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

FORM 10-K

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the calendar year ended December 31, 2021

☐ 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	**74-2415696**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
3700 N. Capital of Texas Hwy #350 Austin, Texas	**78746**
(Address of principal executive offices)	(Zip Code)

512-437-2700
(Registrant's Telephone Number, including Area Code)
None
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**ASUR**	**The Nasdaq Capital Market**
Series A Junior Participating Preferred Share Purchase Rights		**N/A**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

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

☐ Yes ☒ No

Based on the close sale price of common stock on The Nasdaq Global Select Market on June 30, 2021, the aggregate market value of the voting stock held by non-affiliates of the Registrant was $161,456,888 as of such date, which assumes, for purposes of this calculation only, that all shares of common stock beneficially held by officers, directors of the registrant are shares owned by "affiliates."

As of March 11, 2022, 20,035,121 shares of the registrant's Common Stock, $0.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to its 2022 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Proxy Statement, or an amendment to this report containing the Items comprising Part III, will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

ASURE SOFTWARE, INC.

FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2021

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PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain written and oral statements made by management of Asure Software, Inc. and its consolidated subsidiaries ("we", "Asure", "our", "us") included in this Form 10-K may constitute "forward-looking" statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. The words "believe," "may," "will," "estimate," "projects," "anticipate," "intend," "expect," "should," "plan," and similar expressions are intended to identify forward-looking statements. Examples of "forward-looking statements" include statements we make regarding our operating performance, future results of operations and financial position, revenue growth, earnings or other projections. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the "Risk Factors" section, factors discussed throughout Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as in our periodic filings with the Securities and Exchange Commission (the "SEC"). Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activities, performance, or achievements.

The information provided in this Form 10-K is based on facts and circumstances known as of the date of this report, and any forward-looking statements made by us in this Form 10-K speak only as of the date on which they are made. We are under no duty to update any of these forward-looking statements after the date of this report or to conform these statements to actual results or revised expectations.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors." These risks include, among others, the following:

- The COVID-19 pandemic has materially affected and will continue to materially affect how we and our clients' operate our businesses;
- We have a history of losses, and we cannot be certain that we will achieve or sustain profitability;
- If our security measures, or those of our third-party data center hosting facilities, cloud computing platform providers or third-party service partners are compromised or breached, our services may be perceived as not being secure, our brand could be damaged, our services may be disrupted, and customers may curtail or stop using our services, all of which could reduce our revenue and earnings, increase our expenses, and expose us to legal claims and regulatory actions;
- We may identify material weaknesses in the future. If we fail to remedy our material weaknesses, or if we fail to establish and maintain effective control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected;
- The adoption of new or interpretation of existing money service business statutes and money transmitter statutes at the federal and state level could subject us to additional regulation and related expense and necessitate changes to our business model;
- If our security measures are breached or if personal information of our direct or indirect clients or their employees is accessed or obtained, our HCM solution may not be perceived as being secure and we may suffer reputational damage, clients and resellers may not select or continue with our services or products and we may incur significant liabilities;
- Acquisitions and potential acquisitions of Reseller Partners' businesses could prove difficult to integrate, result in unknown or unforeseen liabilities, disrupt our business, dilute stockholder value and ownership and adversely affect our operating results and financial condition;
- If we are not able to develop enhancements and new features to our products, keep pace with technological developments or respond to future technologies, our business, operating results and financial results will be adversely affected;

- If we are unable to release timely updates to reflect changes in wage and hour laws, tax, privacy, benefit and other laws and regulations that our products help our clients address, the market acceptance of our products may be adversely affected and our revenues could decline;
- Our business depends substantially on clients renewing their agreements with us, purchasing additional products from us or adding additional users;
- Even if demand for HCM products and services increases generally, there is no guarantee that demand for SaaS products generally or our products in particular will increase to a corresponding degree, or at all;
- Client funds that we hold in trust are subject to market, interest rate, credit and liquidity risks and loss of these funds could have a material adverse effect on our business, financial condition and results of operations;
- The markets in which we participate are highly competitive, and if we do not compete effectively, our operating results could be adversely affected;
- Our clients could have insufficient funds to cover payments we have made on their behalf or credit that we have extended to them in connection with the services that we have provided, resulting in financial loss to us;
- If the banks that currently provide ACH and wire transfers fail to properly transmit these ACH, exit the payroll industry, terminate their relationship with us or limit our ability to process funds or we are not able to increase our ACH capacity with our existing and new banking partners, our ability to process funds on behalf of our clients and our financial results and liquidity could be adversely affected;
- The impairment of a significant portion of our goodwill and intangible assets would adversely affect our business, operating results and financial condition;
- Our failure to comply with existing laws and regulations or failure to comply with changing laws and regulations through modifications, developments, and enhancements to our products and services could have a material adverse effect on our business and results of operations;
- Privacy concerns and laws and other regulations may limit the effectiveness of our applications and adversely affect our business;
- If our security measures or those of our third-party data center hosting facilities, cloud computing platform providers or third-party service partners are compromised or breached, our services may be perceived as not being secure, our brand could be damaged, our services may be disrupted, and customers may curtail or stop using our services, all of which could reduce our revenue and earnings, increase our expenses, and expose us to legal claims and regulatory actions;
- Our ability to make scheduled payments on or to refinance our existing indebtedness depends on our future performance, which is subject to economic, financial, competitive and other factors that may be beyond our control;
- Our ability to incur debt and the use of our funds could be limited by the restrictive covenants in our loan agreement for our term loan;
- We may be required to incur further debt to meet future capital requirements of our business. Should we be required to incur additional debt, the restrictions imposed by the terms of such debt could adversely affect our financial condition and our ability to respond to changes in our business;
- We may be subject to claims, lawsuits, governmental investigations and other proceedings that could adversely affect our business, financial condition and results of operations;
- We incur significant costs and liabilities as a result of operating as a public company, and our management will devote substantial time to new compliance initiatives;
- To the extent that our pre-tax income or loss becomes relatively modest, our ability to conclude that a control deficiency is not a material weakness or that an accounting error does not require a restatement could be adversely affected;
- We depend on data centers and computing infrastructure operated by third parties and any disruption in these operations could adversely affect our business;
- We may be adversely affected by failure of third parties in providing their services;
- We may require additional capital to support business growth, and this capital may not be available on acceptable terms, or at all;
- Volatility and weakness in bank and capital markets may adversely affect credit availability and related financing costs for us;
- If we lose key personnel, or are unable to attract and retain additional personnel as needed in the future, it could disrupt the operation of our business, delay our product development and harm our growth efforts;
- We continue to experience turnover within our finance team. If we are unable to retain and successfully integrate their replacements in our business, it could have a material adverse effect on our business and the reliability of our financial statements;
- Evolving regulation of the Internet, changes in the infrastructure underlying the Internet or interruptions in Internet access may adversely affect our business, operating results and financial condition by increasing our expenditures and causing client dissatisfaction;

- If we fail to adequately protect our proprietary rights, our competitive advantage and brand could be impaired and we may lose valuable assets, generate reduced revenue and incur costly litigation to protect our rights;
- The use of open source software in our applications may expose us to risks and harm our intellectual property rights;
- Inability to maintain the third-party licensed software we use in our applications at the current costs could result in increased costs or reduced service levels, which could adversely affect our business;
- We may be sued by third parties for infringement of their proprietary rights;
- Some of our key components are procured from a single or limited number of suppliers and we are at risk of shortage, price increases, tariffs, changes, delay, or discontinuation of key components;
- Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported operating results;
- Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited;
- Our common stock has traded in low volumes and we cannot predict whether an active trading market for our common stock will ever develop;
- Our stock price has been, and likely will continue to be, volatile;
- Sales, or the potential for sales, of a substantial number of shares of our common stock in the public market by us or our existing stockholders could cause our stock price to fall;
- We do not intend to pay dividends for the foreseeable future, and you must rely on increases in the market price of our common stock for returns on equity investment;
- Our stockholder rights plan, or “poison pill,” includes terms and conditions which could discourage a takeover or other transaction that stockholders may consider favorable;
- Provisions in our charter documents and under Delaware law, and our stockholder rights plan could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of our management and board of directors; and
- Our business could be negatively affected as a result of actions of activist stockholders, and such activism could impact the trading value of our securities.

ITEM 1. BUSINESS

GENERAL

Asure is a provider of cloud-based Human Capital Management (“HCM”) software and services, delivered as Software-as-a-Service (“SaaS”) for small and medium-sized businesses (“SMBs”). We offer the human resource (“HR”) tools necessary to build a thriving workforce, providing the resources to stay compliant with dynamic federal, state, and local tax jurisdictions and their respective labor laws, freeing cash flows so they can spend their financial capital on growing their businesses rather than administrative overhead that can impede growth. Asure’s HCM suite (“AsureHCM”) includes Payroll & Tax, Human Resources, Time & Attendance software and HR services ranging from one-time projects to outsourcing payroll and HR staff entirely. We offer these services directly and indirectly through our network of Reseller Partners.

From recruitment to retirement, our solutions help more than 80,000 SMBs across the United States. Approximately 15,000 of our clients are direct and the 65,000 remaining clients are indirect, as they have contracts with Reseller Partners who white label our solutions.

We strive to be the most trusted HCM resource to entrepreneurs. We target less densely populated U.S. metropolitan cities where fewer of our competitors have a presence. Our solutions solve three primary challenges that prevent businesses from growing: HR complexity, allocation of human and financial capital, and the ability to build great teams. We have and will continue to invest in research and development to expand our solution. AsureHCM, our user-friendly solution, reduces the administrative burden on employers and increases employee productivity while managing the employment lifecycle.

We were incorporated in 1985 as a Delaware corporation and our principal executive offices are located at 3700 N. Capital of Texas Highway, Suite 350, Austin, Texas 78746. Our telephone number is (888) 323-8835 and our website is www.asuresoftware.com. Information on our website is not part of this Annual Report on Form 10-K, however we do post information on the investor relations page of our website that we believe may be of interest to our investors.

We make available free of charge, on or through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file these materials or furnish them to the SEC. Reports and other information we file with the SEC may also be viewed at the SEC’s website at www.sec.gov.

SOLUTIONS

Our solutions are primarily cloud-based and delivered as SaaS and HR services as well as professional services and hardware (time clocks and data collection devices).

Payroll and Tax. Asure Payroll & Tax is an integrated solution that provides a foundation for our clients' digital HR strategy. We automate and ensure compliance with the changing nature of regulations associated with payroll and taxes in all U.S. jurisdictions—from wages, benefits, overtime, and garnishments to tips, direct deposits, the Fair Labor Standard Act and federal, state, and local payroll taxes. Features include payroll taxes driven by up-to-date federal, state, and local tax tables and filing in a timely and accurate manner; adhering to annual filing requirements for Form W-2 and forms mandated by the Affordable Care Act; general ledger integration; managed garnishments and employee self-service.

Human Resources. Asure HR's functionality handles HR complexities that SMBs face, including employee self-service so employees can access all their information (e.g., pay history and company documents). With Asure HR's dashboard, clients have convenient single-system access to every facet of the employment lifecycle including applicant tracking and employee on-boarding. This solution improves benefits management by syncing to carriers and integrating with employee self-managed enrollment and life-event change adjustments.

Time and Attendance. Asure Time & Attendance combines with our complementary hardware (time clocks and data collection devices) to provide cost savings and potential return on investment gains in the form of a more strategic use of labor dollars and the elimination of time theft. Mobile time tracking helps executives better understand where and when their employees are working, providing insight into labor schedules and labor costs. With our mobile solution, employees can punch in and out from remote locations, as geo-positioning verifies their physical coordinates. Biometric time clocks, including facial recognition, reduce time theft and assists in the verification of the identities of workers. Automated system notifications, real-time dashboards, and flexible configuration options all work to streamline operations. Finally, employees, supervisors and executives have real-time access to data and business intelligence to optimize labor costing, improve labor scheduling, and control labor costs.

Human Resource Services. Asure provides three core levels of HR services: HR support, which provides an on-demand HR resource library, phone and email support for any HR issues and compliance and policy updates; Strategic HR, which provides more in-depth support for strategic HR decision making; and Total HR, which provides a complete HR outsourcing solution.

Data Integration. Asure's solutions enable data integration with related third-party systems, such as 401(k), benefits, and insurance provider systems.

PRODUCT DEVELOPMENT

The HCM industry is characterized by continuing improvements in technology, resulting in the frequent introduction of new products, short product life cycles, changes in client needs, and continual improvement in product performance characteristics. We strive to be cost-effective and timely in enhancing our solutions, developing software that addresses the varied needs of growing businesses and anticipating technological advances while adhering to payroll and HCM industry standards. First-to-market mobile applications are a testament to our success in innovation.

Our development teams work with clients and sales and marketing teams to build solutions based on market requirements and client feedback. We also garner inputs from clients, competitive comparisons, and relevant technology innovations. Development teams are staffed with product owners, solutions architects, software engineers, software engineers in test, quality assurance analysts, technical writers, scrum masters and usability designers.

Our research and development strategies are based on agile methodologies that foster continuous innovation and improvement with collaboration with stakeholders. The development team enhances the functionality of our solutions through new feature releases, with a focus on solutions delivered as SaaS for businesses that struggle with complexity and Reseller Partners that need back-office tools and scalable infrastructure. We continue to evaluate opportunities for developing new solutions that enable organizations to streamline and automate HR tasks associated with growing their businesses. We seek to simultaneously allow organizations to improve their productivity while reducing the costs associated with those tasks.

Asure is particularly focused on developing product capabilities that involve the movement and reconciliation of money. Planned enhancements to our Treasury Management software position, which we expect to leverage macro trends in the payroll industry including same-day-pay, pay advances, and employee payments in the currency of their choice – including crypto currencies. We believe these money movement capabilities will also create new product opportunities similar to stored value cards and an "Asure Wallet" which may allow us to hold and invest larger sums of payroll funds for a longer period of time.

We continually work to automate processes using Robotic Process Automation ("RPA") by developing "bots" that perform repetitive tasks. These bots act as digital workers that make us more efficient and eliminate errors. Most importantly, our RPA initiatives allow us to quickly take advantage of new opportunities and scale the business without the expense or lead times required to hire additional staff.

SALES AND DISTRIBUTION

We sell our solutions through both direct and partner models. Prospective clients learn about Asure in a variety of ways, including advertising, website searches, sales calls, public relations, referral channels, direct marketing, and social media. When prospective clients show an interest in Asure, they are connected with a sales representative, who works to close the sale, via Asure's web site, phone, or a face-to-face meeting by discussing solutions that meet their needs. We track our marketing and sales activities to provide immediate insights into activities, leads and pipeline opportunities. Our account management teams work with clients to promote and sell additional solutions that are relevant for each client. We supplement our direct sales efforts with partner programs. By working with partners, we gain access to opportunities in various geographic and industry niches.

Asure has two distinct partners: Reseller Partners and Referral Partners.

Reseller Partners. Reseller Partners pay us recurring license fees to white label our solutions while providing value-added services to their clients (our indirect clients). There are generally two types of Reseller Partners: regional payroll providers and SMB trusted advisors (CPA, regional banks, and benefit brokers). Regional payroll providers typically focus on a specific geographic area or industry. They have proven to be attractive alternatives for SMBs' payroll and HCM needs versus national payroll companies that may not cater to the local needs of SMBs. Since trusted advisors are relied on by entrepreneurs and executives at SMBs to advise on payroll and HR decisions, white labeling our solutions allows them to provide additional solutions directly to their clients.

Our Reseller Partners are the primary source of our acquisitions. Because they white label our solutions, technology integration risk is lessened. By acquiring Reseller Partners, we gain a presence in specific geographic (typically less densely populated U.S. metropolitan cities) and industry niches. These acquisitions help Asure gain scale by assuming all of the Reseller Partners' revenue rather than a recurring licensing fee. Reseller Partners can continue to license our solutions with the opportunity to expand their available solutions, or they can come under the Asure umbrella.

Referral Partners. Referral Partners are typically trusted advisors (e.g., regional banks, CPAs, and benefit brokers) that provide us with SMB leads but do not resell our solutions. Since SMBs rely on their trusted advisors to guide them in selecting payroll and HCM solutions, we have found this to be a fruitful source of leads. Referral Partners provide qualified leads that convert to clients at a higher rate than non-referral leads. We have been successful in nurturing some Referral Partners to become Reseller Partners over time as the referral relationships develop and they become more comfortable in the HCM space.

COMPETITION

The market for HCM solutions is competitive and subject to evolving technology, shifting client needs, and regular introduction of new products and services. Our competitors range from regional payroll companies to large, well-established companies with multiple product offerings.

Competition in the HCM market is primarily based on product and service quality and reputation, scope of service, application offering and price. Price tends to be the most important factor of competition for our small business clients with fewer employees, while the range of features, implementation, and scalability is more important to our clients with larger businesses.

We compete with companies that provide HCM solutions by various means. Many providers continue to deliver legacy enterprise software, but there is increased competition in the delivery of HCM cloud-based solutions by other SaaS providers. Competitors in the HCM market tend to fluctuate, however, Asure's main competitors are ADP, Paychex, Kronos, Paylocity, Paycor, Paycom, Ceridian, Namely, and Gusto. Primary competitors to Asure Time & Attendance include Kronos, Paychex, ADP and Time Simplicity. Primary competitors to our standalone tax services are Ceridian and ADP.

While Asure has the advantage of a flexible, easy to use, cloud-based SaaS-delivered solution that is affordable for SMBs and has a proven deployment methodology, Asure faces several competitive challenges:

- *Vendors with face-to-face sales contact.* In this highly relationship-based sales process, vendors with large, dispersed field-based sales teams who meet and consult with prospects have an advantage. Vendors that approach the market in this manner include ADP, Paychex, Kronos, and Paylocity.

- *National payroll processors with loss-leader products.* Large brand and market share payroll processing vendors (such as ADP and Paychex) offer equivalent point solutions at little or no cost to prospects when they sign up for the first few months when in a competitive engagement because the short-term lost revenue is inconsequential compared with the long-term revenue they expect to receive over the next 8 to 10 years with that same client.

