolidate our infrastructure into Amazon Web Services ("AWS"). We have also made significant investments outside of core R&D dollars into compliance and certifications, including SOC I Type 2 and SOC II Type 2 certifications, FedRAMP certification and other initiatives.

We will continue to enhance our products and technologies through expansion of our technological resources by increasing headcount as well as through organic improvements and acquired intellectual property. We will continue to expand the breadth of integration between our solutions, allowing direct clients and resellers the ability to easily add and implement components across our entire solution set. We believe that our expanded investment in SaaS hosting, mobile and hardware technologies lays the groundwork for broader market opportunities, and represents a key aspect of our competitive differentiation. Native mobile applications, QR Code integration, expanded web service integration and other technologies are all part of our initiatives.

Our development efforts for future releases and enhancements are driven by feedback received from our existing and potential customers and by gauging market trends. We believe we have the appropriate development team to design and enhance our solution suite and integrated platform.

In the first quarter of 2020, we continued developing the new Simple Payroll Entry cloud solution, adding Quickbooks online integration, improving facial recognition capability and workflow for AsureTime&Attendance, as well as improving quality, integration, and user experience across all our product lines. We also implemented immediate application changes to all systems and products based on COVID-19 requirements due to PPP and CARES legislation, on time and on target with active participation and support from client base. Additionally, we continued development focused on enhancing security and fraud detection within applications, synchronized security tools across corporate and production systems, and implemented immediate application changes to all systems.

#### **Amortization of Intangible Assets**

Amortization expense for the three months ended March 31, 2020 of \$2,349 was consistent with amortization expense of \$2,418 for the three months ended March 31, 2019. Amortization expense as a percentage of revenue was 12.4% and 11.8% for the three months ended March 31, 2020 and 2019, respectively.

#### **Interest Expense and Other, net**

Interest expense and other, net for the three months ended March 31, 2020 was a gain of \$696 compared to a loss of \$2,714 for the three months ended March 31, 2019. Interest expense and other as a percentage of revenue was at 3.7% and (13.3%) for the three months ended March 31, 2020 and March 31, 2019, respectively. Interest expense and other for the three months ended March 31, 2020 is composed of income from the transition services agreement with FM:Systems in relation to the sale of the Workspace business in 2019, offset by interest expense on notes payable. Interest expense and other for the three months ended March 31, 2019 is composed primarily of interest expense on notes payable.

#### **Income Taxes**

For the three months ended March 31, 2020 and 2019, we recorded an income tax expense attributable to continuing operations of \$19 and \$246, respectively, a decrease of \$227, or 92.3%.

#### **Net Loss**

We incurred a net loss of \$1,767, or \$0.11 per share, during the three months ended March 31, 2020, compared to a net loss of \$2,894, or \$0.19 per share, during the three months ended March 31, 2019. Net loss as a percentage of total revenues was 9.3% and 14.2% for the three months ended March 31, 2020 and 2019, respectively.

We intend to continue to implement our corporate strategy for growing our software and services business by modestly investing in areas that directly generate revenue and positive cash flows for the Company. However, uncertainties and challenges remain, including the effects of COVID-19, and there can be no assurance that we can successfully grow our revenues or achieve profitability during the remainder of fiscal year 2020.

**LIQUIDITY AND CAPITAL RESOURCES (Amounts in thousands)**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Working capital	\$ 14,483	\$ 17,854
Cash and cash equivalents	20,780	28,826
	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Net cash provided by (used in) operating activities	\$ (3,403)	\$ 4,247
Net cash provided by investing activities	24,806	3,313
Net cash used in financing activities	(29,449)	(6,402)

**Working Capital.** We had working capital of \$14,483 at March 31, 2020, a decrease of \$3,371 from working capital of \$17,854 at December 31, 2019. Working capital as of March 31, 2020 and December 31, 2019 includes \$3,526 and \$5,500 of short-term deferred revenue, respectively. Deferred revenue is an obligation to perform future services. We expect that deferred revenue will convert to future revenue as we perform our services, but this does not represent future payments. Deferred revenue can vary based on seasonality, expiration of initial multi-year contracts and deals that are billed after implementation rather than in advance of service delivery.

**Operating Activities.** Net cash used in operating activities of \$3,403 for the three months ended March 31, 2020 was primarily driven by a net loss of \$1,767, a decrease in accounts payable of \$982, a decrease in accrued expenses and other liabilities of \$1,392, a decrease of deferred revenue of \$2,041, offset by non-cash adjustments to net loss of \$4,462, primarily consisting of depreciation and amortization expense. Net cash provided by operating activities of \$4,247 for the three months ended March 31, 2019 was primarily driven by a net loss of \$2,894, a decrease in accounts receivable of \$1,676, resulting from cash collections in the quarter, an increase in accounts payables of \$2,052, and non-cash adjustments to net loss of \$5,313, primarily consisting of depreciation and amortization expense. This was offset by an increase in inventory of \$925 and a decrease in deferred revenue of \$623.

**Investing Activities.** Net cash provided by investing activities of \$24,806 for the three months ended March 31, 2020 is primarily due to the net change in funds held for clients. Net cash provided by investing activities of \$3,313 for the three months ended March 31, 2019 is primarily due to the net change in funds held for clients offset by the acquisition of Payroll Maxx in the first quarter of 2019.

**Financing Activities.** Net cash used in financing activities was \$29,449 for the three months ended March 31, 2020, which primarily consisted of a net decrease in client fund obligations of \$27,751 and payments of notes payable of \$1,784. Net cash used in financing activities was \$6,402 for the three months ended March 31, 2019. We incurred \$8,283 of indebtedness. This was offset by debt financing fees of \$1,102 and the net change in client fund obligations of \$12,862.

**Sources of Liquidity.** As of March 31, 2020, Asure's principal sources of liquidity consisted of approximately \$20,780 of cash and cash equivalents, cash generated from operations of our business over the next twelve months, and \$9,500 available for borrowing under our Wells Fargo revolver. Our cash and cash equivalents is offset by \$25,688 in notes payable. Accordingly, after reviewing the terms of the Third Restated Credit Agreement and in light of the impact of COVID-19 on our business and the related need to support our operations, we entered into a loan with Pinnacle Bank under the Paycheck Protection Program (the "PPP Loan") offered by the U.S. Small Business Administration amounting to \$8,856 pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act. The PPP Loan proceeds are available to be used to pay for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt.