Some of our competitors, both current and future, may have greater financial, technical and marketing resources than us and therefore may be able to respond more quickly to new or emerging technologies and changes in client requirements. As a result, they may compete more effectively on price and other terms. Additionally, those competitors may devote greater resources in developing products or in promoting and selling their products to achieve greater market acceptance. We are actively taking measures designed to address competitive challenges, and clients tend to recognize the benefits of working with an established and publicly-traded partner versus a start-up or transitional vendor. However, we cannot ensure that we will be able to achieve or maintain a competitive advantage with respect to any of these competitive factors.

MARKETING

Our marketing strategy relies on a comprehensive integrated plan rooted in our business objectives. Our marketing plan includes four primary objectives: build brand awareness, develop lead generation programs that drive revenue, launch products in a meaningful way, and develop an infrastructure that supports and measures marketing activities.

We deploy direct marketing programs to drive awareness, interest and revenue. Marketing vehicles include our web site, organic and paid search, advertising, public relations, direct marketing, events, social media, content marketing, reputation management, and other digital marketing tactics. Our marketing plan addresses growth and retention goals for key target audiences throughout the United States.

SALES ENABLEMENT

We continue to invest in sales enablement tools, processes, and best-practice training of our sales organization. We have implemented and continue to optimize an end-to-end lead generation process that generates leads from marketing activities, and captures and tracks all digital click behavior of the lead in our marketing automation software and customer relation management. We follow up with leads and take all through a qualification process that ends in a closed loop of either won/lost opportunities or leads that get passed back to marketing for further nurturing. Sales Enablement staff support sales with product training, client and prospect demonstrations, and marketing webinars as well as best practices in modern selling that leverages email, social media, and online video.

INDUSTRY REGULATION

Many of our solutions are designed to assist clients with their compliance with certain U.S. laws and regulations that apply to them, particularly in their capacity as employers under state and federal laws. Failure to comply with existing laws or regulations or to anticipate and incorporate into our services new laws and regulations so that our services remain compliant, could have a materially adverse effect on our reputation, results of operations or financial condition, or have other adverse consequences.

Data privacy and security of data is subject to strict regulatory oversight. The laws governing the collection, processing and storage of personal and sensitive data differs between jurisdictions and differs based on the type of data collected. We collect and process the personal and sensitive information of clients, clients of our Reseller Partners, employees of our clients and Reseller Partners, vendors and our own employees. Data that we process and store includes personally identifying information such as names, addresses, social security numbers, bank account information, and in the case of our time and attendance products, biometric data. We are therefore subject to compliance obligations under federal, state and foreign privacy and data security-related laws. For instance, in the United States, the Health Insurance Portability and Accountability Act of 1996, including the related security provisions, applies to our flexible spending account services. We are also subject to federal and state security, privacy and security breach notification laws with respect to personal and sensitive data as defined under such laws. Such state and federal laws include laws such as the California Consumer Privacy Act of 2018, as amended and the Illinois Biometric Information Privacy Act and rules and regulations promulgated under the Federal Trade Commission. Additionally, Virginia and Colorado enacted data privacy laws in 2021 that will come into effect in January 2023 and July 2023, respectively. These laws track significant portions of existing laws, but include differences that may or may not increase our compliance burden. We have a small number of end user clients located in the European Union using our time and attendance software and accordingly, the EU's General Data Protection Regulation applies to the collection, processing and storage of applicable sensitive and personal data. In some instances, these laws provide for civil penalties for violations as well as private rights of action for data breaches or other violations of the law. Moreover, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase. The future enactment of more restrictive laws, rules or regulations and/or future enforcement actions or investigations could have a materially adverse impact on the Company through increased costs or restrictions on our businesses and noncompliance could result in regulatory penalties and significant legal liability. Failure to comply with data privacy laws and regulations could have a materially adverse effect on our reputation, results of operations or financial condition, or have other adverse consequences.

As part of our payroll and payroll tax solutions, we move funds from clients' accounts to employees, taxing authorities and other payees. Certain state regulators have recently expanded their interpretation of state money transmission and money service business statutes to include these standard payroll processing activities necessitating our registering in certain jurisdictions as a money transmitter. We are licensed as a payroll processor in jurisdictions requiring licensing of payroll processors. Our activities under these money transmission statutes are subject to the anti-money laundering and reporting provisions of The Bank Secrecy Act of 1970, as amended by the USAPATRIOT Act of 2000, including the know-your-client due diligence requirements and related reporting of suspicious activities to applicable authorities.

Many of our solutions assist clients in complying with certain U.S. laws and regulations that apply to them, particularly in the human resources and employment law areas such as wage payment laws, state payroll tax filing and reporting, employee onboarding, and compliance with the IRS rules governing employers including tax withholdings, payroll tax filing and the preparation of Form W-2. Our HCM solutions help clients manage their compliance with other laws including. Our solutions help clients meet their obligations as a plan sponsor under COBRA, and sponsor and administer compliant Flexible Spending Account Plans and compliant Consumer Health Care Plans such as Health Savings Accounts and Health Reimbursement Accounts.

TRADEMARKS

We have registered Asure Software® as a federal trademark with the U.S. Patent and Trademark Office. Asure's other core federally registered trademarks include AsureForce®, AsureHCM® and Evolution®.

EMPLOYEES

As of December 31, 2021, we had a total of 517 employees, 508 of which are full-time employees. The headcount by department includes 115 in research and development, 162 in sales and marketing, 180 in customer service and technical support, and 60 in finance, human resources and administration.

We continually evaluate and adjust the size and composition of our workforce. We also periodically retain contractors to support our sales and marketing, information technology and administrative functions. None of our employees are represented by a collective bargaining agreement. We have not experienced any work stoppages. Additionally, we augment our workforce capacity in research and development and client service and technical support by contracting for services through third parties.

ITEM 1A. RISK FACTORS

The following risk factors and other information included throughout this Form 10-K, including those risks identified in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” represent our view of some of the most important risks we face. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any of the events or circumstances described in the following risk factors actually occurs, our business, operating results and financial condition could be materially adversely affected.

Refer to the cautionary note regarding forward-looking statements at the beginning of Part 1 of this Form 10-K.

RISKS RELATED TO OUR BUSINESS

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

As a result of the COVID-19 pandemic, we temporarily closed our office locations, introduced remote working for many of our employees that remains in effect, and implemented certain travel restrictions, all of which has caused disruptions to how we operate our business. Many of our customers are non-essential businesses within the meaning of applicable regulations that have been forced and may in the future be forced, in some jurisdictions, to temporarily suspend or greatly reduce operations resulting in a lay off or termination of workers, which has a direct impact on our revenue, as this results in a decrease in overall payroll spend by our customers. Similarly, many of our customers have experienced and may continue to experience difficulty in attracting and retaining new employees and are therefore continuing to operate below their full capacity. Additionally, 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. The conditions caused by the COVID-19 pandemic have affected and may continue to affect the rate of IT spending and our customers' ability or willingness to attend our events or to purchase our offerings, our prospective customers' purchasing decisions, our ability to provide on-site consulting services to our customers and the provisioning of our offerings, and may lengthen payment terms, reduce the value or duration of our contracts, or affect attrition rates, all of which has and may continue to adversely affect our future sales, operating results and overall financial information.

Our operations have been 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 continue to impose a wide range of restrictions on our employees', partners' and customers' physical movement to limit the spread of COVID-19 and its variants. To the extent 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 will likely be harmed. Finally, as a result of changes in the tax code such as the recent deferral of certain payroll tax obligations and the implementation of certain tax credits, we have had to devote more resources internally both to monitor the impact of these changes on our clients and ensure that our clients remain compliant with the federal, state and local tax jurisdictions. In addition, there can be no assurance that additional tax changes will not require us to incur more expense.

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, new variants and their transmission and severity, the extent and effectiveness of containment actions and the impact of these and other factors on our employees, customers, partners and vendors. We currently expect our business will continue to be adversely impacted by the COVID-19 pandemic.

We have a history of losses, and we cannot be certain that we will achieve or sustain profitability.

We have incurred losses since our inception. We experienced net income from continuing operations of $3.2 million in the fiscal year ended December 31, 2021 and a net loss of $16.3 million in the fiscal year ended December 31, 2020. At December 31, 2021, our accumulated deficit was $266.8 million and total stockholders' equity was $158.2 million. We expect to continue to incur operating losses as a result of expenses associated with the continued development and expansion of our business. Such expenses include among others, transaction costs associated with acquisitions, sales and marketing, research and development, consulting and support services and other costs relating to the development, marketing and sale and service of our products that may not generate revenue until later periods, if at all. Any failure to increase revenue or manage our cost structure as we implement initiatives to grow our business could prevent us from achieving or sustaining profitability. In addition, our ability to achieve profitability is subject to a number of the risks and uncertainties discussed below, many of which are beyond our control, including the impact of the current environment, the spread of major epidemics (including COVID-19) and other related uncertainties such as government-imposed travel restrictions, interruptions to supply chains and extended shut-down of businesses. We cannot be certain that we will be able to achieve or sustain profitability on a quarterly or annual basis.

If our security measures are breached, or unauthorized access to our clients' or their employees' sensitive data is otherwise obtained, our solution may not be perceived as being secure. This may lead clients to reduce the use of or stop using our solutions, thereby hindering our ability to attract new clients while also incurring significant liabilities.

Our solution involves the collection, storage and transmission of clients' and their employees' confidential and proprietary information, including personal identifying information, as well as financial and payroll data. HCM software is often targeted in cyber-attacks, including computer viruses, worms, phishing attacks, malicious software programs and other information security breaches, which could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our clients' sensitive data or otherwise disrupt our clients' or other third parties' business operations. If cybercriminals are able to circumvent our security measures, or if we are unable to detect an intrusion into our systems and contain such intrusion in a reasonable amount of time, our clients' sensitive data may be compromised.

Certain of our employees have access to sensitive information about our clients' employees. While we conduct background checks of our employees and limit access to systems and data, it is possible that one or more of these individuals may circumvent these controls, resulting in a security breach.

Although we have security measures in place to protect client information and prevent data loss and other security breaches, these measures could be breached as a result of third-party action, employee error, third-party or employee malfeasance or otherwise. Because the techniques used to obtain unauthorized access or to sabotage systems change frequently, we may not be able to anticipate these techniques and implement adequate preventative or protective measures. While we currently maintain a cyber liability insurance policy, cyber liability insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our cyber liability insurance policy may not cover all claims made against us, and defending a suit, regardless of its merit, could be costly and divert management's attention from our business and operations.

We may identify material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our Consolidated Financial Statements. If we are unable to remedy any material weaknesses identified in the future, or if we fail to establish and maintain effective control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected and we may be adversely affected.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

If we identify any material weaknesses, the accuracy and timeliness of our financial reporting may be adversely affected and we may be adversely affected. If we are unable to maintain effective internal controls, we may not have adequate, accurate or timely financial information, and we may be unable to meet our reporting obligations as a public company. Failure to comply with the Sarbanes-Oxley Act, when and as applicable, could also potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. Furthermore, if we cannot provide reliable financial reports or prevent fraud, our business and results of operations could be harmed and investors could lose confidence in our reported financial information.

The adoption of new or interpretation of existing money service business statutes and money transmitter statutes at the federal and state level could subject us to additional regulation and related expense and necessitate changes to our business model.

The adoption of new money transmitter or money service business statutes in new jurisdictions, changes in regulators' interpretations of existing statutes, or disagreement by regulators of our interpretation of such statutes or regulations could require additional registrations or licensing, limit certain of our business activities until we are properly licensed and expose us to financial penalties. These occurrences could also require change to the manner in which we conduct some aspects of our money movement business, client funds investment strategy or our overall business strategy. Although we maintain that we are not a money service business or money transmitter, we have proactively registered in some jurisdictions due to regulatory changes and have adopted an Anti-Money Laundering Policy and compliance program designed to mitigate the risk of our services and application being utilized for illegal purposes including money laundering and to assist in detecting fraud. Under the statutes governing our money transmitter licenses, we are subject to routine examinations from the regulatory agencies overseeing these licenses. If these examinations reveal violations of the money transmitter license and those violations cannot be remediated, we may be subject to civil and criminal fines and penalties and we could lose our license to provide our services in those jurisdictions, all of which could have a material adverse effect on our business. Further, should other states or jurisdictions determine that that we are a money service business or money transmitter, we could be subject to civil and criminal fines, penalties, registration fees, cost of surety bonds or other security, reputational damage and other negative consequences that may have an adverse effect on our financial condition.

If our security measures are breached or if personal information of our direct or indirect clients or their employees is accessed or obtained, our HCM solution may not be perceived as being secure and we may suffer reputational damage, clients and resellers may not select or continue with our services or products and we may incur significant liabilities.

Asure HCM involves the collection, transmission, processing and storing of the personal information of our direct and indirect clients and their employees, including personally identifying information including social security numbers, banking information and payroll data. This type of data is highly sensitive and is regulated by laws in all jurisdictions governing the security and privacy of personal information. HCM software is a target in cyber attacks due to the sensitive nature of data being stored, accordingly, we could be subjected to viruses, phishing, worms or other malicious software programs and other information security breaches. In the event that such attacks were able to circumvent our own security processes, or if we did not detect an intrusion in time to stop such attack, such breach could result in loss, destruction, theft, or misuse of this information. In addition to malicious acts by third parties, unauthorized access to or breach of our systems could occur through employee error or employee malfeasance. Although we have security measures in place to prevent the possibility of breach or data loss, we may not be able to adequately anticipate and operationalize all preventative and protective measures necessary. While we maintain a cyber liability insurance policy, such policy may not be adequate to cover all losses and the cost of defending a lawsuit. Moreover, if a high profile security breach occurs with respect to another SaaS provider in our market, our clients and potential clients may lose trust in the security of the SaaS business model generally, which could adversely impact our ability to retain existing clients or attract new ones. Any actual or perceived breach of our security could damage our reputation, cause existing clients and resellers to terminate our services, prevent future clients from doing business with us and result in regulatory liability and third-party liability, any of which could adversely affect our business and results of operations.

We have acquired and plan to continue to acquire from time to time our Reseller Partners' businesses that have licensed our proprietary software either through stock acquisition or through an asset purchase of their client service agreements and related assets. These acquisitions could prove difficult to integrate, result in unknown or unforeseen liabilities, disrupt our business, dilute stockholder value and ownership and adversely affect our operating results and financial condition.

Acquisitions and investments involve numerous risks, including:

- potential failure to achieve the expected benefits of the combination or acquisition;
- difficulties in, and the cost of, integrating operations, technologies, services, platforms and personnel;
- diversion of financial and managerial resources from existing operations;
- the potential entry into new markets in which we have little or no experience or where competitors may have stronger
- market positions;
- potential write-offs of acquired assets or investments, and potential financial and credit risks associated with acquired customers;

- potential loss of key employees of the acquired company;
- inability to generate sufficient revenue to offset acquisition or investment costs;
- inability to maintain relationships with customers and partners of the acquired business;
- difficulty of transitioning the acquired technology onto our existing platforms and customer acceptance of multiple platforms on a temporary or permanent basis;
- increasing or maintaining the security standards for acquired technology consistent with our other services;
- potential unknown liabilities associated with the acquired businesses including regulatory noncompliance;
- negative impact to our results of operations because of the depreciation and amortization of amounts related to acquired intangible assets, fixed assets and deferred compensation;
- additional stock based compensation;
- the loss of acquired deferred revenue and unbilled deferred revenue;
- delays in customer purchases due to uncertainty related to any acquisition;
- ineffective or inadequate controls, procedures and policies at the acquired company;
- potential additional cybersecurity and compliance risks resulting from entry into new markets; and
- the tax effects of any such acquisitions.

Any of these risks could have an adverse effect on our business, operating results and financial condition. To facilitate these acquisitions or investments, we may seek additional equity or debt financing, which may not be available on terms favorable to us, or at all, which may affect our ability to complete acquisitions or investments. If we finance acquisitions by issuing equity or convertible or other debt securities or loans, or issue equity as consideration for an acquisition, our existing stockholders may be diluted, or we could face constraints related to the terms of, and repayment obligations related to, the incurrence of indebtedness.

If we are not able to develop enhancements and new features to our products, keep pace with technological developments or respond to future technologies, our business, operating results and financial results will be adversely affected.

Our future success will depend on our ability to adapt and innovate. To attract new clients and increase revenue from existing clients, we will need to enhance and improve our existing products and introduce new features. The success of any enhancement or new feature depends on several factors, including timely completion, introduction and market acceptance. If we are unable to enhance our existing products to meet client needs or successfully develop or acquire new features or products, or if such new features or products fail to be successful, our business, operating results and financial condition will be adversely affected.

Our products are designed to operate on a variety of network, hardware and software platforms using Internet tools and protocols, and we must continuously modify and enhance our products to keep pace with changes in Internet-related hardware, software, communication, browser and database technologies. In addition, if new technologies emerge that are able to deliver HCM software at lower prices, more efficiently or more conveniently, we may be unable to compete with these technologies. If we are unable to respond in a timely and cost-effective manner to these rapid technological developments, our products may become less marketable and less competitive or obsolete, and our business, operating results and financial condition will be adversely affected.

If we are unable to release timely updates to reflect changes in wage and hour laws, tax, privacy, benefit and other laws and regulations that our products help our clients address, the market acceptance of our products may be adversely affected and our revenues could decline.

Our solutions are affected by changes in wage and hour laws, tax, privacy, benefit and other laws and regulations and generally must be updated regularly to maintain their accuracy, compliance and competitiveness. Although we believe our SaaS platform provides us with flexibility to release updates in response to these changes, we cannot be certain that we will be able to make the necessary changes to our solutions and release updates on a timely basis, or at all. Similarly, any compliance failure in our proprietary software and related internal processes will result in clients utilizing the affected services being out of compliance. Failure to provide a fully compliant SaaS solution could have an adverse effect on the functionality and market acceptance of our solutions and noncompliance could expose us and our clients to potential litigation, fines and penalties. Changes in laws and regulations may require us to make significant investments in modifying and improving our products or delay or cease sales of certain products, which could result in reduced revenues or revenue growth and our incurring substantial expenses and write-offs.

Our business depends substantially on clients renewing their agreements with us, purchasing additional products from us or adding additional users. If our customers do not renew their agreements with us or reduce the services purchased, our revenue will decline and our business, operating results and financial condition may be adversely affected. If we cannot accurately predict subscription renewals or upgrade rates, we may not meet our revenue targets, which may adversely affect the market price of our common stock.

In order for us to improve our operating results, it is important that our clients renew their agreements with us when the initial contract term expires and also purchase additional products or add additional users.

Our customers have no obligation to renew their agreements after the expiration of their agreement, and in the normal course of business, some customers have elected not to renew. Even if customers elect to renew, they may renew for fewer subscriptions, renew for shorter contract lengths, or switch to lower cost offerings of our services. Moreover, certain of our clients have the right to cancel their agreements for convenience, subject to certain notice requirements and, in some cases, early termination fees. It is difficult to predict attrition rates given our varied customer base of enterprise, varied sizes of our customers and the number of multi-year subscription contracts. Our client renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction or dissatisfaction with our products, our pricing, the prices of competing products or services, mergers and acquisitions affecting our client base, reduced hiring by our clients or reductions in our clients' spending levels.

Our future success also depends in part on our ability to sell additional features and services, more subscriptions or enhanced editions of our services to our current customers. This may also require increasingly sophisticated and costly sales efforts. Similarly, the rate at which our customers purchase new or enhanced services depends on a number of factors, including general economic conditions and that our customers do not react negatively to any price changes related to these additional features and services.

In addition, if we cannot accurately predict subscription renewals or upgrade rates, we may not meet our revenue targets, which may adversely affect the market price of our common stock.

Even if demand for HCM products and services increases generally, there is no guarantee that demand for SaaS products generally or our products in particular will increase to a corresponding degree, or at all.

The widespread adoption of our products depends not only on strong demand for HCM products and services generally, but also for products and services delivered via a SaaS business model in particular. A significant number of organizations do not use HCM products, and it is unclear whether such organizations will ever use these products and, if they do, whether they will choose to use a SaaS software service or our HCM products in particular. As a result, we cannot assure you that our SaaS HCM software products will achieve and sustain the high level of market acceptance that is critical for the success of our business.

Client funds that we hold in trust are subject to market, interest rate, credit and liquidity risk. The loss of these funds could have a material adverse effect on our business, financial condition and results of operations.

We invest our funds held for clients in high quality, investment-grade marketable securities, money markets, and other cash equivalents. However, these funds held for clients are subject to general market, interest rate, credit, and liquidity risks. These risks may be exacerbated during periods of unusual financial market volatility. Any loss or inability to access client funds could have an adverse impact on our cash position and could require us to obtain additional sources of liquidity, and could have a material adverse effect on our business, financial condition and results of operations.

The markets in which we participate are highly competitive, and if we do not compete effectively, our operating results could be adversely affected.

The market for payroll and HCM solutions is fragmented, highly competitive and rapidly changing. Our competitors vary for each of our solutions, and include (i) enterprise-focused software providers, such as Ultimate Software Group, Inc., MasterTax, and Ceridian Corporation, (ii) payroll service providers, such as Automatic Data Processing, Inc., Paychex, Inc., Paycom Software, Inc., Paycor, Inc. and (iii) other regional providers, and HCM point solutions, such as Cornerstone OnDemand, Inc.

Several of our competitors are larger, have greater name recognition, longer operating histories, larger marketing budgets and significantly greater resources than we do, and are able to devote greater resources to the development, promotion and sale of their products and services. Some of our competitors could offer HCM solutions bundled as part of a larger product offering. In addition, many of our competitors have established marketing relationships, access to larger customer bases, and major distribution agreements with consultants, system integrators, and resellers.

Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition. As a result, our competitors may be able to develop products and services better received by our markets or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or client requirements.

In addition, current and potential competitors have established, and might in the future establish, partner or form other cooperative relationships with vendors of complementary products, technologies or services to enable them to offer new products and services, to compete more effectively or to increase the availability of their products in the marketplace. New competitors or relationships might emerge that have greater market share, a larger client base, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources, and larger sales forces than we have, which could put us at a competitive disadvantage. In light of these advantages, current or potential clients might accept competitive offerings in lieu of purchasing our offerings. We expect intense competition to continue for these reasons, and such competition could negatively impact our sales, profitability or market share.

Our clients could have insufficient funds to cover payments we have made on their behalf or credit that we have extended to them in connection with the services that we have provided, resulting in financial loss to us.

Our payroll processing service involves moving significant funds from our clients' account to employees and taxing authorities. We debit our clients' accounts prior to disbursements; however, due to ACH banking regulations, funds previously credited to our accounts could be reversed after our payment of amounts due to employees and taxing authorities. Therefore the risk exists that a client's funds will be insufficient to cover the amount paid on its behalf. Should such clients default on their obligations, we might be required to advance substantial funds to cover such obligations. Additionally, we may be the target of deliberate fraud with fraudsters attempting to exploit the payroll payment process by posing as legitimate businesses and deliberately underfunding their payroll obligations. If required to advance substantial amounts of funds to cover payment obligations of our clients, we may need to seek additional sources of short-term liquidity, which may not be available on reasonable terms, which could have a material, adverse effect on our business, financial condition and results of operations.

We grant credit to customers in the ordinary course of business, exposing us to the credit risk of our customers. In the course of our sales to customers, we may encounter difficulty collecting accounts receivable, which could adversely impact our operating results and financial condition. We maintain reserves for potential credit losses. However, these reserves are based on our judgment and a variety of factors and assumptions.

We perform credit evaluations of our customers' financial condition and follow the terms of our AML BSA program to verify clients and their beneficial owners. However, our evaluation of the creditworthiness of customers may not be accurate if they do not provide us with timely and accurate financial information or if their situations change after we evaluate their credit. While we attempt to monitor these situations carefully, adjust our allowances for doubtful accounts as appropriate and take measures to collect accounts receivable balances, we have written down accounts receivable and written off doubtful accounts in prior periods and may be unable to avoid additional write-downs or write-offs of doubtful accounts in the future. Such write-downs or write-offs could negatively affect our operating results for the period in which they occur, and could harm our financial condition.

If the banks that currently provide ACH and wire transfers fail to properly transmit ACH, exit the payroll industry, or terminate their relationship with us or limit our ability to process funds or we are not able to increase our ACH capacity with our existing and new banking partners, our ability to process funds on behalf of our clients and our financial results and liquidity could be adversely affected.

We currently have agreements with banks and third party ACH processors to execute ACH and wire transfers to support our client payroll, benefit and tax services. If one or more of the banks fails to process ACH transfers on a timely basis, or at all, then our relationship with our clients could be harmed and we could be subject to claims by a client with respect to the failed transfers. In addition, these banks have no obligation to renew their agreements with us on commercially reasonable terms, if at all. If these banks terminate their relationships with us or restrict the dollar amounts of funds that they will process on behalf of our clients, their doing so may impede our ability to process funds and could have an adverse impact on our financial results and liquidity.

Our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets would adversely affect our business, operating results and financial condition.

As a result of our acquisitions, a significant portion of our total assets consist of intangible assets, including goodwill. Goodwill and identifiable intangible assets together accounted for approximately 38% of the total assets on our balance sheet as of December 31, 2021. We may not realize the full fair value of our intangible assets and goodwill. We expect to engage in additional acquisitions, which may result in our recognition of additional identifiable intangible assets and goodwill. We evaluate on a regular basis whether all or a portion of our goodwill and identifiable intangible assets may be impaired. Under current accounting rules, any determination that impairment has occurred would require us to write off the impaired portion of goodwill and such intangible assets, resulting in a charge to our earnings. Any future impairment of a significant portion of goodwill or intangible assets could have a material adverse effect on our business, operating results and financial condition.

Our failure to comply with existing laws and regulations may result in adverse effects on our business, service and financial condition and failure to comply with changing laws and regulations through modifications, developments, and enhancements to our products and services could have a material adverse effect on our business and results of operations.

Our services are subject to various laws and regulations including COBRA, HIPAA, laws and regulations promulgated by state wage and hour authorities and anti-money laundering regulations. Failure to comply with the multiple laws and regulations that impact us may result in civil liability from our clients for noncompliance, regulatory fines, and loss of reputation in the event of a public regulatory investigation or consent order or civil lawsuit. Moreover, many of our solutions are designed to assist our clients with their compliance with myriad government regulations and laws that continually change. For example, regulatory changes in 2020 in response to the COVID-19 pandemic necessitated multiple product modifications to accommodate changes relevant to the collection and remittance of payroll tax, including payroll tax deferments. The introduction of new regulatory requirements or changes in interpretation of existing laws or regulations could increase our cost of doing business. As with the development changes necessitated with new regulations in response to COVID-19, changing regulatory requirements may require the introduction of new applications or enhancements, or may make new modifications or new applications more expensive or could prevent the introduction of new applications. Changes in laws could also impact applications under development, rendering them in applicable or obsolete mid development which could result in wasted time and development money. Any failure to anticipate and respond to these legal regulations and changes and provide tools and applications to solve for these changes in a timely fashion could adversely affect our reputation and affect our business and results of operations.

Privacy concerns and laws and other regulations may limit the effectiveness of our applications and adversely affect our business.

Our products are subject to various complex laws and regulations on the federal, state and local levels, including those governing data security and privacy. The regulatory framework for privacy issues is rapidly evolving and will remain uncertain as more jurisdictions adopt laws and regulations regarding the collection, processing, storage and disposal of personal information. In the United States, the laws include regulations promulgated by the Federal Trade Commission, the Health Insurance Portability and Accountability Act of 1996, state data breach notification laws, and state security and privacy laws such as the California Consumer Privacy Act, as amended by the California Privacy Rights Act, (the "CCPA") and the Illinois Biometric Information Privacy Act ("IBIPA") governing biometric data. Some of these laws, such as the CCPA and IBIPA, grant consumers private right of actions for data breaches or violations as applicable. Additionally, Virginia and Colorado enacted data privacy laws in 2021 that will come into effect in January 2023 and July 2023, respectively. These laws track significant portions of existing laws, but include differences that may or may not increase our compliance burden.

Further, because some of our Reseller clients have clients in the European Union utilizing Asure's Time and Attendance product, the GDPR may impact our processing of certain client and client employee information. Failure to comply with laws, including security and privacy laws, could subject us to liability, fines, lawsuits and could require us to change our applications in order to comply. Evolving privacy requirements could also reduce demand for our services or restrict our ability to store and process data or, in some cases, impact our ability to offer our services in certain locations.

In addition to governmental regulation, self-regulatory standards may place additional burdens on us. Many of our customers expect us to meet voluntary certification or other standards established by third parties as well as other audited measures and controls. If we are unable to maintain these certifications or meet these standards, it could adversely affect our ability to provide our solutions to certain customers and could harm our business. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our products or services, and could limit adoption of our cloud-based solutions.

If our security measures or those of our third-party data center hosting facilities, cloud computing platform providers or third-party service partners are compromised or breached, our services may be perceived as not being secure, our brand could be damaged, our services may be disrupted, and customers may curtail or stop using our services, all of which could reduce our revenue and earnings, increase our expenses, and expose us to legal claims and regulatory actions.

Our services involve the collection, transmission, processing and storing of our Reseller Partner's clients and our direct clients proprietary and other sensitive data, including personally identifiable information about employees, financial information, banking information, HIPAA data with respect to our consumer health care administration services, and other personal information. While we have security measures in place, they may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise and result in someone obtaining unauthorized access to our information technology systems, our customers' data or our data, including our intellectual property and other confidential business information. In addition, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our customers' data, their customers' data, our data or our information technology systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, our customers may authorize third-party technology providers to access their customer data, and some of our customers may not have adequate security measures in place to protect their data that is stored on our services. Because we do not control our customers or third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the integrity or security of such transmissions or processing. Malicious third parties may also conduct attacks designed to temporarily deny customers access to our services. Any security breach could result in a loss of confidence in the security of our services, damage our reputation, negatively impact our future sales, disrupt our business and lead to legal liability.

Our ability to make scheduled payments on or to refinance our existing indebtedness (including the indebtedness under our Senior Credit Facility with Structural Capital Investments III LP and our subordinated promissory notes) depends on our future performance, which is subject to economic, financial, competitive and other factors that may be beyond our control.

Our business may not generate cash flow from operations in the future sufficient to service our debt and support our growth strategies. If we are unable to generate sufficient cash flow, we may be required to pursue one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or on desirable terms, which could result in a default on our debt obligations, including under our current debt obligations. In addition, if for any reason we are unable to meet our debt service and repayment obligations, we would be in default under the terms of our Senior Credit Facility with Structural Capital Investments III LP, which would allow our creditors at that time to declare all outstanding indebtedness to be due and payable. Under these circumstances, our lenders could compel us to apply all of our available cash to repay our indebtedness.

Our ability to incur debt and the use of our funds could be limited by the restrictive covenants in our loan agreement for our term loan.

Our agreement with Structural Capital Investments III LP provides for a credit facility that contains restrictive covenants, including restrictions on our ability to pay dividends to stockholders, as well as requirements to comply with certain financial maintenance and liquidity tests. The agreement covenants may affect our ability to obtain future financing and to pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions. These covenants could place us at a disadvantage compared to some of our competitors, who may have fewer restrictive covenants and may not be required to operate under these restrictions.

We may be required to incur further debt to meet future capital requirements of our business. Should we be required to incur additional debt, the restrictions imposed by the terms of such debt could adversely affect our financial condition and our ability to respond to changes in our business.

If we incur additional debt, we may be subject to the following risks:

- our vulnerability to adverse economic conditions may be heightened;
- our flexibility in planning for, or reacting to, changes in our business may be limited;
- our debt covenants may affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;
- higher levels of debt may place us at a competitive disadvantage compared to our competitors or prevent us from pursuing opportunities;
- covenants contained in the agreements governing our indebtedness may limit our ability to borrow additional funds and make certain investments;
- a significant portion of our cash flow could be used to service our indebtedness; and
- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes may be impaired.

We cannot assure you that our leverage and such restrictions will not materially and adversely affect our ability to finance our future operations or capital needs or to engage in other business activities.

We may be subject to claims, lawsuits, governmental investigations and other proceedings that could adversely affect our business, financial condition and results of operations.

We are sometimes the subject of claims, lawsuits, governmental investigations and other legal and regulatory proceedings in the ordinary course of business, including those involving, among others, breach of contract, tortious conduct and employment law matters. The results of any such claims, lawsuits, or other legal or regulatory proceedings cannot be predicted with certainty. Any claims against us, whether meritorious or not, could be time-consuming, result in costly litigation, be harmful to our reputation, impact licenses that are necessary or required to operate our business, require significant management attention and divert significant resources. It is possible that a resolution of one or more such proceedings could result in substantial damages, settlement costs, fines and penalties that could adversely affect our business, financial condition and results of operations.

We incur significant costs as a result of operating as a public company, and our management will devote substantial time to new compliance initiatives. We may fail to comply with the rules that apply to public companies, which could result in sanctions or other penalties that would harm our business.

We incur significant legal, accounting and other expenses as a public company, including costs resulting from public company reporting obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and regulations regarding corporate governance practices. The listing requirements of The Nasdaq Capital Market require that we satisfy certain corporate governance requirements relating to director independence, distributing annual and interim reports, stockholder meetings, approvals and voting, soliciting proxies, conflicts of interest and a code of conduct. Our management and other personnel devote a substantial amount of time to ensure that we comply with all of these requirements. Moreover, new reporting requirements, rules and regulations will increase our legal and financial compliance costs and will make some activities more time consuming and costly. Any changes we make to comply with these obligations may not be sufficient to allow us to satisfy our obligations as a public company on a timely basis, or at all.

To the extent that our pre-tax income or loss becomes relatively modest, our ability to conclude that a control deficiency is not a material weakness or that an accounting error does not require a restatement could be adversely affected.

Under the Sarbanes-Oxley Act of 2002, our management is required to assess the impact of control deficiencies based upon both quantitative and qualitative factors, and depending upon that analysis, we classify such identified deficiencies as either a control deficiency, significant deficiency or a material weakness. One element of our analysis of the significance of any control deficiency is its actual or potential financial impact. This assessment will vary depending on our level of pre-tax income or loss. For example, a smaller pre-tax income or loss will increase the likelihood of a quantitative assessment of a control deficiency as a significant deficiency or material weakness.

To the extent that our pre-tax income or loss is relatively small, if management or our independent registered public accountants identify an error in our interim or annual financial statements, it is more likely that such an error may be determined to be a material weakness or be considered a material error that could, depending upon the complete quantitative and qualitative analysis, result in our having to restate previously issued financial statements.

We depend on data centers and computing infrastructure operated by third parties and any disruption in these operations could adversely affect our business.

We rely on hosted infrastructure partners, such as Amazon Web Services and to a lesser extent, data center providers, to provide third-party hosted environments for our applications. While we control and have access to our servers and all the components of the networks that are located in our hosted environments, we do not control the operations of these facilities. The owners of such facilities have no obligation to renew their agreements with us on commercially reasonable terms. If we are not able to renew these contracts on commercially reasonable terms, we may be required to transfer our servers and other infrastructure to new data facilities, and we may incur significant costs and possible service interruption in doing so. We may not have adequately distributed our systems within our hosted infrastructure partner's environment to prevent in any regional disruption or interference at our hosted infrastructure partners from adversely impacting our operations and our business.

Our SaaS hosting network infrastructure is a critical part of our business operations. Our clients access our HCM software through a standard web browser and depend on us for fast and reliable access to our products. Our software is proprietary, and we rely on third-party data center hosting facilities and the expertise of members of our engineering and software development teams for the continued performance of our software. We have experienced, and may in the future experience, disruptions in our computing and communications infrastructure. Factors that may cause such disruptions include:

- human error;
- security breaches;
- telecommunications outages from third-party providers;
- computer viruses;
- acts of terrorism, war, sabotage or other intentional acts of vandalism, including cyber attacks;
- unforeseen interruption or damages experienced in moving hardware to a new location, including government-imposed travel restrictions;
- fire, earthquake, flood, the spread of major epidemics (including coronavirus) and other natural disasters; and
- power loss.