Based on current internal projections and our current sources of liquidity, including the loan proceeds under the PPP Loan, we believe that we have and/or will generate sufficient cash for our operational needs, including any required debt payments, for at least the next twelve months.

As of March 31, 2020, we were in compliance with all financial covenants and all payments were current. We expect to be in compliance with all financial covenants or be able to obtain compliance through debt repayments with available cash on hand or cash we expect to generate from the ordinary course of operations over the next twelve months.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As of March 31, 2020, we did not have any off-balance sheet arrangements, as defined in the rules and regulations of the Securities and Exchange Commission.

## **COMMITMENTS AND CONTINGENCIES**

None.

## **CRITICAL ACCOUNTING POLICIES**

Information regarding recent accounting pronouncements is provided in Note 2, *Significant Accounting Policies*, to the Condensed Consolidated Financial Statements. Such information is incorporated by reference herein.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to our exposure from market risks from those disclosed in our 2019 Annual Report on Form 10-K.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Control and Procedures**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for us. Based on an evaluation under the supervision and with the participation of our management, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were not effective as of March 31, 2020 to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. During the fourth quarter of 2019, management reported a material weakness in the Company's internal control over financial reporting.

### **Change in Internal Controls over Financial Reporting**

Except for the remediation efforts on the material weakness noted above, during the period ended March 31, 2020, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Although we have been, and in the future may be, the defendant or plaintiff in various actions arising in the normal course of business, as of March 31, 2020, we were not party to any pending legal proceedings that are material to our business.

### ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K, filed with the Securities Exchange Commission on March 16, 2020 (the "Form 10-K"), and investors are encouraged to review such risk factors prior to making an investment in the Company.

***The effects of the COVID-19 pandemic have materially affected how we and our customers are operating our businesses, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.***

In December 2019, a novel coronavirus disease ("COVID-19") was reported and in January 2020, the World Health Organization ("WHO") declared it a Public Health Emergency of International Concern. On February 28, 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and on March 11, 2020, the WHO characterized COVID-19 as a pandemic. 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 broader economies, financial markets and overall demand environment for our products.

As a result of the COVID-19 pandemic, we have temporarily closed our offices and several other impacted locations and implemented certain travel restrictions, both of which have begun to disrupt how we operate our business. We have shifted certain of our customer events to virtual-only experiences and we may deem it advisable to similarly alter, postpone or cancel entirely additional customer, employee or industry events in the future. Moreover, the conditions caused by the COVID-19 pandemic can affect the rate of IT spending and could adversely affect our customers' ability or willingness to attend our events or to purchase our offerings, delay prospective customers' purchasing decisions, adversely impact our ability to provide on-site consulting services to our customers, delay the provisioning of our offerings, lengthen payment terms, reduce the value or duration of their subscription contracts, or affect attrition rates, all of which could adversely affect our future sales, operating results and overall financial performance.

Our operations have also begun to be negatively affected by a range of external factors related to the COVID-19 pandemic that are not within our control. For example, many cities, counties, states, and even countries have imposed or may impose a wide range of restrictions on our employees, partners and customers physical movement to limit the spread of COVID-19. If the COVID-19 pandemic has a substantial impact on our employees, partners or customers attendance or productivity, our results of operations and overall financial performance may be harmed.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions and the impact of these and other factors on our employees, customers, partners and vendors. If we are not able to respond to and manage the impact of such events effectively, our business will be harmed and the effects of the COVID-19 pandemic could cause or contribute to the risks and uncertainties set forth in the Form 10-K.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

### ITEM 5. OTHER INFORMATION

The Company's condensed consolidated balance sheet in its first quarter Earnings Press Release (the "Press Release") inadvertently stated that the Company's Total Liabilities and Shareholders' Equity as of March 31, 2020 was \$299,060 (dollars in thousands). In fact, as reflected in the condensed consolidated balance sheet in this Form 10-Q, Total Liabilities and Shareholders' Equity as of March 31, 2020 was \$300,138 (dollars in thousands). All other financial information in the Press Release was correct.

ITEM 6. EXHIBITS

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
10.1*	<a href="#">Amendment No. 1 To Third Amended and Restated Credit Agreement, dated February 21, 2020, by and among Asure Software, Inc., the Guarantors party thereto, Wells Fargo Bank, National Association as administrative agent for each member of the Lender Group and the Bank Product Providers identified on the signature pages thereto.</a>
10.2*	<a href="#">Amendment No. 2 To Third Amended and Restated Credit Agreement, dated April 24, 2020, by and among Asure Software, Inc., the Guarantors party thereto, Wells Fargo Bank, National Association as administrative agent for each member of the Lender Group and the Bank Product Providers identified on the signature pages thereto.</a>
31.1*	<a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101*	The following materials from Asure Software, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted in XBRL (Extensible Business Reporting Language): (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Comprehensive Loss, (3) the Condensed Consolidated Statements of Changes in Stockholders' Equity, (4) the Condensed Consolidated Statements of Cash Flows, and (5) Notes to Condensed Consolidated Financial Statements.

\* Filed herewith

**SIGNATURES**

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

**ASURE SOFTWARE, INC.**

May 8, 2020

By: /s/ PATRICK GOEPEL  
Patrick Goepel  
Chief Executive Officer

May 8, 2020

By: /s/ KELYN BRANNON  
Kelyn Brannon  
Chief Financial Officer

**AMENDMENT NO. 1 TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT**

THIS AMENDMENT No. 1 TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated February 21, 2020, is made and entered into by and among **ASURE SOFTWARE, INC.**, a Delaware corporation ("Borrower"), the Guarantors party hereto, **WELLS FARGO BANK, NATIONAL ASSOCIATION** a national banking association, as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, "Agent") and the Lenders party hereto.

**RECITALS**

WHEREAS, Borrower, the lenders party thereto as "Lenders" and Agent have entered into that certain Third Amended and Restated Credit Agreement dated as of December 31, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement;

WHEREAS, Borrower has informed Agent and Required Lenders that Borrower desires to request the issuance of a Letter of Credit, upon which, without the amendments set forth herein, the Letter of Credit Usage would exceed the allowable amount set forth in the Credit Agreement;

WHEREAS, Borrower has requested that Agent and Required Lenders agree to certain amendments to the Credit Agreement as more fully set forth herein; and

WHEREAS, Agent and the Required Lenders are willing to agree to certain amendments to the Credit Agreement, subject to the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

**ARTICLE I**  
**AMENDMENTS TO THE CREDIT AGREEMENT**

Notwithstanding anything to the contrary in the Credit Agreement or elsewhere in the Loan Documents, subject to the satisfaction of the conditions set forth herein, and in reliance on the representations and warranties set forth herein, effective as of the Effective Date (as defined below), Section 2.11(b)(i) of the Credit Agreement is hereby amended by amending and restating the amount "\$250,000" therein as "\$1,000,000".