Although we generally back up our client databases hourly, store our data in more than one geographically distinct location at least weekly, we do not currently offer immediate access to disaster recovery locations in the event of a disaster or major outage. Thus, in the event of any of the factors described above, or other failures of our computing infrastructure, clients may not be able to access their data for lengthy periods of time and it is possible that client data from recent transactions may be permanently lost or otherwise compromised. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. Moreover, some of our agreements include performance guarantees and service level standards that obligate us to provide credits, refunds or termination rights in the event of a significant disruption in our SaaS hosting network infrastructure or other technical problems that relate to the functionality or design of our software.

We may be adversely affected by failure of third parties in providing their services.

We rely on multiple third-party service providers to provide services to our clients as part of our service offerings. Service providers include for example our banking and ACH transaction partners, mail services, outsourced consumer health care administration service providers, and Amazon Web Services hosting services. Failure of these providers to deliver their services in a compliant, timely manner could result in material disruption to our business, result in reputational damage, expose us to greater liability from our clients than we can recover from the third parties, any of which may adversely affect our results of operations.

We may require additional capital to support business growth, and this capital may not be available on acceptable terms, or at all.

We intend to continue to make investments, including the acquisition of complementary businesses, to support our business growth and may seek additional funds to respond to business challenges, including the need to develop new features or enhance our existing products, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in additional equity or debt financings to secure additional funds. If we raise additional funds through issuances of equity or debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to satisfy our obligations under the notes and any future indebtedness we may incur and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the notes or future indebtedness.

Volatility and weakness in bank and capital markets may adversely affect credit availability and related financing costs for us.

Banking and capital markets can experience periods of volatility and disruption. If the disruption in these markets is prolonged, our ability to refinance, and the related cost of refinancing, some or all of our debt could be adversely affected. Although we currently can access the bank and capital markets, there is no assurance that such markets will continue to be a reliable source of financing for us. These factors, including the tightening of credit markets, could adversely affect our ability to obtain cost effective financing. Increased volatility and disruptions in the financial markets also could make it more difficult and more expensive for us to refinance outstanding indebtedness and to obtain financing. In addition, the adoption of new statutes and regulations, the implementation of recently enacted laws, or new interpretations or the enforcement of older laws and regulations applicable to the financial markets or the financial services industry could result in a reduction in the amount of available credit or an increase in the cost of credit. Disruptions in the financial markets can also adversely affect our lenders, insurers, customers, and other counterparties. Any of these results could have a material adverse effect on our business, financial condition, and results of operations.

If we lose key personnel, including key management personnel, or are unable to attract and retain additional personnel as needed in the future, it could disrupt the operation of our business, delay our product development and harm our growth efforts.

Our future performance depends largely on our ability to continually and effectively attract, train, retain, motivate and manage highly qualified and experienced technical, sales, marketing, managerial and executive personnel. Our future development and growth depend on the efforts of key management personnel and technical employees. We cannot guarantee that we will continue to attract and retain personnel with the requisite capabilities and experience. The loss of one or more of our key management or technical personnel could have a material and adverse effect on our business, operating results and financial condition.

We continue to experience turnover within our finance team. If we are unable to retain and successfully integrate their replacements in our business, it could have a material adverse effect on our business and the reliability of our financial statements.

Our future performance depends largely on our ability to continually and effectively attract, train, retain, motivate and manage highly qualified and experienced individuals, specifically in our finance function. In the last year, we had significant turnover in our finance and accounting team, including the executive, tax, SEC reporting, treasury and audit functions, thereby resulting in a lack of institutional knowledge as to our financial operations. While none of these former employees left us due to any disagreement with management over the financial statements, the loss of these individuals impacts the continuity of our financial reporting and related internal controls. If we are unable to retain and successfully integrate the current employees serving in these roles, it could have a material impact on our business and financial results.

Evolving regulation of the Internet, changes in the infrastructure underlying the Internet or interruptions in Internet access may adversely affect our business, operating results and financial condition by increasing our expenditures and causing client dissatisfaction.

Our services depend on the ability of our registered users to access the Internet. Currently, this access is provided by companies that have significant market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies and government-owned service providers. Laws or regulations that adversely affect the growth, popularity or use of the Internet, including changes to laws or regulations impacting Internet neutrality, could decrease the demand for our products, increase our operating costs, require us to alter the manner in which we conduct our business and/or otherwise adversely affect our business. For example, the Federal Communications Commission (the “FCC”) recently adopted an order repealing rules that prohibit Internet service providers (“ISPs”) from blocking or throttling Internet traffic, and from engaging in practices that prioritize particular Internet content in exchange for payment (also known as “paid prioritization”). The order is not yet effective and has been challenged in court, which could result in further changes to the governing law. There is also uncertainty regarding how the FCC’s new framework, if upheld, and new oversight by the Federal Trade Commission (“FTC”) will be applied. Depending on ongoing appellate proceedings and future action by the FCC and FTC, we could experience discriminatory or anti-competitive practices that could cause us to incur additional expense or otherwise adversely affect our business, operating results and financial condition. In particular, the repeal of restrictions on paid prioritization could enable ISPs to impose higher fees and otherwise adversely affect our business.

In addition, the rapid and continual growth of traffic on the Internet has resulted at times in slow connection and download speeds of Internet users. Our business may be harmed if the Internet infrastructure cannot handle our clients' demands or if hosting capacity becomes insufficient. If our clients become frustrated with the speed at which they can utilize our products over the Internet, our clients may discontinue the use of our software and choose not to renew their contracts with us. Further, the performance of the Internet has also been adversely affected by viruses, worms, hacking, phishing attacks, denial of service attacks and other similar malicious programs, as well as other forms of damage to portions of its infrastructure, which have resulted in a variety of Internet outages, interruptions and other delays. These service interruptions could diminish the overall attractiveness of our products to existing and potential users and could cause demand for our products to suffer.

If we fail to adequately protect our proprietary rights, our competitive advantage and brand could be impaired and we may lose valuable assets, generate reduced revenue and incur costly litigation to protect our rights.

Our success is dependent, in part, upon protecting our proprietary technology. We rely on a combination of trademarks, service marks, trade secret laws and contractual restrictions to establish and protect our proprietary rights in our products and services. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create products and services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our licensed products may be unenforceable under the laws of certain jurisdictions and foreign countries. While our general practice is to enter into confidentiality and invention assignment agreements with our employees and consultants and confidentiality agreements with the parties with whom we have strategic relationships and business alliances, these agreements may not be effective in controlling access to and distribution of our products and proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. If we fail to secure, protect and enforce our intellectual property rights, we may lose valuable assets, generate reduced revenue and incur costly litigation to protect our rights, which could adversely affect our business, operating results and financial condition.

The use of open-source software in our applications may expose us to risks and harm our intellectual property rights.

The use of open-source software in our products may expose us to additional risks and harm our intellectual property rights. There have been claims in the past challenging the ownership of open-source software against companies that incorporate such software into their products or applications. As a result we could be subject to intellectual property related claims around ownership rights to what we believe to be open-source software. In addition, if we were to combine our applications with open source software in a certain manner, we could, under certain of the open-source licenses, be required to release the source code of our applications. If we inappropriately use open-source software, we may be required to redesign our applications, discontinue the sale of our applications or take other remedial actions, which could adversely impact our business, operating results or financial condition.

Inability to maintain the third-party licensed software we use in our applications at the current costs could result in increased costs or reduced service levels, which could adversely affect our business.

We use certain third-party software in our applications that we obtain from other companies and will continue to rely on such third party software. If we were required to find alternatives to such software for whatever reason, it may be expensive to replace, and could require significant investment of time and resources to find alternatives and integrate with our software. Additionally, error or issues in that software could adversely affect our own software and errors or defects may not be readily apparent to use, resulting in a failure of our applications.

We may be sued by third parties for infringement of their proprietary rights.

There is considerable intellectual property development activity in our industry. Our success depends upon our not infringing upon the intellectual property rights of others. Third parties, including our competitors, may own or claim to own intellectual property relating to our products or services and may claim that we are infringing their intellectual property rights. We may be found to be infringing upon such rights, even if we are unaware of their intellectual property rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, obtain licenses, modify applications, prevent us from offering our services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers, vendors or partners in connection with any such claim or litigation. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel form our business operations. Any such events could have a material adverse effect on our business, financial condition and results of operations.

Some of our key components are procured from a single or limited number of suppliers. Thus, we are at risk of shortage, price increases, tariffs, changes, delay, or discontinuation of key components, which could disrupt and materially and adversely affect our business.

Some of the key components used to manufacture our products, such as the AsureForce® time clocks and air clocks, come from limited or single sources of supply. We do not have contractual commitments or guaranteed supply arrangements with our suppliers. As a result, we are subject to the risk of shortages and long lead times in the supply of our components or products. Further, our suppliers may experience financial or other difficulties as a result of uncertain and weak worldwide economic conditions. Other factors which may affect our suppliers' ability or willingness to supply components to us include internal management or reorganizational issues, such as roll-out of new equipment which may delay or disrupt supply of previously forecasted components, or industry consolidation and divestitures, which may result in changed business and product priorities among certain suppliers. It could be difficult, costly and time consuming to obtain alternative sources for these components, or to change product designs to make use of alternative components. In addition, difficulties in transitioning from an existing supplier to a new supplier could create delays in component availability that would have a significant impact on our ability to fulfill orders for our products.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported operating results.

A change in accounting standards or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an “ownership change” occurs if there is a cumulative change in our ownership by “5% shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules apply under state tax laws. In the event that it is determined that we have in the past experienced ownership changes, or if we experience one or more ownership changes as a result of future transactions in our stock, then we may be limited in our ability to use our net operating loss carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn. Any such limitations on the ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, operating results, and financial condition.

RISKS RELATED TO OUR SECURITIES

Our common stock has traded in low volumes. We cannot predict whether an active trading market for our common stock will ever develop.

Historically, our common stock has experienced a lack of trading liquidity. In the absence of an active trading market:

- an investor may have difficulty buying and selling our common stock at all or at the price one considers reasonable; and

- market visibility for shares of our common stock may be limited, which may have a depressive effect on the market price for shares of our common stock and on our ability to raise capital or make acquisitions by issuing our common stock.

Our stock price has been, and likely will continue to be, volatile.

The market price of our common stock has in the past been, and is likely to continue in the future to be, volatile. During the fiscal year ended December 31, 2021, the Nasdaq closing price of one share of our common stock fluctuated from a low of $7.22 to a high of $9.80. During the fiscal year ended December 31, 2020, the Nasdaq closing price of one share of our common stock fluctuated from a low of $5.08 to a high of $9.08. The market price of our common stock may be influenced by many factors, some of which are beyond our control, including:

- announcements regarding the results of expansion or development efforts by us or our competitors;
- announcements regarding the acquisition of businesses or companies by us or our competitors;
- technological innovations or new products and services developed by us or our competitors;
- changes in domestic or foreign laws and regulations affecting our industry
- issuance of new or changed securities analysts' reports and/or recommendations applicable to us or our competitors;
- changes in financial or operational estimates or projections;
- additions or departure of our key personnel;
- actual or anticipated fluctuations in our quarterly financial and operating results and degree of trading liquidity in our common stock; and
- political or economic uncertainties, including the continuing impact of the coronavirus, the Russian invasion of Ukraine and other developments that affect the equity trading markets

In addition, stock markets generally have experienced significant price and volume volatility. This volatility has had a substantial effect on the market prices of securities of many public companies for reasons frequently unrelated or disproportionate to the operating performance of the specific companies.

Sales, or the potential for sales, of a substantial number of shares of our common stock in the public market by us or our existing stockholders could cause our stock price to fall.

The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to raise capital through the sale of equity securities in the future at a time and at a price that we deem appropriate.

We do not intend to pay dividends for the foreseeable future, and you must rely on increases in the market price of our common stock for returns on equity investment.

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. In addition, our Senior Credit Agreement with Structural Capital Investments III LP contains limitations on our ability to pay dividends and make other distributions. Accordingly, investors must be prepared to rely on sales of their common stock after price appreciation to earn an investment return, which may never occur. Investors seeking cash dividends should not purchase our common stock. Any determination to pay dividends in the future will be made at the discretion of our board of directors and will depend on our results of operations, financial condition, capital requirements, contractual restrictions, restrictions imposed by applicable law and other factors our board deems relevant.

Our stockholder rights plan, or "poison pill," includes terms and conditions which could discourage a takeover or other transaction that stockholders may consider favorable.

On October 28, 2009, stockholders of record at the close of business on that date received a dividend of one right (a "Right") for each outstanding share of common stock. Each Right entitles the registered holder to purchase one one-thousandth of a share of Series A junior participating preferred stock of the Company (the "Preferred Stock"), at a price of $11.63 per one thousandth of a share of Preferred Stock, subject to adjustment (the "Exercise Price"). The Rights are not exercisable until the Distribution Date referred to below. The description and terms of the Rights are set forth in the Second Amended and Restated Rights Agreement between the Company and American Stock Transfer & Trust Company LLC, dated as of April 17, 2019, which extended the expiration date of the Rights to October 28, 2022.

The Second Amended and Restated Rights Agreement imposes a significant penalty upon any person or group that acquires 4.9% or more (but less than 50%) of our then-outstanding common stock without the prior approval of the board of directors. Stockholders who own 4.9% or more of our then-outstanding common stock as of the close of business on the Record Date will not trigger the Second Amended and Restated Rights Agreement so long as they do not increase their ownership of the common stock after the Record Date by more than one-half of 1% of the then-outstanding common stock. A person or group that acquires shares of our common stock in excess of the above-mentioned applicable threshold, subject to certain limited exceptions, is called an "Acquiring Person." Any rights held by an Acquiring Person are void and may not be exercised. The Rights will not be exercisable until 10 days after a public announcement by us that a person or group has become an Acquiring Person. On the date (if any) that the Rights become exercisable (the "Distribution Date"), each Right would allow its holder to purchase one one-thousandth of a share of Preferred Stock for a purchase price of $11.63. In addition, if a person or group becomes an Acquiring Person after the Distribution Date or already is an Acquiring Person and acquires more shares after the Distribution Date, all holders of Rights, except the Acquiring Person, may exercise their rights to purchase a number of shares of the common stock (in lieu of Preferred Stock) with a market value of twice the Exercise Price, upon payment of the purchase price.

The Rights will expire on the earliest of (a) October 28, 2022, (b) the exchange or redemption of the Rights, (c) consummation of a merger or consolidation or sale of assets resulting in expiration of the Rights, (d) the consummation of a reorganization transaction entered that the board of directors determines will help prevent an "Ownership Change," as defined in Section 382 of the Code and protect our net operating losses, (e) the repeal of Section 382 of the Internal Revenue Code or any successor statute, or any other change, if the board of directors determines the Second Amended and Restated Rights Agreement is no longer necessary for the preservation of tax benefits, or (f) the beginning of a taxable year to which the board of directors determines that no tax benefits may be carried forward.

We may, at our option and with the approval of the board of directors, at any time prior to the close of business on the earlier of (i) the tenth day following the first date of public announcement by us or an Acquiring Person that an Acquiring Person has become such or such later date as may be determined by action of a majority of the members of the board of directors then in office and publicly announced by us or (ii) October 28, 2022, redeem all but not less than all the then outstanding Rights at a redemption price of $0.067 per Right (such redemption price being herein referred to as the "Redemption Price"). We may, at our option, pay the Redemption Price either in common stock (based on the current per share market price thereof) or cash; provided, that if the board of directors authorizes redemption of the Rights on or after the time a person becomes an Acquiring Person, then such authorization shall require the concurrence of a majority of the members of the board of directors then in office. In addition, after a person becomes an Acquiring Person the board of directors may exchange the Rights (other than Rights owned by the Acquiring Person or its affiliates), in whole or in part, at an exchange ratio of one common share per Right (subject to adjustment).

The Rights have certain anti-takeover effects, including potentially discouraging a takeover that stockholders may consider favorable. The Rights will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by the board of directors. On the other hand, the Rights should not interfere with any merger or other business combination approved by the board of directors since the Rights may be redeemed by us at the Redemption Price prior to the date ten days after the public announcement that a person or group has become the beneficial owner of 4.9% or more of the common stock, and any securities which a person or any of such person's affiliates may be deemed to have the right to acquire pursuant to any merger or other acquisition agreement between us and such person may be excluded from the calculation of their beneficial ownership if such agreement has been approved by the board of directors prior to them becoming an Acquiring Person.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of our management and board of directors.

Our restated certificate of incorporation, as amended, and third amended and restated bylaws, as amended, contain provisions that could have the effect of delaying or preventing changes in control or changes in our management or our board of directors. These provisions include:

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- in addition to our current stockholder rights plan, the ability of our board of directors to further issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the requirement that a special meeting of stockholders may be called only by the Chairman of the board of directors, the Chief Executive Officer or the Secretary at the request of the board of directors or upon the written request, stating the purpose of the meeting, of stockholders who together own of record 10% of the outstanding shares of each class of stock entitled to vote at such meeting, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

We are also subject to certain anti-takeover provisions under Delaware law. Under Delaware law, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. We have not opted out of this provision of Delaware law.

Our business could be negatively affected as a result of actions of activist stockholders, and such activism could impact the trading value of our securities.

Stockholders may, from time to time, engage in proxy solicitations or advance stockholder proposals, or otherwise attempt to effect changes and assert influence on our board of directors and management. Activist campaigns that contest or conflict with our strategic direction or seek changes in the composition of our board of directors could have an adverse effect on our operating results and financial condition. A proxy contest would require us to incur significant legal and advisory fees, proxy solicitation expenses and administrative and associated costs and require significant time and attention by our board of directors and management, diverting their attention from the pursuit of our business strategy. Any perceived uncertainties as to our future direction and control, our ability to execute on our strategy, or changes to the composition of our board of directors or senior management team arising from a proxy contest could lead to the perception of a change in the direction of our business or instability which may result in the loss of potential business opportunities, make it more difficult to pursue our strategic initiatives, or limit our ability to attract and retain qualified personnel and business partners, any of which could adversely affect our business and operating results. If individuals are ultimately elected to our board of directors with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our stockholders. We may choose to initiate, or may become subject to, litigation as a result of the proxy contest or matters arising from the proxy contest, which would serve as a further distraction to our board of directors and management and would require us to incur significant additional costs. In addition, actions such as those described above could cause significant fluctuations in our stock price based upon temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal offices are located in Austin, Texas where we occupy approximately 15,000 square feet of office space under one operating lease that expires in July 2022. We have entered into a new operating lease for our principal offices and expect to move into our new office space in late 2022. We do not anticipate an issue with our current landlord allowing us to continue leasing our principal officers until our new space is available. We also lease office suites in California, Florida, Nebraska, New Jersey, New York, North Carolina, Tennessee and Vermont.