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**ARTICLE II**  
**NO WAIVER**

This Amendment is a limited consent and amendment and other than as set forth above in Article I hereof, nothing contained in this Amendment shall be construed as a consent or amendment to or waiver by Agent or any Lender of any covenant or provision of the Credit Agreement, the other Loan Documents, this Amendment, or of any other contract or instrument between any Loan Party and Agent or any Lender, and the failure of Agent or any Lender at any time or times hereafter to require strict performance by the Loan Parties of any provision thereof shall not waive, affect or diminish any right of Agent to thereafter demand strict compliance therewith. Agent and each Lender hereby reserves all rights granted under the Credit Agreement, the other Loan Documents, this Amendment and any other contract or instrument between any Loan Party and Agent or any Lender.

**ARTICLE III**  
**CONDITIONS PRECEDENT AND SUBSEQUENT**

This Amendment shall become effective only upon the satisfaction in full, in a manner satisfactory to Agent and Required Lenders, of the following conditions precedent (the first date upon which all such conditions have been satisfied being herein called the "Effective Date"):

- (a) Agent and each Lender party hereto shall have received a copy of this Amendment executed and delivered by Agent, Required Lenders and Borrower;
- (b) All corporate and other proceedings, and all documents instruments and other legal matters in connection with the transactions contemplated by each of this Amendment shall be satisfactory in form and substance to Agent and its counsel.
- (c) After giving effect to this Amendment, the representations and warranties made by Borrower contained herein and by each Loan Party in the Credit Agreement and the other Loan Documents, shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of the date hereof, as if those representations and warranties were made for the first time on such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date);
- (d) After giving effect to this Amendment, each Loan Party is in compliance with all applicable covenants and agreements contained in the Credit Agreement and the other Loan Documents; and
- (e) After giving effect to this Amendment, no Default or Event of Default shall exist under any of the Loan Documents, and no Default or Event of Default will result under any of the Loan Documents from the execution, delivery or performance of this Amendment.

**ARTICLE IV**  
**RATIFICATIONS, REPRESENTATIONS AND WARRANTIES**

**4.01 Ratifications.** The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and the other Loan Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. Borrower and the other Loan Parties hereby agree that all liens and security interest securing payment of the Obligations under the Credit Agreement are hereby collectively renewed, ratified and brought forward as security for the payment and performance of the Obligations. Borrower and the other Loan Parties, and Agent, on behalf of itself and the Lenders, agree that the Credit Agreement and the other Loan Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms, and that this Amendment shall not constitute a novation.

**4.02 Representations and Warranties.** Borrower and each Guarantor each hereby represents and warrants, jointly and severally, to Agent and the Lender Group as of the date hereof as follows: (a) it is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (b) the execution, delivery and performance by it of this Amendment, the Credit Agreement and all other Loan Documents executed and/or delivered in connection herewith are within its powers, have been duly authorized, and do not contravene (i) its Governing Documents or (ii) any applicable law; (c) no consent, license, permit, approval or authorization of, or registration, filing or declaration with any governmental body or other Person, is required in connection with the execution, delivery, performance, validity or enforceability of this Amendment, the Credit Agreement or any of the other Loan Documents executed and/or delivered in connection herewith by or against it, except for those consents, approvals or authorizations which (i) will have been duly obtained, made or compiled prior to the Effective Date and which are in full force and effect or (ii) the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Effect; (d) this Amendment, the Credit Agreement and all other Loan Documents executed and/or delivered in connection herewith have been duly executed and delivered by it; (e) this Amendment, the Credit Agreement and all other Loan Documents executed and/or delivered in connection herewith constitute its legal, valid and binding obligation enforceable against it in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity; (f) no Default or Event of Default exists, has occurred and is continuing or would result by the execution, delivery or performance of this Amendment; (g) each Loan Party is in compliance with all applicable covenants and agreements contained in the Credit Agreement and the other Loan Documents, as consented to, amended or expressly waived herein; and (h) the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified in the text thereof) on and as of the date hereof as though made on and as of each such date, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and complete on and as of such earlier date).

**ARTICLE V**  
**MISCELLANEOUS PROVISIONS**

**5.01 Survival of Representations and Warranties.** All representations and warranties made in the Credit Agreement or the other Loan Documents, including, without limitation, any document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Agent shall affect the representations and warranties or the right of Agent to rely upon them.

**5.02 Expenses of Agent and the Lender Group.** The Borrower agrees to pay on demand all Lender Group Expenses incurred by Agent and any Lender in connection with this Amendment any and all amendments, modifications, and supplements to the other Loan Documents, including, without limitation, the reasonable costs and fees of legal counsel, and all costs and expenses incurred by Agent in connection with the enforcement or preservation of any rights under the Credit Agreement or any other Loan Documents, including, without, limitation, the costs and fees of Agent's and Required Lenders' legal counsel.

**5.03 Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

**5.04 Successors and Assigns.** This Amendment is binding upon and shall inure to the benefit of Agent and each Loan Party and their respective successors and assigns, except that no Loan Party may assign or transfer any of its respective rights or obligations hereunder without the prior written consent of Agent and each Lender.

**5.05 Counterparts.** This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. Receipt by telecopy or electronic mail of any executed signature page to this Amendment shall constitute effective delivery of such signature page. This Amendment to the extent signed and delivered by means of a facsimile machine or other electronic transmission including email transmission of a PDF image), shall be treated in all manner and respects and for all purposes as an original agreement or amendment and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No party hereto shall raise the use of a facsimile machine or other electronic transmission to deliver a signature or the fact that any signature or agreement or amendment was transmitted or communicated through the use of a facsimile machine or other electronic transmission as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

**5.06 Effect of Amendment.** No consent or amendment, express or implied, by Agent to or for any breach of or deviation from any covenant or condition by any Loan Party shall be deemed a consent to or waiver or amendment of any other breach of the same or any other covenant, condition or duty.

5.07 **Headings.** The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

5.08 **Applicable Law.** THE VALIDITY OF THIS AMENDMENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO, AND ANY CLAIMS, CONTROVERSIES OR DISPUTES ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

5.09 **Final Agreement.** THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, EACH AS MODIFIED HEREBY, REPRESENT THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF ON THE DATE THIS AMENDMENT IS EXECUTED. THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS MODIFIED HEREBY, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NO MODIFICATION, RESCISSION, WAIVER, RELEASE OR AGREEMENT OF ANY PROVISION OF THIS AMENDMENT SHALL BE MADE, EXCEPT BY A WRITTEN AGREEMENT SIGNED BY THE BORROWER AND AGENT.

5.10 **Release.** AS A MATERIAL PART OF THE CONSIDERATION FOR AGENT AND LENDERS ENTERING INTO THIS AMENDMENT, ON THE DATE HEREOF EACH LOAN PARTY, ON BEHALF OF ITSELF AND ITS SUCCESSORS (INCLUDING, WITHOUT LIMITATION, ANY TRUSTEES ACTING ON BEHALF OF SUCH LOAN PARTY AND ANY DEBTOR-IN-POSSESSION WITH RESPECT TO SUCH LOAN PARTY), ASSIGNS, SUBSIDIARIES AND AFFILIATES HEREBY RELEASES AND FOREVER DISCHARGES AGENT AND EACH LENDER AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS, AFFILIATES, SUBSIDIARIES, PARENTS, SUCCESSORS AND ASSIGNS FROM ANY AND ALL LIABILITIES, OBLIGATIONS, ACTIONS, CONTRACTS, CLAIMS, CAUSES OF ACTION, DAMAGES, DEMANDS, COSTS AND EXPENSES WHATSOEVER, OF EVERY KIND AND NATURE, HOWEVER EVIDENCED OR CREATED, WHETHER KNOWN OR UNKNOWN, ARISING PRIOR TO THE EFFECTIVE DATE INVOLVING THE EXTENSION OF CREDIT UNDER OR ADMINISTRATION OF THE CREDIT AGREEMENT OR ANY OTHER LOAN DOCUMENTS OR COLLATERAL, THE OBLIGATIONS INCURRED BY BORROWERS OR ANY OTHER TRANSACTIONS EVIDENCED BY THE CREDIT AGREEMENT OR THE LOAN DOCUMENTS.

5.11 **Consent of Guarantors.** The Borrower and each Guarantor, hereby (a) consent to the transactions contemplated by this Amendment and (b) agree that the Credit Agreement and the other Loan Documents (as amended, restated, supplemented or otherwise modified from time to time) are and shall remain in full force and effect. Although each Guarantor has been informed of the matters set forth herein and has acknowledged and agreed to the same, each understands that neither the Agent nor any Lender has any obligation to inform it of such matters in the future or to



seek its acknowledgment or agreement to future amendments, and nothing herein shall create such a duty. Borrower and each Guarantor, acknowledges that its Guaranty is in full force and effect and ratifies the same, acknowledges that the undersigned has no defense, counterclaim, set-off or any other claim to diminish the undersigned's liability under such document.

*[Remainder of page intentionally left blank; signature pages follow]*

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first above written.

**ASURE SOFTWARE, INC.,**  
a Delaware corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**MANGROVE EMPLOYER SERVICES, INC.,**  
a Florida corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**ASURE PAYROLL SERVICES, INC., f/k/a MANGROVE PAYROLL SERVICES,  
INC.,**  
a Florida corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**MANGROVE SOFTWARE, INC.,**  
a Florida corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

Signature Page to Amendment No. 1 to Third Amended and Restated Credit Agreement

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**ASURE CONSULTING, INC. f/k/a PERSONNEL MANAGEMENT SYSTEMS, INC.,**  
a Washington corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**COMPASS HRM, INC.,**  
a Florida corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**ISYSTEMS INTERMEDIATE HOLDCO, INC.,**  
a Delaware corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**ISYSTEMS LLC,**  
a Vermont limited liability company

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**EVOLUTION PAYROLL PROCESSING LLC,**  
a Delaware limited liability company

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**ASSOCIATED DATA SERVICES, INC.,**  
an Alabama corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**TELEPAYROLL, INC.,**  
a California corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**SAVERS ADMINISTRATIVE SERVICES, INC.,**  
a North Carolina corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**USA PAYROLLS INC.,**  
a New York corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**PAYROLL MAXX LLC,**  
a Colorado limited liability company

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**PAY SYSTEMS OF AMERICA, INC.,**  
a Tennessee corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

Signature Page to Amendment No. 1 to Third Amended and Restated Credit Agreement

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**WELLS FARGO BANK, NATIONAL ASSOCIATION**, as Agent and as a Lender

By: /s/ Reza Sabahi

Name: Reza Sabahi

Title: Authorized Signatory

Signature Page to Amendment No. 1 to Third Amended and Restated Credit Agreement

**AMENDMENT NO. 2 TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT**

THIS AMENDMENT No. 2 TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated April 24, 2020, is made and entered into by and among **ASURE SOFTWARE, INC.**, a Delaware corporation ("Borrower"), the Guarantors party hereto, **WELLS FARGO BANK, NATIONAL ASSOCIATION** a national banking association, as administrative agent for each member of the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, "Agent") and the Lenders party hereto.

**RECITALS**

WHEREAS, Borrower, the lenders party thereto as "Lenders" and Agent have entered into that certain Third Amended and Restated Credit Agreement dated as of December 31, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement;

WHEREAS, Borrower has informed Agent that Borrower desires to borrow funds through the U.S. Small Business Administration's Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Stimulus Act of 2020, which, absent the amendments to the Credit Agreement contemplated by this Amendment, would be a breach of Section 6.1 of the Credit Agreement; and

WHEREAS, Borrower has requested that Agent and Required Lenders amend the Credit Agreement in certain respects, and Agent and the Required Lenders are willing to do so, in each case subject to the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

**ARTICLE I**  
**AMENDMENTS TO THE CREDIT AGREEMENT**

1.01 Notwithstanding anything to the contrary in the Credit Agreement or elsewhere in the Loan Documents, subject to the satisfaction of the conditions set forth herein, and in reliance on the representations and warranties set forth herein, the Credit Agreement is hereby amended as follows:

(a) Article 4 of the Credit Agreement is hereby amended by adding the following Sections 4.23 to the end of such article as follows:

4.23 CARES Debt. All applications, documents and other information submitted to any Governmental Authority with respect to the CARES Debt shall be true and correct. No Lender or any of its Affiliates is deemed an

“affiliate” of any Loan Party or any of its Subsidiaries for any purpose related to the CARES Debt, including the eligibility criteria with respect thereto. Borrower acknowledges and agrees that (a) it has consulted its own legal and financial advisors with respect to all matters related to CARES Debt (including eligibility criteria) and the CARES Act – Title I, (b) it is responsible for making its own independent judgment with respect to CARES Debt and the process leading thereto, and (c) it has not relied on Agent, any Lender or any of their respective Affiliates with respect to any of such matters.