Management believes that the leased properties described above are adequate to meet Asure's current operational requirements and can accommodate further physical expansion of office space as needed.

ITEM 3. 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 December 31, 2021, we were not party to any pending legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II – OTHER INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

Our common stock trades on the Nasdaq Capital Market under the symbol "ASUR."

HOLDERS

As of March 11, 2022, we had approximately 253 stockholders of record of our common stock.

UNREGISTERED SALE OF EQUITY SECURITIES

There were no unregistered sales of equity securities by us during the year ended December 31, 2021 that were not reported in our quarterly reports on Form 10-Q or our current reports on Form 8-K.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2021 with respect to shares of our common stock that we may issue under our existing equity compensation plans (share amounts in thousands):

	A	B	C
	Number of Securities to be Issued Upon Exercise of Outstanding Options and Release of Nonvested RSUs	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)[3]
Equity Compensation Plan Approved by Stockholders[1]	$ 1,713	$ 7.92	$ 1,244
Equity Compensation Plans Not Approved by Stockholders[2]	—	—	—
Total	$ 1,713	$ 7.92	$ 1,244

(1) Consists of stock option awards granted under the 2009 Equity Incentive Plan and stock option and restricted stock unit awards granted under our 2018 Incentive Award Plan, which plan replaced our 2009 Equity Incentive Plan.

(2) Our stockholders have previously approved our existing equity compensation plan.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements in this Report represent forward-looking statements. Forward-looking statements include but are not limited to statements regarding our strategy, future operations, financial condition, results of operations, projected costs, and plans and objectives of management. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the risks and uncertainties described in this Report and in our other SEC filings.

We have attempted to identify these forward-looking statements with the words "believes," "estimates," "plans," "expects," "anticipates," "may," "will," "could," "should" and other similar expressions. Although these forward-looking statements reflect management's current plans and expectations, which we believe reasonable as of the filing date of this Report, they inherently are subject to certain risks and uncertainties. Additionally, we are under no obligation to update any of the forward-looking statements after the date of this Annual Report on Form 10-K or to conform such statements to actual results.

OVERVIEW

We are a provider of Human Capital Management ("HCM") solutions, delivered as software-as-a-service. Our product suite manages the entire employment lifecycle, allowing our clients to better serve their employees by providing the tools necessary to field a human resources department without the traditional overhead costs.

We strive to be the most trusted HCM resource to small and medium-sized businesses ("SMBs"), and are focused on less densely populated U.S. metropolitan cities where fewer of our competitors have a presence. We sell our solutions through both direct and partner models. We supplement our direct sales efforts with partner programs that afford us access to opportunities in various geographic and industry niches. Asure has two types of partners: Reseller Partners that white label our products while providing value-added services to their clients (our indirect clients) and Referral Partners that provide us with SMB leads but do not resell our solutions.

As of December 31, 2021, Asure had more than 80,000 clients, split between approximately 15,000 direct and the remaining 65,000 indirect clients who have contracts with Reseller Partners.

Asure has several forms of revenue that result from our business model:

Software-as-a-service revenue is generated when clients utilize our product suite for their recurring human resource needs—primarily payroll, tax, and garnishment withdrawals and subsequent disbursements. This also contains revenue generated from quarterly and annual reporting requirements to local, state and federal regulatory agencies. Examples include Form W-2 and reporting mandated by the Affordable Care Act (the "ACA").

Hardware-as-a-service revenue is generated when clients choose not to purchase our hardware, but rather rent the devices. This hardware includes a variety of clocks used to track time and attendance. Hardware revenue is generated when our clients buy our devices outright.

Maintenance and support revenue is generated from servicing our hardware on our clients' behalf and providing training on how to operate both our hardware and software products.

Professional services revenue is generated from our clients' needs that would normally be fulfilled by an internal human resources department. This service is delivered in several different packages, from a base level providing the library and documentation necessary to keep a business running, to having Asure carry out the entire human resource needs of our clients. The frequency varies by client—whose needs may be ongoing or merely require a standalone project be completed.

Interest from client funds is generated when we gain possession of funds intended to be disbursed based on the clients' needs. We invest the monies in short and long-term securities that may be held to maturity before disbursement.

2021 Highlights

- Consolidated revenue of $76,064 for 2021, representing a 16% increase over revenue in 2020
- Paycheck Protection Program loan and accrued interest forgiveness of $8,654

- Employee Retention Tax Credit of $10,533 included in other income
- Departure from our credit revolver with Wells Fargo and signing of a $50,000 credit facility with Structural Capital Investments
- Acquisition of two payroll businesses, partially funded by our new credit facility
- Integration with Employee Navigator, allowing employee data to be kept in sync with our payroll system even if the employee elects to choose a different insurance carrier on the platform
- Helped small business clients file for in excess of $200,000 in ERTC credits

Impact of the COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic. In response, federal, state and local governments imposed various restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the disease. Across many industries, temporary and permanent business closures as well as business occupancy limitations have resulted in layoffs and employee furloughs since late March 2020. Because we charge our clients on a per-employee basis for certain services we provide, decreased headcount at our clients at of the onset of the pandemic negatively impacted our recurring revenue during 2020. At the onset of the COVID-19 pandemic, a limited number of new clients temporarily delayed service implementation. As the COVID-19 pandemic and variants continue to create uncertainty and the potential for ongoing business disruptions, we may experience similar client-driven delays in service implementation in the future.

Prior to the COVID-19 pandemic, our sales force traveled frequently to sell our solution. The current remote work environment presents a unique opportunity for our sales force—each sales employee is able to meet virtually with a greater number of client prospects in a given day than they would if conducting in-person meetings. Although we have not experienced such challenges to date, if clients and client prospects are not as willing or available to engage by video conference and teleconference, the shift from in-person to virtual sales meetings could negatively affect our sales efforts, impede client acquisition and lengthen our sales cycles, which would negatively impact our business and results of operations and could impact our financial condition in the future.

In 2021, we continued to invest in sales and marketing and in research and development to drive future growth and expand our market share. Lower employment levels among our clients and the other pandemic-related factors described above continued to have a negative impact on our recurring revenues, although at lesser levels than in 2020. Accordingly, we experienced an improvement in net income for the year ended December 31, 2021 as compared to the year ended December 31, 2020. We expect net income to be negatively affected by the impact of the pandemic on our recurring revenue and our deliberate, increased level of investment in sales and marketing and research and development to drive the growth of our business.

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) passed by Congress in 2020 (and subsequent amendments) tackled the economic plight caused by the pandemic, and placed Asure in a unique position to help clients navigate the bureaucratic framework to apply for Employee Retention Tax Credits (“ERTC”). We updated our product suite in light of this recent legislation to guide our clients to file for in excess of $200,000 ERTC credits.

OPERATING SEGMENT

We operate as one operating segment. Operating segments are defined as components of an enterprise for which the chief operating decision maker, who in our case is the Chief Executive Officer, in deciding how to allocate resources and assess performance, evaluates separate financial information regularly. During 2021, and over the last six years, we have completed a number of acquisitions. These acquisitions have allowed us to expand our offerings, presence and reach in various market segments of the human capital management market. Our business operates in one operating segment because our chief operating decision maker evaluates our financial information and resources and assesses the performance of these resources on a consolidated basis. Because we operate as one operating segment, all required financial segment information can be found in the Consolidated Financial Statements.

RESULTS OF OPERATIONS (in thousands)

The following table sets forth, for the fiscal periods indicated, the percentage of total revenues represented by certain items in the Company's Consolidated Statements of Comprehensive Income (Loss):

	Year Ended December 31,	
	2021	**2020**
Revenues	100 %	100 %
Gross profit	61 %	58 %
Sales and marketing	20 %	21 %
General and administrative	36 %	37 %
Research and development	7 %	9 %
Amortization of intangible assets	14 %	15 %
Total operating expenses	78 %	81 %
Interest expense and other, net	(3)%	(2)%
Gain on extinguishment of debt	11 %	— %
Employee retention tax credit	14 %	— %
Gain (loss) from operations before income taxes	5 %	(24)%
Net income (loss)	4 %	(25)%

Revenue

Revenues are comprised of recurring revenues, professional services, hardware, and other revenues. We expect our revenues to increase as we introduce new applications, expand our client base and renew and expand relationships with existing clients. As a percentage of total revenues, we expect our mix of recurring revenues, and professional services, hardware and other revenues to remain relatively constant. While revenue mix varies by product, recurring revenue represented over 93% of total revenue in the year ended 2021, compared to 96% in 2020.

Our revenue was derived from the following sources (in thousands):

	Year Ended December 31,		Variance	
	2021	**2020**	**$**	**%**
Recurring	$ 71,078	$ 63,315	$ 7,763	12 %
Professional services, hardware and other	4,986	2,192	2,794	127 %
Total	$ 76,064	$ 65,507	$ 10,557	16 %

Recurring Revenues

Recurring revenues include fees for our payroll, payroll tax, time and labor management, and other Asure solutions as well as fees charged for form filings and delivery of client payroll checks and reports. These revenues are derived from fixed amounts charged per billing period and sometimes an additional fee per employee or transaction processed. We do not require clients to enter into long-term contractual commitments for our services. Our billing period varies by client based on when each client pays its employees, which may be weekly, bi-weekly, semi-monthly or monthly. We also generate recurring revenue from our Reseller Partners that license our solutions. Because recurring revenues are based, in part, on fees for use of our applications and the delivery of checks and reports that are levied on a per-employee basis, our recurring revenues increase as our clients hire more employees. Recurring revenues are recognized in the period services are rendered.

Recurring revenues include revenues relating to the annual processing of payroll forms, such as Form W-2 and Form 1099, and revenues from processing unscheduled payroll runs (such as bonuses) for our clients. Because payroll forms are typically processed in the first quarter of the year and many of our clients are subject to form filing requirements mandated by the ACA, first quarter revenues and margins are generally higher than in subsequent quarters. We anticipate our revenues will continue to exhibit this seasonal pattern related to ACA form filings for so long as the ACA (or replacement legislation) includes employer reporting requirements. In addition, we often experience increased revenues during the fourth quarter due to unscheduled payroll runs for our clients that occur before the end of the year. Therefore, we expect the seasonality of our revenue cycle to decrease to the extent clients utilize more of our non-payroll applications.

This revenue line also includes interest earned on funds held for clients. We collect funds from clients in advance of either the applicable due date for payroll tax submissions or the applicable disbursement date for employee payment services. These collections from clients are typically disbursed from one to 30 days after receipt, with some funds being held for up to 120 days. We typically invest funds held for clients in money market funds, demand deposit accounts, commercial paper, fixed income securities and certificates of deposit until they are paid to the applicable tax or regulatory agencies or to client employees. The amount of interest we earn from the investment of client funds is also impacted by changes in interest rates.

Revenue for the year ended December 31, 2021 was $76,064, an increase of $10,557, or 16%, from $65,507 for the year ended December 31, 2020. Recurring revenue increased due to organic growth within our client base as client employee counts rebounded following the 2020 impact of COVID-19, due to the impact of acquisitions and higher interest revenue.

Professional Services, Hardware and Other Revenues

Professional Services, Hardware and Other Revenues represents implementation fees, one-time consulting projects, on-premise maintenance, and hardware devices to enhance our software products.

Professional services, hardware and other revenue increased $2,794, or 127%, for the year ended December 31, 2021 from the similar period in 2020, due to the implementation of our ERTC service in 2021.

Although our total customer base is widely spread across industries, our sales are concentrated in SMBs. We continue to target SMBs across industries as prospective customers. Geographically, we sell our products primarily 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 year ended December 31, 2021 was $46,564, an increase of $8,471, or 22%, from $38,093 for the year ended December 31, 2020. Gross margin as a percentage of revenue was 61% for the year ended December 31, 2021 as compared to 58% for the year ended December 31, 2020. Our increase in gross margin is primarily attributable to the increase in revenue and more efficient operations.

Our cost of sales relates primarily to direct product costs, compensation for operations and related consulting expenses, hardware expenses, facilities and related expenses and the amortization of our purchased software development costs. We include intangible amortization related to developed and acquired technology within cost of sales.

Sales and Marketing Expenses

Sales and marketing expenses primarily consist of salaries and related expenses for sales and marketing staff, including stock-based expenses, commissions, as well as marketing programs, which include events, corporate communications and product marketing activities.

Selling and marketing expenses for the year ended December 31, 2021 were $15,448, an increase of $1,899, or 14%, from $13,549 for the year ended December 31, 2020, primarily due to increased personnel costs offset by lower discretionary marketing spending as we focus on hiring direct sales personnel. Selling and marketing expenses as a percentage of revenue decreased to 20% for the year ended December 31, 2021 from 21% for the same period in 2020.

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 year ended December 31, 2021 were $27,570, an increase of $3,644, or 15%, from $23,926 for the year ended December 31, 2020, primarily attributable to increased personnel, contracting and placement costs. General and administrative expenses as a percentage of revenue decreased to 36% for the year ended December 31, 2021 from 37% for the same period in 2020.

We continue to drive efficiencies within our payroll operations by continually reevaluating our vendor relationships.

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 year ended December 31, 2021 were $5,410, a decrease of $549, or 9%, from $5,959 for the year ended December 31, 2020. The decrease in R&D expense is primarily attributable to an increase in investment costs offset by an increase in capitalization costs. R&D expenses as a percentage of revenues decreased to 7% for the year ended December 31, 2021 from 9% for the same period in 2020.

We will continue to enhance our products and technologies through expansion of our technological resources by increasing headcount and development partnerships, 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 product, engineering, 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, common user interface, 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. We have also made significant investments outside of core R&D into compliance and certifications, including SOC I Type 2 and SOC II Type 2 certifications, BIPA, CCPA, and other initiatives.

Amortization of Intangible Assets

Amortization expense in operating expenses for the year ended December 31, 2021 was $10,948, an increase of $1,401, or 15%, from $9,547 for the year ended December 31, 2020. Amortization expense as a percentage of revenue was 14% and 15% for the years ended December 31, 2021 and 2020, respectively.

Interest Expense and Other, Net

Interest expense and other, net for the year ended December 31, 2021 was an expense of $2,038 compared to an expense of $1,224 for the year ended December 31, 2020. The increase in interest expense and other, net relative to the prior year is attributable to new borrowings under our credit facility with Structural Capital Investments III LP, which were used to fund the acquisitions of two of our payroll resellers in the third quarter of 2021. Interest expense and other, net as a percentage of revenue was an expense of 3% and 2% for the years ended December 31, 2021 and December 31, 2020, respectively. Interest expenses for the year ended December 31, 2021 and 2020 is composed primarily of interest expense on notes payable.

Gain on Extinguishment of Debt

Gain on extinguishment of debt for the year ended December 31, 2021 was $8,312, compared with $138 for the year ended December 31, 2020. The gain in 2021 is primarily related to the forgiveness of an unsecured Paycheck Protection Program loan from Pinnacle Bank under the CARES Act. The amount forgiven was $8,654 and is discussed in Note 6 — Notes Payable.

Employee Retention Tax Credit

An Employee Retention Tax Credit ("ERTC") of $10,533 was recorded for the year ended December 31, 2021. There was no comparable item in the year ended December 31, 2020. The ERTC is a refundable tax credit against certain employment taxes provided under the CARES Act. We qualified for the ERTC in 2021 and recorded an aggregate benefit of $10,533 in the third quarter of 2021, which is discussed in Note 10 — Employee Retention Tax Credit.

Income Taxes

For the year ended December 31, 2021 and 2020, we recorded an income tax expense attributable to continuing operations of $802 and $337, respectively, an increase of $465 or 138%.

Income (Loss) From Operations

We generated income from operations of $3,193, or $0.17 per share, during the year ended December 31, 2021, compared to a loss from operations of $16,311, or $1.03 per share, during the years ended December 31, 2020. Income and loss from operations as a percentage of total revenues was 4% and 25% for the years ended December 31, 2021 and 2020, respectively.

LIQUIDITY AND CAPITAL RESOURCES (in thousands)

	December 31, 2021	December 31, 2020
Cash and cash equivalents[(1)]	$ 13,427	$ 28,577

(1) This balance excludes cash equivalents in funds held for clients

Working Capital. We had working capital of $17,006 at December 31, 2021, an increase of $8,798 from working capital of $8,208 at December 31, 2020. Working capital as of December 31, 2021 and December 31, 2020 includes $3,750 and $4,416 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 provided by operating activities of $1,378 for the year ended December 31, 2021 was primarily driven by non-cash adjustments to our net income of approximately $12,975, primarily due to depreciation and amortization, and net income of $3,193. This was offset by changes in operating assets and liabilities, which resulted in a use of $14,790 in cash. Net cash provided by operating activities of $2,235 for the year ended December 31, 2020 was driven by non-cash adjustments to our net loss of approximately $20,414, primarily due to depreciation and amortization, offset by our net loss of $16,311. For the year ended December 31, 2020, changes in operating assets and liabilities resulted in a use of $1,868 in cash.

Investing Activities. Net cash used in investing activities of $36,970 for the year ended December 31, 2021 is primarily due to our third quarter acquisitions totaling $25,526. Net cash used in investing activities of $19,407 for the year ended December 31, 2020 is primarily due to the purchase and sale of available-for-sale securities.

Financing Activities. Net cash used in financing activities was $90,650 for the year ended December 31, 2021, which primarily consisted of a net decrease in client fund obligations of $103,434 and payments of notes payable of $14,657. These amounts were offset by proceeds from our notes payable of $29,425. Net cash provided by financing activities was $208,097 for the year ended December 31, 2020, which primarily consisted of a net increase in client fund obligations of $190,328.

Sources of Liquidity. As of December 31, 2021, the Company’s principal sources of liquidity consisted of approximately $13,427 of cash, cash equivalents and restricted cash, cash generated from operations of our business over the next twelve months, and $20,000 available for borrowing under our $50,000 credit facility with Structural Capital Investments III, LP, which is discussed in Note 5 — Notes Payable, to the Consolidated Financial Statements.

We cannot assure that we can grow our cash balances or limit our cash consumption and thus maintain sufficient cash balances for our planned operations or future acquisitions. Future business demands may lead to cash utilization at levels greater than recently experienced. We may need to raise additional capital in the future in order to grow our existing software operations and to seem additional strategic acquisitions in the near future. However, we cannot assure that we will be able to raise additional capital on acceptable terms, or at all.

CRITICAL ACCOUNTING POLICIES

We have prepared our Consolidated Financial Statements in accordance with U.S. generally accepted accounting principles and included the accounts of our wholly owned subsidiaries. We have eliminated all significant intercompany transactions and balances in the consolidation. Preparation of the Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year-end and the reported amounts of revenues and expenses during the fiscal year. The more significant estimates made by management include the valuation allowance for our gross deferred tax asset, the determination of the fair value of our 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 that management believes are 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 our financial statements for continued reasonableness. We prospectively apply appropriate adjustments, if any, to our estimates based upon our periodic evaluation.

Revenue Recognition

Our revenue consists of software-as-a-service (“SaaS”) offerings and time-based software subscription license agreements that also, typically include hardware, maintenance/support, and professional services elements. We recognize revenue on an output basis when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Our contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We determine standalone selling prices based on the amount that we believe the market is willing to pay determined through historical analysis of sales data as well as through use of the residual approach when we can estimate the standalone selling price for one or more, but not all, of the promised goods or services.

Effective January 1, 2018, we adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), and ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date, which deferred the effective date of ASU 2014-09 by one year. ASU 2014-09 (“Topic 606”) “Revenue from Contracts with Customers) supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, Revenue Recognition, and is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue, cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. The adoption of ASU 2014-09, using the modified retrospective approach, had no significant impact on our results of operations, cash flows, or financial position. The initial application was applied to all contracts at the date of initial application. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings.

We recorded a $1,500 cumulative effect adjustment to opening retained earnings as of January 1, 2018 related to an increase in deferred commissions. There was no impact to revenue as a result of applying Topic 606.

The primary impact of adopting Topic 606 is to sales commissions related to onboarding new clients that were previously expensed. Under the new standard, these costs are now capitalized as deferred commissions and amortized over the estimated customer life of five to ten years.

The terms of our contracts with customers range from month to month for some Asure HCM direct clients to longer terms ranging from one to three years, some of which are renewable for successive terms. A SaaS/software subscription arrangement may also include hardware, setup and implementation services. Revenue allocated to the SaaS/software subscription performance obligations are recognized on an output basis ratably as the service is provided over the non-cancellable term of the SaaS/subscription service and are reported as Recurring revenue on the Consolidated Statements of Comprehensive Income (Loss). Revenue allocated to other performance obligations included in the arrangement is recognized as outlined in the paragraphs below.

Hardware devices sold to customers are sold as either a standard product sell arrangement where title to the hardware passes to the customer or under a hardware-as-a-service ("HaaS") arrangement where the title to the hardware remains with Asure. Revenue allocated to hardware sold as a standard product are recognized on an output basis when title passes to the customer, typically the date we ship the hardware. Revenue allocated to hardware under a HaaS arrangement are recognized on an output basis, recorded ratably as the service is provided over the non-cancellable term of the HaaS arrangement, typically one year. Revenue recognized from hardware devices sold to customers via either of the two above types of arrangements are reported as Hardware revenue on the Consolidated Statements of Comprehensive Income (Loss).

Our professional services offerings typically include data migration, set up, training, and implementation services. Set up and implementation services typically occur at the start of the software arrangement while certain other professional services, depending on the nature of the services and customer requirements, may occur several months later. We can reasonably estimate professional services performed for a fixed fee and we recognize allocated revenue on an output basis on a proportional performance basis as the service is provided. We recognize allocated revenue on an output basis for professional services engagements billed on a time and materials basis as the service is provided. We recognize allocated revenue on an output basis on all other professional services engagements upon the earlier of the completion of the service's deliverable or the expiration of the customer's right to receive the service. Revenue recognized from professional services offerings are reported as Professional service revenue on the Consolidated Statements of Comprehensive Income (Loss).

We recognize allocated revenue for maintenance and support on an output basis ratably over the non-cancellable term of the support agreement. Initial maintenance and support terms are typically one to three years and are renewable on an annual basis. Revenue recognized from maintenance and support are reported as Maintenance and support revenue on the Consolidated Statements of Comprehensive Income (Loss).

We do not recognize revenue for agreements with rights of return, refundable fees, cancellation rights or substantive acceptance clauses until these return, refund or cancellation rights have expired or acceptance has occurred. Our arrangements with Reseller Partners do not allow for any rights of return.

Our payment terms vary by the type of customer and the customer's payment history and the products or services offered. The term between invoicing and when payment is due is not significant and as such our contracts do not include a significant financing component. The transaction prices of our contracts do not include consideration amounts that are variable and do not include noncash consideration.

Deferred revenue includes amounts invoiced to customers in excess of revenue we recognize, and is comprised of deferred SaaS/software, HaaS, Maintenance and support, and Professional services revenue. We recognize deferred revenue when we complete the service and over the terms of the arrangements, primarily ranging from one to three years.

Intangible Assets and Goodwill

We record the assets acquired and liabilities assumed in business combinations at their respective fair values at the date of acquisition, with any excess purchase price recorded as goodwill. Valuation of intangible assets and in-process research and development entails significant estimates and assumptions including, but not limited to, estimating future cash flows from product sales, developing appropriate discount rates, estimating probability rates for the continuation of customer relationships and renewal of customer contracts. U.S. generally accepted accounting principles ("GAAP") require that we not amortize intangible assets other than goodwill with an indefinite life until we determine their life as finite. We must amortize all other intangible assets over their useful lives. We currently amortize our acquired intangible assets with definite lives over periods ranging from one to nine years. We have assessed the fair value of our customer relationship intangible assets as of December 31, 2021, we do not believe these to be impaired, as the carrying value of the customer relationship intangible assets are recoverable through the associated project cash flows.

Impairment of Intangible Assets and Long-Lived Assets

In accordance with FASB ASC 350, we review and evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that we may not recover their net book value. When such factors and circumstances exist, including those noted above, we compare the assets' carrying amounts against the estimated undiscounted cash flows we expect to generate with those assets over their estimated useful lives. If the carrying amounts are greater than the undiscounted cash flows, we estimate the fair values of those assets by discounting the projected cash flows. We record any excess of the carrying amounts over the fair values as impairments in that fiscal period. In 2019, we accelerated the amortization after a reassessment of the useful lives of certain trade names in relation to our rebranding efforts. There has been no other impairment of intangible assets and long-lived assets for the periods presented.

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired in a business combination. We test goodwill for impairment on an annual basis in the fourth fiscal quarter of each year, and between annual tests if indicators of potential impairment exist, using a fair-value-based approach. There was no impairment of goodwill in either 2021 or 2020. In 2019, we recognized an impairment loss on goodwill. See Note 5 — Goodwill and Other Intangible Assets in the accompanying Consolidated Financial Statements for additional information regarding goodwill.

Income Taxes

We account for income taxes using the liability method under ASC 740, Accounting for Income Taxes, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events included in the financial statements. Under the liability method, we determine deferred tax assets and liabilities based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which we expect the differences to reverse. We reduce deferred tax assets by a valuation allowance when it is more likely than not that we will not realize some component or all of the deferred tax assets.

See Note 2 – Significant Account Policies in the accompanying Consolidated Financial Statements for more information about Recent Accounting Pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations in the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange, inflation and counterparty risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. To reduce certain of these risks, we monitor the financial condition of our large clients and limit credit exposure by principally collecting in advance and setting credit limits as we deem appropriate. In addition, our investment strategy has been to invest in financial instruments, including U.S. treasury securities and money market funds backed by United States Treasury Bills within the guidelines established under our investment policy. We also make strategic investments in privately held companies in the development stage. To date, we have not used derivative instruments to mitigate the impact of our market risk exposures. We have also not used, nor do we intend to use, derivatives for trading or speculative purposes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

To the Stockholders and Board of Directors of
Asure Software, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Asure Software, Inc. (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of comprehensive income (loss), changes in stockholders’ equity and cash flows for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matters do not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of the acquisition-date fair value of customer relationship assets

As described in Note 2 to the financial statements the Company made two significant acquisitions during the year ended December 31, 2021. As a result of the transactions, the Company acquired customer relationship assets representing the generation of future income from the acquirees’ existing customers. The acquisition-date fair value for the customer relationship assets was $26.3 million.

The principal considerations for our determination that performing procedures relating to evaluating the acquisition-date fair value of customer relationship assets is a critical audit matter are that there is significant subjectivity involved in evaluating certain inputs in the discounted cash flow model used to determine the fair value of such assets. This in turn led to high degree of auditor judgment, and an increased effort in performing audit procedures in evaluating the reasonableness of management’s forecasts of future cash flows as well as the selection of assumptions including the discount rates and attrition rates, and the audit effort involved the use of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating evidence in connection with forming our overall audit opinion on the financial statements. These procedures included, among others, (i) evaluating the reasonableness of managements' forecasts of future cash flows by comparing the projections to historical results; (ii) testing the source information underlying the determination of the discount rates and attrition rates and testing the mathematical accuracy of the calculations; and (iii) developing a range of independent estimates for the discount rates and comparing those to the discount rates selected by management. Professionals with specialized skill and knowledge were used to assist in the evaluation of the acquisition-date fair value of customer relationship assets.

Evaluation of the recoverability of the carrying value of goodwill and long-lived assets

As described in Note 1 to the financial statements, the Company performed a recoverability test of its long-lived assets by comparing the estimated future cash flows from its asset group to its carrying value. As described in Note 5 to the financial statements, the Company performed its annual evaluation of goodwill for impairment by comparing the estimated fair value of the reporting unit to its carrying value. The Company determined that as of the valuation date there was only one asset group and one reporting unit. The Company used a discounted cash flow model to estimate the fair value of the reporting unit. The Company's cash flow model used to test the recoverability of its long-lived assets and evaluate goodwill for impairment requires management to make subjective estimates and assumptions, particularly related to the forecast of future revenues.

The principal considerations for our determination that performing procedures relating to evaluating the recoverability of the carrying value of goodwill and long-lived assets is a critical audit matter are that there is significant judgment by management in both the identification of the reporting unit and asset group, and in the estimation of future cash flows. This in turn led to high degree of auditor judgment, subjectivity and effort in performing audit procedures in evaluating audit evidence related to management's identification of reporting unit and asset group, and management's estimates and assumptions used in the forecasts and discounted cash flow models, and the audit effort involved the use of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating evidence in connection with forming our overall audit opinion on the financial statements. These procedures included, among others, (i) evaluating management's determination of a single reporting unit; (ii) evaluating management's determination of a single asset group; and (iii) testing management's process of estimating forecasted cash flows by comparing the forecasts to historical results, internal communications to management and board of directors, forecast information included in analyst and industry reports for the Company, and other macroeconomic indicators. In addition, our procedures to evaluate the recoverability of goodwill included a sensitivity analysis of the implied control premium by comparing the fair value determined by the Company against the market capitalization of the Company at the valuation date. Professionals with specialized skill and knowledge were used to assist in the evaluation of the fair value of the reporting unit

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2016.

Costa Mesa, California
March 14, 2022

ASURE SOFTWARE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	December 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash, cash equivalents, and restricted cash	$ 13,427	$ 28,577
Accounts receivable, net of allowance for doubtful accounts of $2,210 and $2,194 at December 31, 2021 and December 31, 2020, respectively	5,308	3,848
Inventory	246	449
Prepaid expenses and other current assets	13,475	2,866
Total current assets before funds held for clients	32,456	35,740
Funds held for clients	217,376	321,069
Total current assets	249,832	356,809
Property and equipment, net	8,945	8,281
Goodwill	86,011	73,958
Intangible assets, net	78,573	64,552
Operating lease assets, net	5,748	6,450
Other assets, net	4,136	3,952
Total assets	$ 433,245	$ 514,002
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable	$ 1,907	$ 12,310
Accounts payable	565	1,288
Accrued compensation and benefits	3,568	2,916
Operating lease liabilities, current	1,551	1,833
Other accrued liabilities	2,436	1,380
Contingent purchase consideration	1,905	3,880
Deferred revenue	3,750	4,416
Total current liabilities before client fund obligations	15,682	28,023
Client fund obligations	217,144	320,578
Total current liabilities	232,826	348,601
Long-term liabilities:		
Deferred revenue	36	111
Deferred tax liability	1,595	888
Notes payable, net of current portion	33,120	12,225
Operating lease liabilities, noncurrent	4,746	5,366
Contingent purchase consideration	2,424	—
Other liabilities	258	1,157
Total long-term liabilities	42,179	19,747
Total liabilities	275,005	368,348
Stockholders' equity:		
Preferred stock, $0.01 par value; 1,500 shares authorized; none issued or outstanding	—	—
Common stock, $0.01 par value; 44,000 shares authorized; 20,412 and 19,354 shares issued, 20,028 and 18,970 shares outstanding at December 31, 2021 and December 31, 2020, respectively	204	193
Treasury stock at cost, 384 shares at December 31, 2021 and December 31, 2020	(5,017)	(5,017)
Additional paid-in capital	429,912	419,827
Accumulated deficit	(266,760)	(269,953)
Accumulated other comprehensive income	(99)	604
Total stockholders' equity	158,240	145,654
Total liabilities and stockholders' equity	$ 433,245	$ 514,002

The accompanying notes are an integral part of these Consolidated Financial Statements.

ASURE SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share amounts)

	Year Ended December 31,	
	2021	**2020**
Revenue:		
Recurring	$ 71,078	$ 63,315
Professional services, hardware and other	4,986	2,192
Total revenue	76,064	65,507
Cost of Sales	29,500	27,414
Gross profit	46,564	38,093
Operating expenses:		
Sales and marketing	15,448	13,549
General and administrative	27,570	23,926
Research and development	5,410	5,959
Amortization of intangible assets	10,948	9,547
Total operating expenses	59,376	52,981
Loss from operations	(12,812)	(14,888)
Interest expense and other, net	(2,038)	(1,224)
Gain on extinguishment of debt	8,312	138
Employee retention tax credit	10,533	—
Income (loss) from operations before income taxes	3,995	(15,974)
Income tax expense	802	337
Net income (loss)	3,193	(16,311)
Other comprehensive (loss) income:		
Unrealized (loss) gain on marketable securities	(703)	629
Comprehensive income (loss)	$ 2,490	$ (15,682)
Basic and diluted earnings (loss) per share		
Basic	$ 0.17	$ (1.03)
Diluted	$ 0.16	$ (1.03)
Weighted average basic and diluted shares		
Basic	19,313	15,910
Diluted	19,509	15,910

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Common Stock Outstanding	Common Stock Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Equity
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	207	2	—	727	—	—	729
Stock issued, ESPP	59	—	—	292	—	—	292
Share based compensation	—	—	—	2,365	—	—	2,365
Shares issued, net of issuance costs	2,990	30	—	20,341	—	—	20,371
Net loss	—	—	—	—	(16,311)	—	(16,311)
Other comprehensive income	—	—	—	—	—	629	629
Balance at December 31, 2020	18,970	$ 193	$ (5,017)	$ 419,827	$ (269,953)	$ 604	$ 145,654
Stock issued upon option exercise and vesting of restricted stock units	235	2	—	359	—	—	361
Stock issued, ESPP	56	1	—	339	—	—	340
Stock issued — acquisitions	767	8	—	6,420	—	—	6,428
Share based compensation	—	—	—	2,990	—	—	2,990
Share issuance costs	—	—	—	(23)	—	—	(23)
Net income	—	—	—	—	3,193	—	3,193
Other comprehensive loss	—	—	—	—	—	(703)	(703)
Balance at December 31, 2021	20,028	$ 204	$ (5,017)	$ 429,912	$ (266,760)	$ (99)	$ 158,240

The accompanying notes are an integral part of these Consolidated Financial Statements.

ASURE SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,	
	2021	**2020**
Cash flows from operating activities:		
Net income (loss)	$ 3,193	$ (16,311)
Adjustments to reconcile income (loss) to net cash provided by operations:		
Depreciation and amortization	16,246	14,655
Amortization of operating lease assets	1,574	1,514
Amortization of debt financing costs and discount	309	395
Net amortization of premiums and accretion of discounts on available-for-sale securities	194	162
Provision for doubtful accounts	1	372
Provision for deferred income taxes	707	551
Gain on extinguishment of debt	(8,312)	(138)
Net realized gains on sales of available-for-sale securities	(542)	(656)
Share-based compensation	2,990	2,365
(Gain) loss on disposals of long-term assets	(32)	59
Change in fair value of contingent purchase consideration	(160)	1,135
Changes in operating assets and liabilities:		
Accounts receivable	(1,293)	528
Inventory	142	150
Prepaid expenses and other assets	(11,083)	5,160
Operating lease right-of-use assets	(1,371)	(1,052)
Accounts payable	(725)	(676)
Accrued expenses and other long-term obligations	629	(5,022)
Operating lease liabilities	(348)	(55)
Deferred revenue	(741)	(901)
Net cash provided by operating activities	1,378	2,235
Cash flows from investing activities:		
Acquisition of intangible asset	(25,526)	(13,141)
Purchases of property and equipment	(133)	(857)
Software capitalization costs	(4,141)	(2,780)
Purchases of available-for-sale securities	(29,051)	(13,196)
Proceeds from sales and maturities of available-for-sale securities	21,881	10,567
Net cash used in investing activities	(36,970)	(19,407)
Cash flows from financing activities:		
Proceeds from notes payable	29,425	8,856
Payments of notes payable	(14,657)	(12,234)
Payments of contingent purchase consideration	(1,784)	—
Debt financing fees	(878)	(245)
Net proceeds from issuance of common stock	678	21,392
Net change in client fund obligations	(103,434)	190,328
Net cash (used in) provided by financing activities	(90,650)	208,097
Net (decrease) increase in cash, cash equivalents, restricted cash, and restricted cash equivalents	(126,242)	190,925
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period	324,985	134,060
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period	$ 198,743	$ 324,985

The accompanying notes are an integral part of these Consolidated Financial Statements.