(b) Article 5 of the Credit Agreement is hereby amended by adding the following Section 5.18 to the end of such article as follows:

5.18 CARES Debt.

(a) Borrower shall provide to Agent (i) a copy of its application for CARES Debt promptly (and in any event within three (3) Business Days) upon submission thereof and (ii) copies of the definitive loan documentation for CARES Debt promptly (and in any event within three (3) Business Days) upon execution and delivery thereof by Borrower, together with a reasonably detailed written estimate of the amount of CARES Debt that Borrower reasonably anticipates will be subject to forgiveness pursuant to the provisions of the CARES Act - Title I.

(b) Borrower shall timely (and, in any event, not later than thirty (30) days (or such longer period as may be agreed by Agent) after the eight-week anniversary of the initial incurrence thereof) submit all applications and required documentation necessary or desirable for the lender of the CARES Debt and/or the Small Business Administration to make a determination regarding the amount of the CARES Debt that is eligible to be forgiven.

(c) Borrower shall not agree to any amendment, restatement, supplement, waiver or other modification of the CARES Debt if the effect of such amendment, restatement, supplement, waiver or other modification would be materially adverse to the Loan Parties or the Lenders unless and only to the extent that such amendment, restatement, supplement, waiver or other modification of the CARES Debt is required for Borrower or the applicable lender to comply with any new or revised rules, regulations, requirements or policies issued by any Governmental Authority (including the Small Business Administration) related to the CARES Act – Title I.

(d) Borrower shall, to the extent not included in the foregoing clauses (b) or (c), promptly (and in any event within three (3) Business Days) upon receipt or filing thereof, as applicable, provide to Agent copies of all material documents, applications and correspondence with the applicable lender or any Governmental Authority relating to CARES Debt, including with respect to loan forgiveness.



(e) Borrower shall use the proceeds of the CARES Debt solely for CARES Act Permitted Purposes. The Loan Parties agree to, and will cause each of their Subsidiaries to (i) deposit all proceeds from CARES Debt into a segregated Deposit Account (the "CARES Account") that is specially and exclusively used to hold proceeds of CARES Debt, (ii) not commingle funds that are not proceeds of CARES Debt with the proceeds of CARES Debt and (iii) use funds from the CARES Account for CARES Act Permitted Purposes (whether directly or indirectly) in full before using any other cash on hand or requesting any Borrowings of the Revolving Loans pursuant to Section 2.3(a) to pay expenses that are CARES Act Permitted Purposes. Without limiting anything in the foregoing, Borrower shall cause the proceeds of the CARES Debt to be deposited in a Deposit Account that is not subject to a Control Agreement in favor of Agent or any other secured party, and shall ensure that the proceeds of the CARES Debt are not used to repay other Indebtedness.

(f) On the CARES Forgiveness Date, Borrower shall deliver to Agent a certificate of an Authorized Officer of Borrower certifying as to the amount of the CARES Debt that will be forgiven pursuant to the provisions of the CARES Act - Title I, together with reasonably detailed description thereof, all in form satisfactory to Agent.

(g) Borrower agrees that it will not make any claim that Agent, any Lender or any of their respective Affiliates have rendered advisory services of any nature or respect in connection with any CARES Debt, the CARES Act – Title I or the process leading thereto.

(c) Section 6.6 of the Credit Agreement is hereby amended by adding a new clause (c) at the end of such section:

(c) Anything to the contrary contained in this Agreement notwithstanding, without the prior written consent of Agent, no portion of the CARES Debt may be optionally prepaid by the Loan Parties or their Subsidiaries (whether by refinancing or otherwise).

(d) Section 8.2(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(a) fails to perform or observe any covenant or other agreement contained in any of (i) Sections 3.6, 5.1, 5.2, 5.3 (solely if Borrower is not in good standing in its jurisdiction of organization), 5.6, 5.7 (solely if Borrower refuses to allow Agent or its representatives or agents to visit Borrower's properties, inspect its assets or books or records, examine and make copies of its books and records, or discuss Borrower's affairs, finances, and accounts with officers and employees of Borrower), 5.10, 5.11, 5.13, 5.14 or 5.18 of this Agreement, (ii) Section 6 of this Agreement,

(iii) Section 7 of this Agreement, or (iv) Section 7 of the Guaranty and Security Agreement;

(e) Section 8.6 of the Credit Agreement is hereby amended and restated in its entirety as follows:

8.6 Default Under Other Agreements. If there is (a) a default beyond any applicable grace period in one or more agreements to which a Loan Party or any of its Subsidiaries is a party with one or more third Persons relative to a Loan Party's or any of its Subsidiaries' Indebtedness involving an aggregate amount of \$250,000 or more, and such default (i) occurs at the final maturity of the obligations thereunder, or (ii) results in a right by such third Person, irrespective of whether exercised, to accelerate the maturity of such Loan Party's or its Subsidiary's obligations thereunder, (b) a default in (beyond any applicable grace period) or an involuntary early termination of one or more Hedge Agreements to which a Loan Party or any of its Subsidiaries is a party, or (c) a default with respect to the CARES Debt or any event or condition occurs that results in the CARES Debt becoming due prior to its scheduled maturity or that enables or permits the holder or holders thereof to declare the CARES Debt to be due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity;

(f) Schedule 1.1 to the Credit Agreement is hereby amended by inserting the following defined term therein in appropriate alphabetical order:

“CARES Account” has the meaning set forth in Section 5.18(e).