ASURE SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)

	Year Ended December 31,	
	2021	2020
	(unaudited)	
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents to the Consolidated Balance Sheets		
Cash and cash equivalents	$ 13,427	$ 28,577
Restricted cash and restricted cash equivalents included in funds held for clients	185,316	296,408
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 198,743	$ 324,985
Supplemental information:		
Cash paid for interest	$ 1,413	$ 1,029
Cash paid for income taxes	$ 366	$ 3,662
Net assets added from acquisitions	$ 763	$ 442
Non-cash investing and financing activities:		
Contingent purchase consideration issued for acquisitions	$ 2,574	$ 1,177
Notes payable issued for acquisitions	$ 4,386	$ 2,745
Stock issuance for acquisitions	$ 6,428	$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

ASURE SOFTWARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Asure Software, Inc., ("Asure", the "Company", "we" and "our"), a Delaware corporation, is a provider of Human Capital Management ("HCM") software solutions. We help small and medium-sized companies grow by helping them build more productive teams, providing the tools and resources that help them stay compliant with ever-changing federal, state, and local tax jurisdictions and labor laws, and better allocate cash so they can spend their financial capital on growing their business rather than back-office overhead expenses. Asure's Human Capital Management suite, named Asure HCM, includes cloud-based Payroll, Tax Services, and Time & Attendance software as well as human resources ("HR") services ranging from HR projects to completely outsourcing payroll and HR staff. We also offer these products and services through our network of reseller partners.

Our platform vision is to become the most trusted HCM resource to entrepreneurs everywhere by helping our clients grow their businesses. Our 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 Asure HCM suite includes four product lines: Asure Payroll & Tax, Asure HR, Asure Time & Attendance, and Asure HR Services.

We develop, market, sell and support our offerings nationwide through our principal office in Austin, Texas and from our processing hubs in California, Florida, Nebraska, New Jersey, New York, Tennessee, and Vermont. In May 2021, we closed our Washington office where we provided our HR consulting services as employees from that office now work remotely.

PRINCIPLES OF CONSOLIDATION

We have prepared our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have included the accounts of our wholly owned subsidiaries. We have eliminated all intercompany transactions and balances in consolidation.

SEGMENTS

The chief operating decision maker is Asure's Chief Executive Officer who reviews financial information presented on a company-wide basis. Accordingly, in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, we determined that the Company has a single reporting segment and operating unit structure.

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, 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.

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 December 31, 2021, we were not party to any pending legal proceedings.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The standard became effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. We adopted ASU 2019-12 during the quarter beginning January 1, 2021, using the prospective approach except for hybrid tax regimes, which we adopted using the modified retrospective approach. The adoption of ASU 2019-12 resulted in no material impact to the Company's financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326): This update establishes a new approach to estimate credit losses on certain financial instruments. The update requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The amended guidance will also update the impairment model for available-for-sale debt securities, requiring entities to determine whether all or a portion of the unrealized loss on such securities is a credit loss. The Company is currently evaluating this standard and the potential effects of these changes to its consolidated financial statements and will adopt this new standard in the fiscal year beginning January 1, 2023.

RECLASSIFICATION

The Company reclassified its presentation of restricted cash and restricted cash equivalents included in funds held for clients as of December 31, 2021 in the Consolidated Statements of Cash Flows to conform to the current period presentation. Such reclassification had no effect on the consolidated financial position or consolidated results of operations of the Company.

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The Company considers all highly liquid investments with an original maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents include investments in an institutional money market fund, which invests in U.S. Treasury bills, notes and bonds, and/or repurchase agreements, backed by such obligations. Carrying value approximates fair value. Restricted cash consists of cash balances which are restricted as to withdrawal or usage. As of December 31, 2021, the Company has $500 of restricted cash related to our agreement with Atlantic Capital Bank.

INVESTMENTS

Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in accumulated other comprehensive income (loss). The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization of premiums and accretion of discounts is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in other income (expense). The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

FUNDS HELD FOR CLIENTS

Funds held for clients represent assets that are held for the purposes of satisfying the obligations to remit funds relating to the Company's payroll and payroll tax filing services and are classified as client fund obligations on our Consolidated Balance Sheets. Funds held for clients are held in demand deposit or brokerage accounts at financial institutions and are classified as a current asset on our Consolidated Balance Sheets.

Client fund obligations represent the Company's contractual obligations to remit funds to satisfy clients' payroll and tax payment obligations and are recorded on the Consolidated Balance Sheets at the time that the Company impounds funds from clients. The client fund obligations represent liabilities that will be repaid within one year of the balance sheet date. The Company has reported client fund obligations as a current liability on the Consolidated Balance Sheets.

As part of the previously identified material weakness which we have subsequently remediated, the Company recovered approximately $4,290 in funds and insurance proceeds. The Company recognized $3,961 of these funds as receivables in other assets on the Consolidated Balance Sheets at December 31, 2019 with an offsetting liability in client fund obligations. The Company collected the full $4,290 during the first quarter of 2020 and disbursed $482 of these funds resulting in a segregated $3,808 in funds held for clients with an offsetting liability in client fund obligations at December 31, 2020. In 2021, the Company disbursed an additional $976 of these funds, resulting in a segregated $2,832 in funds held for clients with an offsetting liability in client fund obligations at December 31, 2021. The Company continues its efforts to identify the owners of these funds and the Company expects to escheat to the state of Delaware any funds for which it is unable to identify the owner. The Company would expect to have this process completed during fiscal year 2022.

FAIR VALUE OF FINANCIAL INSTRUMENTS

We apply the authoritative guidance on fair value measurements for financial assets and liabilities that are measured at fair value on a recurring basis, and non-financial assets and liabilities such as goodwill, intangible assets and property and equipment that are measured at fair value on a non-recurring basis.

CONCENTRATION OF CREDIT RISK

Cash and cash equivalents are deposited at various area banks, which at times may exceed federally insured limits. The Company monitors the viability of the banking institutions carrying its assets on a regular basis, and has the ability to transfer cash to various institutions during times of risk. The Company has not experienced any losses related to these cash balances, and believes its credit risk to be minimal.

ACCOUNTS RECEIVABLE, NET

We grant credit to customers in the ordinary course of business. We limit concentrations of credit risk related to our trade accounts receivable due to our large number of customers, including third-party resellers, and their dispersion across several industries and geographic areas. We perform ongoing credit evaluations of our customers and maintain reserves for potential credit losses. We require advanced payments or secured transactions when deemed necessary.

We review potential customers' credit ratings to evaluate customers' ability to pay an obligation within the payment term, which is usually net thirty days. If we receive reasonable assurance of payment and know of no barriers to legally enforce the payment obligation, we may extend credit to customers. We place accounts on "Credit Hold" if a placed order exceeds the credit limit or sooner if circumstances warrant. We follow our credit policy consistently and routinely monitor our delinquent accounts for indications of collectability.

We maintain an allowance for doubtful accounts at an amount we estimate to be sufficient to provide adequate protection against losses resulting from extending credit to our customers. We base this allowance, in the aggregate, on historical collection experience, age of receivables and general economic conditions. The allowance for doubtful accounts also considers the need for specific customer reserves based on the customer's payment experience, credit worthiness and age of receivable balances. Our bad debts have not been material and have been within management expectations.

PROPERTY AND EQUIPMENT

We record property and equipment, including software, furniture and equipment, at cost less accumulated depreciation. We record depreciation using the straight-line method over the estimated economic useful lives of the assets, which range from two to five years. Property and equipment also includes leasehold improvements which we record at cost less accumulated amortization. We record amortization of leasehold improvements using the straight-line method over the shorter of the lease term or over the life of the respective assets, as applicable. We recognize gains or losses related to retirements or disposition of fixed assets in the period incurred. We expense repair and maintenance costs as incurred. We periodically review the estimated economic useful lives of our property and equipment and make adjustments, if necessary, according to the latest information available.

BUSINESS COMBINATIONS

We have accounted for our acquisitions using the acquisition method of accounting based on ASC 805—Business Combinations, which requires recognition and measurement of all identifiable assets acquired and liabilities assumed at their full fair value as of the date we obtain control. We have determined the fair value of assets acquired and liabilities assumed based upon our estimates of the fair values of assets acquired and liabilities assumed in the acquisitions. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. While we have used our best estimates and assumptions to measure the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, not to exceed one year from the date of acquisition, any changes in the estimated fair values of the net assets recorded for the acquisitions will result in an adjustment to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, we record any subsequent adjustments to our consolidated statements of comprehensive loss.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired in a business combination. We test goodwill for impairment on an annual basis in the fourth fiscal quarter of each year, and between annual tests if indicators of potential impairment exist, by first assessing qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test.

We amortize intangible assets not considered to have an indefinite useful life using the straight-line method over their useful lives. We currently amortize our acquired intangible assets with definite lives over periods ranging from one to nine years. Each reporting period, we evaluate the estimated remaining useful life of intangible assets and assess whether events or changes in circumstances warrant a revision to the remaining period of amortization or indicate that impairment exists. In 2019, we accelerated the amortization after a reassessment of the useful lives of certain trade names in relation to our rebranding efforts. We have not identified any other impairments of finite-lived intangible assets during any of the periods presented. See Note 5 for additional information regarding intangible assets.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, including intangible assets with definite lives, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. We have determined that there was no impairment of long-lived assets including intangible assets with definite lives, for the year ended December 31, 2021.

ORIGINAL ISSUE DISCOUNTS

We recognize original issue discounts (“OID”), when incurred on the issuance of debt, as a reduction of the current loan obligations that we amortize to interest expense over the life of the related indebtedness using the effective interest rate method. We record the amortization as interest expense – amortization of OID in the Consolidated Statements of Comprehensive Income (Loss). At the time of any repurchases or retirements of related debt, we write off the remaining amount of net original issue discounts and include them in the calculation of gain or loss on extinguishment in the Consolidated Statements of Comprehensive Income (Loss).

REVENUE RECOGNITION

Our revenue consists of software-as-a-service (“SaaS”) offerings and time-based software subscription license arrangements that also, typically, include hardware, maintenance/support, and professional services elements. We recognize revenue on an output basis when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Our contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We determine standalone selling prices based on the amount that we believe the market is willing to pay determined through historical analysis of sales data as well as through use of the residual approach when we can estimate the standalone selling price for one or more, but not all, of the promised goods or services.

The terms of our contracts with customers range from month to month for some Asure HCM direct clients to longer terms ranging from one to three years, some of which are renewable for successive terms. A typical SaaS/software subscription arrangement will also include hardware, setup and implementation services. Revenue allocated to the SaaS/software subscription performance obligations are recognized on an output basis ratably as the service is provided over the non-cancellable term of the SaaS/subscription service and are reported as Recurring revenue on the Consolidated Statement of Comprehensive Loss. Revenue allocated to other performance obligations included in the arrangement is recognized as outlined in the paragraphs below.

Hardware devices sold to customers are sold as either a standard product sell arrangement where title to the hardware passes to the customer or under a hardware-as-a-service ("HaaS") arrangement where the title to the hardware remains with Asure. Revenue allocated to hardware sold as a standard product are recognized on an output basis when title passes to the customer, typically the date we ship the hardware. Revenue allocated to hardware under a hardware-as-a-service arrangement are recognized on an output basis, recorded ratably as the service is provided over the non-cancellable term of the HaaS arrangement, typically one year. Revenue recognized from hardware devices sold to customers via either of the two above types of arrangements are reported as Hardware revenue on the Consolidated Statement of Comprehensive Loss.

Our professional services offerings typically include data migration, set up, training, and implementation services. Set up and implementation services typically occur at the start of the software arrangement while certain other professional services, depending on the nature of the services and customer requirements, may occur several months later. We can reasonably estimate professional services performed for a fixed fee and we recognize allocated revenue on an output basis on a proportional performance basis as the service is provided. We recognize allocated revenue on an output basis for professional services engagements billed on a time and materials basis as the service is provided. We recognize allocated revenue on an output basis on all other professional services engagements upon the earlier of the completion of the service's deliverable or the expiration of the customer's right to receive the service. Revenue recognized from professional services offerings are reported as Professional service revenue on the Consolidated Statement of Comprehensive Loss.

We recognize allocated revenue for maintenance/support on an output basis ratably over the non-cancellable term of the support agreement. Initial maintenance/support terms are typically one to three years and are renewable on an annual basis. Revenue recognized from maintenance/support are reported as Recurring on the Consolidated Statement of Comprehensive Loss.

We do not recognize revenue for agreements with rights of return, refundable fees, cancellation rights or substantive acceptance clauses until these return, refund or cancellation rights have expired or acceptance has occurred. Our arrangements with resellers do not allow for any rights of return.

Our payment terms vary by the type of customer and the customer's payment history and the products or services offered. The term between invoicing and when payment is due is not significant and as such our contracts do not include a significant financing component. The transaction prices of our contracts do not include consideration amounts that are variable and do not include noncash consideration.

Deferred revenue includes amounts invoiced to customers in excess of revenue we recognize, and is comprised of deferred SaaS/software, HaaS, Maintenance and support, and Professional services revenue. We recognize deferred revenue when we complete the service and over the terms of the arrangements, primarily ranging from one to three years.

ADVERTISING COSTS

We expense advertising costs as we incur them. Advertising expenses were $108 and $34 for the years ended December 31, 2021 and 2020, respectively. We recorded these expenses as part of sales and marketing expenses on our Consolidated Statements of Comprehensive Loss.

LEASE OBLIGATIONS

At the commencement date of a lease, we recognize a liability to make lease payments and an asset representing the right-of-use underlying asset during the lease term. The lease liability is measured at the present value of lease payments over the lease term. As our leases typically do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date taking into consideration necessary adjustments for collateral, depending on the facts and circumstances of the lessee and the leased asset, and term to match the lease term. The operating lease asset is measured at cost, which includes the initial measurement of the lease liability and initial direct costs incurred by the Company and excludes lease incentives. Operating lease assets and liabilities are shown separately in our Consolidated Balance Sheets.

Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease costs are recognized on a straight-line basis over the lease term. Lease agreements that contain both lease and non-lease components are generally accounted for separately.

INCOME TAXES

We account for income taxes using the liability method under ASC 740, Accounting for Income Taxes, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events included in the financial statements. Under the liability method, we determine deferred tax assets and liabilities based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which we expect the differences to reverse. We reduce deferred tax assets by a valuation allowance when it is more likely than not that we will not realize some component or all of the deferred tax assets.

SHARE BASED COMPENSATION

We estimate the fair value of each award granted from our stock option plan at the date of grant using the Black-Scholes option pricing model. The fair value is recognized as expense over the service period, net of estimated forfeitures, using the straight-line method. The estimation of share-based awards that will ultimately vest requires judgment, and, to the extent actual results or updated estimates differ from current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. We primarily consider historical experience when estimating expected forfeitures.

NOTE 2 - BUSINESS COMBINATIONS

2020

In July 2020, we acquired certain assets of a payroll tax business (the “Asset Purchase Agreement”). The initial purchase price for the assets was $4,250, which we paid in cash at closing. The Asset Purchase Agreement set forth two subsequent purchase consideration payments, which are contingent on certain thresholds. The first contingent purchase consideration of $1,975, was offset by certain net amounts owed to us by the seller primarily related to transition services in the amount of $191, was paid in June 2021 (a total payment of $1,784). The second and final contingent purchase consideration will be based on the trailing twelve-month revenue at October 31, 2021, and is expected to be paid by April 30, 2022. We utilized a Monte Carlo simulation to determine the fair value of the contingent consideration. The adjustment to the fair value of the contingent consideration as of December 31, 2021 was the aforementioned $191 offset.

2021

In September 2021, the Company acquired certain assets (the “Second Asset Purchase Agreement”) of a payroll business, which was used to provide payroll processing services. The aggregate purchase price that the Company paid for these assets was $14,750, paid as follows: (i) $10,325 in cash at closing, (ii) the delivery of a promissory note in the amount of $2,213, and (iii) the delivery of 244 shares of the Company’s common stock, which the parties agreed had an aggregate value of $2,213 as of December 31, 2021. The Second Asset Purchase Agreement is subject to working capital adjustments to the purchase price.

Also in September 2021, we acquired certain assets of a payroll business (the “Third Asset Purchase Agreement”). The initial purchase price for the assets was $24,150, of which $15,000 was paid in cash at closing. The Third Asset Purchase Agreement also included the delivery of 523 shares of the Company’s common stock, which both parties agreed had an aggregate value of $4,800 at closing. Finally, the Third Asset Purchase Agreement set forth a promissory note initially valued at $4,350 and includes a contingent consideration, which is contingent on certain thresholds and will be based on the trailing twelve-month revenue at September 30, 2022, which we expect will be paid in the fourth quarter of 2022. The promissory note was adjusted to $4,318 to account for an estimated shortfall in working capital when compared to the working capital target at closing of the transaction. The Third Asset Purchase Agreement is subject to post-closing adjustments for working capital and purchase price. We utilized a Monte Carlo simulation to determine the fair value of the contingent consideration. For the year ended December 31, 2021, there was a measurement period adjustment to the fair value of the contingent consideration of $465.

As of December 31, 2021, certain amounts of funds held for clients on our Consolidated Balance Sheets are in the process of being transferred to the Company’s legal possession, as stipulated by the respective transitional service agreements included as part of the Second and Third Asset Purchase Agreements.