“CARES Act - Title I” means Title I of the Coronavirus Aid, Relief and Economic Security Act, as amended (including any successor thereto), and all requests, rules, guidelines, requirements and directives thereunder or issued in connection therewith or in implementation thereof, regardless of the date enacted, adopted, issued or implemented.

“CARES Act Permitted Purposes” means, with respect to the use of proceeds of any CARES Debt, the purposes set forth in Section 1106(b) of the CARES Act – Title I and otherwise in compliance with all other provisions or requirements of the CARES Act – Title I applicable in order for the entire amount of the CARES Debt to be eligible for forgiveness.

“CARES Debt” has the meaning set forth in clause (q) of the definition of Permitted Indebtedness.

“CARES Forgiveness Date” means five (5) Business Days after the date that the Borrowers obtains a final determination by the lender of the CARES Debt (and, to the extent required, the Small Business Administration) (or such longer period as may be approved in writing by Agent) regarding the

amount of CARES Debt, if any, that will be forgiven pursuant to the provisions of the CARES Act - Title I.

"CARES Unforgiven Debt" means that amount of the CARES Debt (a) that has been determined by the lender of the CARES Debt (or the Small Business Administration) to be ineligible for forgiveness pursuant to the provisions of the CARES Act - Title I; provided that if such determination has not been made on or before the date that is twelve (12) months after the date of incurrence of the CARES Debt (or such longer period as may be approved in writing by Agent), all such CARES Debt shall be deemed "CARES Unforgiven Debt" until such time as a final determination is made by the lender of the CARES Debt (and, to the extent required, the Small Business Administration), (b) that is not included in any application for such forgiveness submitted in accordance with the CARES Act - Title I within the time period specified in Section 5.18(b), (c) of which Borrower has notified Agent will not be forgiven pursuant to the applicable rules of the CARES Act - Title I, or (d) of which Agent receives actual knowledge will be deemed CARES Unforgiven Debt.

"Second Amendment" means that certain Amendment No. 2 to Third Amended and Restated Credit Agreement by and between Borrower and Agent, dated as of the Second Amendment Closing Date.

"Second Amendment Closing Date" means April 22, 2020.

"Small Business Administration" means the U.S. Small Business Administration.

(g) Schedule 1.1 to the Credit Agreement is hereby amended by amending and restating each of the definitions set forth below in their entirety as follows:

"Fixed Charges" means, with respect to any fiscal period and with respect to Borrower determined on a consolidated basis in accordance with GAAP, the sum, without duplication, of (a) Interest Expense accrued (other than interest paid-in-kind, amortization of financing fees, other non-cash Interest Expense) during such period, (b) principal payments in respect of Indebtedness that are required to be paid during such period, and (c) all federal, state, and local income Taxes accrued during such period, and (d) all Restricted Payments paid (whether in cash or other property, other than common Equity Interest) during such period. Anything to the contrary contained in the foregoing notwithstanding, (i) "Fixed Charges" shall not include Interest Expense or principal payments on CARES Debt (other than CARES Unforgiven Debt) and (ii) for all reporting periods from December 31, 2020 through September 30, 2021, Fixed Charges shall be calculated by including 12 full months of scheduled principal payments and Interest Expense with respect to the CARES Unforgiven Debt, as calculated by the

lender of the CARES Debt on the CARES Forgiveness Date and reasonably satisfactory to the Agent.

"Leverage Ratio" means, as of any date of determination the result of (a) the sum of the amount of Borrower's Funded Indebtedness as of such date to (b) Borrower's TTM EBITDA as of such date. Anything to the contrary contained in the foregoing notwithstanding, the reference to "Funded Indebtedness" contained in this definition shall not include the CARES Debt, but shall include CARES Unforgiven Debt.

"Qualified Cash" means, as of any date of determination, the amount of unrestricted cash and Cash Equivalents of Borrower and its Subsidiaries that is in Deposit Accounts or in Securities Accounts, or any combination thereof, and which such Deposit Account or Securities Account is the subject of a Control Agreement and is maintained by a branch office of the bank or securities intermediary located within the United States. Anything to the contrary contained in the foregoing notwithstanding, the reference to Cash Equivalents or Deposit Account contained in this definition shall not include any funds or proceeds of any CARES Debt or any funds held in a CARES Account.

"Senior Leverage Ratio" means, as of any date of determination the result of (a) the sum of the amount of Borrower's Funded Indebtedness (excluding Funded Indebtedness that is contractually subordinated to the Obligations in form and substance satisfactory to Agent) as of such date to (b) Borrower's TTM EBITDA as of such date. Anything to the contrary contained in the foregoing notwithstanding, the reference to "Funded Indebtedness" contained in this definition shall not include the CARES Debt, but shall include CARES Unforgiven Debt.

(h) The definition of "EBITDA" set forth in Schedule 1.1 of the Credit Agreement is hereby amended by amending and restating clauses (c)(ii) and (c)(iv) of such definition as follows:

(c)(ii) Interest Expense (excluding any Interest Expense incurred with respect to any CARES Debt but including any Interest Expense incurred with respect to any CARES Unforgiven Debt),

(c)(iv) depreciation and amortization for such period (including by way of clarification, (A) amortization of deferred commission expenses to the extent capitalized during such period in accordance with ASC 606 and (B) amortization of any expenses related to the CARES Debt (but excluding any Interest Expense incurred with respect to any CARES Unforgiven Debt),

(i) The definition of "Permitted Indebtedness" set forth in Schedule 1.1 of the Credit Agreement is hereby amended by amending and restating clause (q) of such definition in its entirety as follows:

(q) unsecured Indebtedness in an aggregate principal amount not to exceed \$8,855,605.00 advanced by (i) any Governmental Authority (including the Small Business Administration) or any other Person acting as a financial agent of a Governmental Authority or (ii) any other Person to the extent such Indebtedness under this clause (ii) is guaranteed by a Governmental Authority (including the Small Business Administration), in each case under this clause (q), pursuant to the CARES Act - Title I (such unsecured Indebtedness, "CARES Debt"); provided that, unless otherwise approved by Agent, (A) no Event of Default shall have occurred and be continuing at the time of incurrence thereof (other than those certain Events of Default that may exist and are currently under discussion with Borrower and Agent) and (B) CARES Debt shall (1) be used by the Loan Parties and their Subsidiaries solely for purposes permitted under the CARES Act - Title I, (2) have a maturity date not less than two (2) years after the date of incurrence of the CARES Debt, (3) bear interest at a rate not greater than one percent (1%) per annum, (4) otherwise have terms customary for loans made pursuant to the CARES Act - Title I (taken as a whole), (5) for purposes of this clause (q), unless otherwise agreed by the Agent in its sole discretion, not exceed \$3,250,000 of aggregate principal consisting of CARES Unforgiven Debt or (6) unless otherwise agreed by the Agent in its sole discretion, not amortize, other than solely with respect to CARES Unforgiven Debt payments of principal and interest together in an amount not to exceed \$185,000 per month beginning no earlier than the seventh month anniversary of the incurrence of the CARES Debt.

1.02 Notwithstanding anything to the contrary in the Credit Agreement or elsewhere in the Loan Documents (including Section 7(k)(iv) of the Guaranty and Security Agreement), subject to the satisfaction of the conditions set forth herein, and in reliance on the representations and warranties set forth herein, Agent and each Lender hereby consents and agrees that any Deposit Account of Borrower that exclusively holds proceeds of the CARES Debt (but not proceeds of CARES Unforgiven Debt) shall not be required to be subject to a Control Agreement.

1.03 This Amendment is a limited amendment and nothing contained in this Amendment shall be construed as a consent or amendment to or waiver by Agent or any Lender of any covenant or provision of the Credit Agreement, the other Loan Documents, this Amendment, or of any other contract or instrument between any Loan Party and Agent or any Lender, and the failure of Agent or any Lender at any time or times hereafter to require strict performance by the Loan Parties of any provision thereof shall not waive, affect or diminish any right of Agent to thereafter demand strict compliance therewith. Agent and each Lender hereby reserves all rights granted under the Credit Agreement, the other Loan Documents, this Amendment and any other contract or instrument between any Loan Party and Agent or any Lender.

**ARTICLE II**  
**CONDITIONS PRECEDENT AND SUBSEQUENT**

This Amendment shall become effective only upon the satisfaction in full, in a manner satisfactory to Agent and Required Lenders, of the following conditions precedent (the first date upon which all such conditions have been satisfied being herein called the "Effective Date"):

(a) Agent and each Lender party hereto shall have received a copy of this Amendment executed and delivered by Agent, Required Lenders and Borrower;

(b) All corporate and other proceedings, and all documents instruments and other legal matters in connection with the transactions contemplated by each of this Amendment shall be satisfactory in form and substance to Agent and its counsel.

(c) After giving effect to this Amendment, the representations and warranties made by Borrower contained herein and by each Loan Party in the Credit Agreement and the other Loan Documents, shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of the date hereof, as if those representations and warranties were made for the first time on such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such earlier date); provided that no representations and warranties are made with respect to certain Events of Default that may exist and are currently under discussion among Borrower and Agent;

(d) After giving effect to this Amendment, each Loan Party is in compliance with all applicable covenants and agreements contained in the Credit Agreement and the other Loan Documents; and

(e) After giving effect to this Amendment, no Default or Event of Default shall exist under any of the Loan Documents (other than the representations and warranties that are made with respect to certain Events of Default that may exist and are currently under discussion among Borrower and Agent), and no Default or Event of Default will result under any of the Loan Documents from the execution, delivery or performance of this Amendment.

**ARTICLE III**  
**RATIFICATIONS, REPRESENTATIONS AND WARRANTIES**

**3.01 Ratifications.** The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Credit Agreement and the other Loan Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Credit Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. Borrower and the other Loan Parties hereby agree that all liens and security interest securing payment of the Obligations under the Credit Agreement are hereby collectively renewed, ratified and brought forward as security for the payment and performance of the Obligations. Borrower and the other Loan Parties, and Agent, on behalf of

itself and the Lenders, agree that the Credit Agreement and the other Loan Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms, and that this Amendment shall not constitute a novation.

**3.02 Representations and Warranties.** Borrower and each Guarantor each hereby represents and warrants, jointly and severally, to Agent and the Lender Group as of the date hereof as follows: (a) it is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (b) the execution, delivery and performance by it of this Amendment, the Credit Agreement and all other Loan Documents executed and/or delivered in connection herewith are within its powers, have been duly authorized, and do not contravene (i) its Governing Documents or (ii) any applicable law; (c) no consent, license, permit, approval or authorization of, or registration, filing or declaration with any governmental body or other Person, is required in connection with the execution, delivery, performance, validity or enforceability of this Amendment, the Credit Agreement or any of the other Loan Documents executed and/or delivered in connection herewith by or against it, except for those consents, approvals or authorizations which (i) will have been duly obtained, made or compiled prior to the Effective Date and which are in full force and effect or (ii) the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Effect; (d) this Amendment, the Credit Agreement and all other Loan Documents executed and/or delivered in connection herewith have been duly executed and delivered by it; (e) this Amendment, the Credit Agreement and all other Loan Documents executed and/or delivered in connection herewith constitute its legal, valid and binding obligation enforceable against it in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity; (f) no Default or Event of Default exists, has occurred and is continuing or would result by the execution, delivery or performance of this Amendment except with respect to certain Events of Default that may exist and are currently under discussion among Borrower and Agent; (g) each Loan Party is in compliance with all applicable covenants and agreements contained in the Credit Agreement and the other Loan Documents, as consented to, amended or expressly waived herein; and (h) the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified in the text thereof) on and as of the date hereof as though made on and as of each such date, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and complete on and as of such earlier date, except with respect to certain Events of Default that may exist and are currently under discussion among Borrower and Agent).

#### **ARTICLE IV** **MISCELLANEOUS PROVISIONS**

**4.01 Survival of Representations and Warranties.** All representations and warranties made in the Credit Agreement or the other Loan Documents, including, without limitation, any document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Agent shall affect the representations and warranties or the right of Agent to rely upon them.

**4.02 Expenses of Agent and the Lender Group.** The Borrower agrees to pay on demand all Lender Group Expenses incurred by Agent and any Lender in connection with this Amendment any and all amendments, modifications, and supplements to the other Loan Documents, including, without limitation, the reasonable costs and fees of legal counsel, and all costs and expenses incurred by Agent in connection with the enforcement or preservation of any rights under the Credit Agreement or any other Loan Documents, including, without, limitation, the costs and fees of Agent's and Required Lenders' legal counsel.

**4.03 Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

**4.04 Successors and Assigns.** This Amendment is binding upon and shall inure to the benefit of Agent and each Loan Party and their respective successors and assigns, except that no Loan Party may assign or transfer any of its respective rights or obligations hereunder without the prior written consent of Agent and each Lender.

**4.05 Counterparts.** This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. Receipt by telecopy or electronic mail of any executed signature page to this Amendment shall constitute effective delivery of such signature page. This Amendment to the extent signed and delivered by means of a facsimile machine or other electronic transmission including email transmission of a PDF image), shall be treated in all manner and respects and for all purposes as an original agreement or amendment and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No party hereto shall raise the use of a facsimile machine or other electronic transmission to deliver a signature or the fact that any signature or agreement or amendment was transmitted or communicated through the use of a facsimile machine or other electronic transmission as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

**4.06 Effect of Amendment.** No consent or amendment, express or implied, by Agent to or for any breach of or deviation from any covenant or condition by any Loan Party shall be deemed a consent to or waiver or amendment of any other breach of the same or any other covenant, condition or duty.

**4.07 Headings.** The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

**4.08 Applicable Law.** THE VALIDITY OF THIS AMENDMENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO, AND ANY CLAIMS, CONTROVERSIES OR DISPUTES ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE



DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

**4.09 Final Agreement.** THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, EACH AS MODIFIED HEREBY, REPRESENT THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF ON THE DATE THIS AMENDMENT IS EXECUTED. THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS MODIFIED HEREBY, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NO MODIFICATION, RESCISSION, WAIVER, RELEASE OR AGREEMENT OF ANY PROVISION OF THIS AMENDMENT SHALL BE MADE, EXCEPT BY A WRITTEN AGREEMENT SIGNED BY THE BORROWER AND AGENT.

**4.10 Release.** AS A MATERIAL PART OF THE CONSIDERATION FOR AGENT AND LENDERS ENTERING INTO THIS AMENDMENT, ON THE DATE HEREOF EACH LOAN PARTY, ON BEHALF OF ITSELF AND ITS SUCCESSORS (INCLUDING, WITHOUT LIMITATION, ANY TRUSTEES ACTING ON BEHALF OF SUCH LOAN PARTY AND ANY DEBTOR-IN-POSSESSION WITH RESPECT TO SUCH LOAN PARTY), ASSIGNS, SUBSIDIARIES AND AFFILIATES HEREBY RELEASES AND FOREVER DISCHARGES AGENT AND EACH LENDER AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS, AFFILIATES, SUBSIDIARIES, PARENTS, SUCCESSORS AND ASSIGNS FROM ANY AND ALL LIABILITIES, OBLIGATIONS, ACTIONS, CONTRACTS, CLAIMS, CAUSES OF ACTION, DAMAGES, DEMANDS, COSTS AND EXPENSES WHATSOEVER, OF EVERY KIND AND NATURE, HOWEVER EVIDENCED OR CREATED, WHETHER KNOWN OR UNKNOWN, ARISING PRIOR TO THE EFFECTIVE DATE INVOLVING THE EXTENSION OF CREDIT UNDER OR ADMINISTRATION OF THE CREDIT AGREEMENT OR ANY OTHER LOAN DOCUMENTS OR COLLATERAL, THE OBLIGATIONS INCURRED BY BORROWERS OR ANY OTHER TRANSACTIONS EVIDENCED BY THE CREDIT AGREEMENT OR THE LOAN DOCUMENTS.

**4.11 Consent of Guarantors.** The Borrower and each Guarantor, hereby (a) consent to the transactions contemplated by this Amendment and (b) agree that the Credit Agreement and the other Loan Documents (as amended, restated, supplemented or otherwise modified from time to time) are and shall remain in full force and effect. Although each Guarantor has been informed of the matters set forth herein and has acknowledged and agreed to the same, each understands that neither the Agent nor any Lender has any obligation to inform it of such matters in the future or to seek its acknowledgment or agreement to future amendments, and nothing herein shall create such a duty. Borrower and each Guarantor, acknowledges that its Guaranty is in full force and effect and ratifies the same, acknowledges that the undersigned has no defense, counterclaim, set-off or any other claim to diminish the undersigned's liability under such document.

*[Remainder of page intentionally left blank; signature pages follow]*

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first above written.

**ASURE SOFTWARE, INC.,**  
a Delaware corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**MANGROVE EMPLOYER SERVICES, INC.,**  
a Florida corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**ASURE PAYROLL SERVICES, INC., f/k/a MANGROVE PAYROLL SERVICES,  
INC.,**  
a Florida corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**MANGROVE SOFTWARE, INC.,**  
a Florida corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**ASURE CONSULTING, INC. f/k/a PERSONNEL MANAGEMENT SYSTEMS, INC.,**  
a Washington corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**COMPASS HRM, INC.,**  
a Florida corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**ISYSTEMS INTERMEDIATE HOLDCO, INC.,**  
a Delaware corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**ISYSTEMS LLC,**  
a Vermont limited liability company

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**EVOLUTION PAYROLL PROCESSING LLC,**  
a Delaware limited liability company

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**ASSOCIATED DATA SERVICES, INC.,**  
an Alabama corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**TELEPAYROLL, INC.,**  
a California corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**SAVERS ADMINISTRATIVE SERVICES, INC.,**  
a North Carolina corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**USA PAYROLLS INC.,**  
a New York corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**PAYROLL MAXX LLC,**  
a Colorado limited liability company

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

**PAY SYSTEMS OF AMERICA, INC.,**  
a Tennessee corporation

By: /s/ Patrick Goepel  
Name: Patrick Goepel  
Title: Chief Executive Officer and President

Signature Page to Amendment No. 2 to Third Amended and Restated Credit Agreement

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**WELLS FARGO BANK, NATIONAL ASSOCIATION**, as Agent and as a Lender

By: /s/ Reza Sabahi

Name: Reza Sabahi

Title: Authorized Signatory

Signature Page to Amendment No. 2 to Third Amended and Restated Credit Agreement







**CERTIFICATION OF PERIODIC REPORT  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, the undersigned, Patrick Goepel, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The quarterly report on Form 10-Q of the Company for the period ended March 31, 2020 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended, and

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

Date: May 8, 2020

By:

/s/ PATRICK GOEPEL

Patrick Goepel

Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Asure Software, Inc. and will be retained by Asure Software, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