The Second Asset Purchase Agreement and Third Asset Purchase Agreement mentioned above were of privately held companies, whose historic cash basis financial statements were unaudited and not prepared under generally accepted accounting principals in the United States, including, but not limited to, differences in revenue recognition. The disclosure of supplemental pro forma financial information suggested under ASC 805 for a public business entity has been deemed impracticable by management due to these reasons.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820 “Fair Value Measurement” (ASC 820) defines fair value, establishes a framework for measuring fair value under U.S. GAAP and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on the following three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last unobservable:

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 and liabilities measured at fair value on a recurring basis as of December 31, 2021 and December 31, 2020, respectively (in thousands):

	Total Carrying Value	Level 1	Level 2	Level 3
December 31, 2021				
Assets:				
Funds held for clients				
Money market funds	$ 1,116	$ 1,116	$ —	$ —
Available-for-sale securities	32,060	—	32,060	—
Total	$ 33,176	$ 1,116	$ 32,060	$ —
Liabilities:				
Contingent purchase consideration[(1)]	$ 4,329	$ —	$ —	$ 4,329
Total	$ 4,329	$ —	$ —	$ 4,329
December 31, 2020				
Assets:				
Cash equivalents				
Money market funds	$ 5,204	$ 5,204	$ —	$ —
Funds held for clients				
Money market funds	63,999	63,999	—	—
Available-for-sale securities	25,919	—	25,919	—
Total	$ 95,122	$ 69,203	$ 25,919	$ —
Liabilities:				
Contingent purchase consideration[(1)]	$ 3,880	$ —	$ —	$ 3,880
Total	$ 3,880	$ —	$ —	$ 3,880

(1) See Note 2 — Business Combinations for further discussion regarding the contingent purchase consideration.

The contractual obligations and earn out provision are accounted for as a contingent liability and fair value is determined using Level 3 inputs, as estimating the fair value of these contingent liabilities require the use of significant and subjective inputs that may and are likely to change over the duration of the liabilities. The following table discloses the change in the gross contingent purchase consideration on the Company's Consolidated Balance Sheets as of December 31, 2021 (in thousands):

December 31, 2020	$ 3,880
Contingent purchase consideration paid	(1,784)
Measurement period adjustment to fair value	(645)
Change in fair value of contingent purchase consideration	(160)
Issued for acquisitions	3,038
December 31, 2021	$ 4,329

Restricted cash equivalents and investments classified as available-for-sale within funds held for clients consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains [1]	Gross Unrealized Losses [1]	Aggregate Estimated Fair Value
December 31, 2021				
Restricted cash equivalents	$ 1,116	$ —	$ —	$ 1,116
Available-for-sale securities:				
Certificates of deposit	1,240	7	(4)	1,243
Corporate debt securities	22,597	2	(76)	22,523
Municipal bonds	7,825	3	(24)	7,804
U.S. Government agency securities	500	—	(10)	490
Total available-for-sale securities	32,162	12	(114)	32,060
Total[2]	$ 33,278	$ 12	$ (114)	$ 33,176
December 31, 2020				
Restricted cash equivalents	$ 1,258	$ —	$ —	$ 1,258
Available-for-sale securities:				
Certificates of deposit	7,370	204	—	7,574
Corporate debt securities	8,914	295	(1)	9,208
Municipal bonds	7,276	103	(1)	7,378
U.S. Government agency securities	500	1	—	501
Total available-for-sale securities	24,060	603	(2)	24,661
Total[2]	$ 25,318	$ 603	$ (2)	$ 25,919

(1) Unrealized gains and losses on available-for-sale securities are included as a component of comprehensive income (loss). As of December 31, 2021 and December 31, 2020, there were 10 and 69 securities, respectively, in an unrealized gain position and there were 57 and 2 securities in an unrealized loss position, respectively. As of December 31, 2021, these unrealized losses were less than $11 individually and $114 in the aggregate. As of December 31, 2020, these unrealized losses were less than $2 individually and $2 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 December 31, 2021 and December 31, 2020, none of these securities were classified as cash and cash equivalents on the accompanying Consolidated Balance Sheets.

Funds held for clients represent assets that the Company has classified as restricted for use solely for the purposes of satisfying the obligations to remit funds relating to the Company's payroll and payroll tax filing services, which are classified as client funds obligations on our Consolidated Balance Sheets.

Funds held for clients have been invested in the following categories (in thousands):

	2021	2020
Restricted cash and cash equivalents held to satisfy client funds obligations	$ 185,316	$ 296,408
Restricted short-term marketable securities held to satisfy client funds obligations	5,559	4,249
Restricted long-term marketable securities held to satisfy client funds obligations	26,501	20,412
Total funds held for clients	$ 217,376	$ 321,069

Expected maturities of available-for-sale securities as of December 31, 2021 are as follows (in thousands):

One year or less	$ 5,559
After one year through five years	26,501
	$ 32,060

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following (in thousands):

	2021	2020
Furniture and equipment	$ 6,935	$ 6,818
Software development costs	14,449	10,308
Software	2,808	2,808
Leasehold improvements	1,638	1,658
Gross property and equipment	25,830	21,592
Less: accumulated depreciation and amortization	(16,885)	(13,311)
Property and equipment, net	$ 8,945	$ 8,281

We record the amortization of our finance leases as depreciation expense on our Consolidated Statements of Comprehensive Income (Loss). Depreciation and amortization expenses relating to property and equipment were $3,808 and $3,504 for the years ended December 31, 2021 and 2020, respectively.

We acquired software development costs from prior acquisitions and we continue to invest in software development. We are developing products which we intend to offer utilizing software as-a-service ("SaaS"). We follow the guidance of ASC 350-40, Intangibles—Goodwill and Other—Internal-Use Software, for development costs related to these new products. Costs incurred in the planning stage are expensed as incurred while costs incurred in the application and infrastructure stage are capitalized, assuming such costs are deemed to be recoverable. Costs incurred in the operating stage are generally expensed as incurred except for significant upgrades and enhancements. Capitalized software costs are amortized over the software's estimated useful life, which management has determined to be three years. During the years ended December 31, 2021 and 2020, we capitalized $4,141 and $2,780 of software development costs, respectively.

NOTE 5 - GOODWILL AND OTHER INTANGIBLE ASSETS

	2020	Acquisitions	2021
Goodwill	$ 73,958	$ 12,053	$ 86,011

We believe significant synergies are expected to arise from our strategic acquisitions and their assembled workforces. This factor contributed to a purchase price that was in excess of the fair value of the net assets acquired and, as a result, we recorded goodwill for each acquisition. A portion of acquired goodwill will be amortizable for tax purposes. As of December 31, 2021, there has been no impairment of goodwill based on the qualitative assessments performed by the Company.

Gross Intangible Assets	2020	Acquisitions	2021
Customer relationships	$ 88,310	$ 26,300	$ 114,611
Developed technology	12,001	—	12,001
Reseller relationships	853	159	1,012
Trade names	880	—	880
Non-compete agreements	1,032	—	1,032
	$ 103,076	$ 26,459	$ 129,536

The gross carrying amount and accumulated amortization of our intangible assets as of December 31are as follows (in thousands, except weighted average periods):

	Weighted Average Amortization Period (in Years)	Gross	Accumulated Amortization	Net
December 31, 2021				
Customer relationships	8.7	$ 114,611	$ (39,535)	$ 75,076
Developed technology	6.6	12,001	(9,098)	2,903
Reseller relationships	7.2	1,012	(864)	148
Trade names	3.0	880	(579)	301
Non-compete agreements	5.2	1,032	(887)	145
	8.4	$ 129,536	$ (50,963)	$ 78,573
December 31, 2020				
Customer relationships	8.9	$ 88,310	$ (28,898)	$ 59,412
Developed technology	6.6	12,001	(7,608)	4,393
Reseller relationships	7.0	853	(853)	—
Trade names	3.0	880	(312)	568
Non-compete agreements	5.2	1,032	(853)	179
	8.5	$ 103,076	$ (38,524)	$ 64,552

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 $10,948 and $9,547 for the years ended December 31, 2021 and 2020, respectively. Amortization expenses recorded in Cost of Sales were $1,489 and $1,604 for the years ended December 31, 2021 and 2020, respectively. There was no impairment of intangibles during the year ended December 31, 2021 based on the qualitative assessment performed by the Company. However, if market, political and other conditions over which we have no control continue to affect the capital markets and our stock price declines, we may experience an impairment of our intangibles in future quarters.

The following table summarizes the future estimated amortization expense relating to our intangible assets as of December 31, 2021 (in thousands):

2022	$ 14,375
2023	13,249
2024	12,989
2025	12,203
2026	9,092
Thereafter	16,665
	$ 78,573

NOTE 6 - NOTES PAYABLE

The following table summarizes our outstanding debt as of the dates indicated (in thousands):

	Maturity	Cash Interest Rate	December 31, 2021	December 31, 2020
Subordinated Notes Payable – Acquisitions[(1)]	7/1/2021 – 9/30/2026	2.00% - 3.00%	$ 8,178	$ 6,182
PPP Loan	n/a	1.00%	—	8,856
Term Loan	n/a	5.25%	—	9,875
Senior Credit Facility	10/1/2025	9.00%	30,224	—
Total Notes Payable			$ 38,402	$ 24,913

(1) See Note 2 — Business Combinations for further discussion regarding the notes payable related to acquisitions.

The following table summarizes the debt issuance costs as of the dates indicated (in thousands):

	Gross Notes Payable	Debt Issuance Costs and Debt Discount	Net Notes Payable
December 31, 2021			
Current portion of notes payable	$ 2,079	$ (172)	$ 1,907
Notes payable, net of current portion	36,323	(3,203)	33,120
Total	$ 38,402	$ (3,375)	$ 35,027
December 31, 2020			
Current portion of notes payable	$ 12,388	$ (78)	$ 12,310
Notes payable, net of current portion	12,525	(300)	12,225
Total	$ 24,913	$ (378)	$ 24,535

The following table summarizes the future principal payments related to our outstanding debt as of December 31, 2021 (in thousands):

2022	$ 2,079
2023	4,405
2024	6,623
2025	23,285
2026	2,010
Total	$ 38,402

Subordinated Notes Payable - Acquisitions

There remains an outstanding principal balance on the subordinated note payable issued in connection with the purchase of a business we acquired in 2018, which note matured on July 1, 2021. Payment on the principal balance was withheld as security for an outstanding claim for which we are entitled to indemnification under the purchase agreement. We will make the payment, subject to our right of offset under the purchase agreement, when these claims are resolved. Due to our rights under the purchase agreement and the terms of this note, we are not in default under the note.

See Note 2 — Business Combinations for further discussion regarding the issuance of subordinated notes payable related to acquisitions.

PPP Loan with Pinnacle Bank

Due to the effects of COVID-19 on our business and the related need to support our operations, we received an unsecured Paycheck Protection Program loan in the amount of $8,856 (the "PPP Loan") in April 2020 from Pinnacle Bank (the "Lender") under the Coronavirus Aid, Relief and Economic Security Act. In June 2021, we received notice from our Lender that the Small Business Administration ("SBA") had approved our application for forgiveness of our PPP Loan. The amount forgiven of $8,560 was the amount we requested in our forgiveness application but was less than the original principal balance due, in part, to changes in SBA guidance following the date of our original loan application. Following the grant of forgiveness, we had an outstanding principal balance of $296 and an additional immaterial amount of accrued interest in our PPP Loan, both of which were paid in full in June 2021. During the three months ended June 30, 2021 the Company recorded a gain on the forgiveness of the PPP Loan and accrued interest in the amount of $8,654. The gain on the forgiveness of the PPP Loan is reflected on our Consolidated Statements of Comprehensive Income, and is a non-taxable event.

Term Loan with Wells Fargo N.A.

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. In connection with the Credit Agreement, we and our wholly owned active subsidiaries entered into a Guaranty and Security Agreement with Wells Fargo Bank, guaranteeing all obligations under the Credit Agreement and granted a security interest in substantially all of our and our subsidiaries' assets. The Credit Agreement was amended and restated multiple times, with the most recent amendment and restatement effective December 31, 2019. The Credit Agreement was also amended, but not restated, on August 10, 2020. Following the amendment, the Credit Agreement provided for $10,000 in term loans and a $5,000 revolver and provided for new applicable margin rates for determining the interest payable on loans and amended certain of our financial covenants as described in our 2020 Annual Report on Form 10-K. For the period ending December 31, 2020, no amount was outstanding and $4,500 was available for borrowing under the revolver. During the three months ended September 30, 2021, we terminated the Credit Agreement and the recolver. We paid Wells Fargo an aggregate amount of approximately $9,925 in full payment of our outstanding obligations, including $9,750 due on the note and immaterial amounts of interest, fees and other expenses.

Senior Credit Facility with Structural Capital Investments III, LP

On September 10, 2021, the Company entered into a Loan and Security Agreement with Structural Capital Investments III, LP ("Structural" and together with the other lenders that are or become parties thereto, the "Lenders"), and Ocean II PLO LLC, as administrative and collateral agent for Structural and the Lenders ("Agent"), under the terms of which the Lenders have committed to lend us up to $50,000 in term loan financing to support our growth needs (the "Facility") until March 31, 2022. The Company also entered into a secured promissory note with the Agent evidencing our obligations under the Facility. The Company's obligations are further guaranteed by each of our subsidiaries and secured by our assets and the assets of our subsidiaries.

At the onset of the agreement, we paid to the Lenders an origination fee of $500. Interest accrues on any outstanding balance at a rate equal to the greater of 9.0% or the Prime Rate, plus 5.75% (the "Basic Rate") and is payable in advance. In addition, interest is paid in kind ("PIK") at a rate of 1.00% or 1.25% based on our APR Ratio, measured on a quarterly basis. The PIK interest is added to our outstanding balance and accrues interest at the Basic Rate. Interest only payments are due until October 2023, with an option to extend until October 2024, dependent on certain financial or revenue metrics before the end of the first twenty-four months of the Facility.

Principal payments begin after the expiration of the interest only period, and are based on a five year amortization schedule, with a balloon payment due in October 2025. The table above in this Note 6 — Notes Payable summarizing future principal payments assumes the Company will not extend the period of interest only payments to October 2024. Upon payment in full of the obligations under the Facility, we are to pay Lenders a final payment fee equal to 1.0% of the increase in our market capitalization since the onset of the agreement, at that time valued at $182,400.

The Company has agreed to provide the Lenders the right to participate in a future offering—whether public or private—on the same terms and conditions as other investors for an amount not to exceed $3,000.

There are no financial covenants if our net cash position is equal to or greater than zero. If our net cash position is less than zero, the Company would be subject to the following financial covenants: (i) unrestricted cash of no less than $5,000, (ii) maintain an APR ratio of no less than 0.70:1.00 through September 10, 2023, and (iii) maintain an APR ratio of no less than 0.60:1.00 from September 10, 2023 through the remainder of the term of the Facility. The APR ratio would be the ratio of our tested debt to our annual recurring revenue and would be measured on a quarterly basis. Our Tested Debt consists of our outstanding obligations under the Facility (exclusive of PIK interest) and any indebtedness issued or earnouts owed to sellers in connection with acquisitions.

NOTE 7 - LEASES

We have entered into office space lease agreements, which qualify as operating leases under ASU No. 2016-02, “Leases (Topic 842)”. Under such leases, the lessors receive annual minimum (base) rent. The leases have original terms (excluding extension options) ranging from one year 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 Consolidated Statements of Comprehensive Income (Loss), rent expense is included in operating expenses under general and administrative expenses. The components of the rent expense for the years ended December 31 are as follows (in thousands):

	2021	2020
Operating lease cost	$ 2,171	$ 2,153
Sublease income	(43)	(117)
Net rent expense	$ 2,128	$ 2,036

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 8% as of December 31, 2021 and December 31, 2020, respectively. The weighted average remaining lease term is five years and six years as of December 31, 2021 and December 31, 2020, respectively.

Supplemental cash flow information related to operating leases for the years ended December 31 are as follows (in thousands):

	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 2,338	$ 2,246
Non-cash operating activities:		
Operating lease assets obtained in exchange for new operating lease liabilities	$ 1,240	$ 1,052

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

2022	$ 1,997
2023	1,574
2024	1,384
2025	974
2026	610
Thereafter	1,192
Total minimum lease payments	7,731
Less: imputed interest	(1,434)
Total lease liabilities	$ 6,297

NOTE 8 - CONTRACTS WITH CUSTOMERS AND REVENUE CONCENTRATION

Receivables

Receivables from contracts with customers, net of allowance for doubtful accounts of $2,210, were $5,308 at December 31, 2021. Receivables from contracts with customers, net of allowance for doubtful accounts of $2,194, were $3,848 at December 31, 2020. No customers represented more than 10% of our net accounts receivable balance as of December 31, 2021 and December 31, 2020, respectively.

Deferred Commissions

Deferred commission costs from contracts with customers were $4,684 and $3,792 at December 31, 2021 and December 31, 2020, respectively. The amount of amortization recognized for the years ended December 31, 2021 and December 31, 2020 was $1,318 and $906, respectively.

Deferred Revenue

During the years ended December 31, 2021 and December 31, 2020, revenue of $4,410 and $3,652, respectively, was recognized from the deferred revenue balance at the beginning of each period.

Transaction Price Allocated to the Remaining Performance Obligations

As of December 31, 2021, approximately $23,708 of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 75% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

Revenue Concentration

During the year ended December 31, 2021 and 2020, there were no customers that individually represented 10% or more of consolidated revenue.

NOTE 9 - STOCKHOLDERS' EQUITY, EMPLOYEE BENEFIT PLANS AND SHARE-BASED COMPENSATION

Shelf Registration

In December 2020, we completed an underwritten public offering of 2,990 shares of our common stock at a public offering price of $7.25. We realized gross proceeds of $21,700 before deducting underwriting discounts and estimated offering expenses.

In March 2021, we filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission ("SEC") to provide access to additional capital, if needed. Pursuant to the shelf registration statement, we may from time to time offer to sell in one or more offerings shares of our common stock or other securities having an aggregate value of up to $150,000 (which includes $1,480 of unsold securities that were previously registered on other registration statements effective at the time of this filing of our current S-3). The shelf registration statement relating to these securities became effective on April 21, 2021. As of December 31, 2021, there is $150,000 remaining available under the shelf registration statement.

Also in March 2021, we filed an acquisition shelf registration statement on Form S-4 with the Securities and Exchange Commission ("SEC") to allow for us to issue securities in future business combinations, Pursuant to the acquisition shelf registration statement, we may from time to time issue up to 12,500 shares of our common stocks as consideration in future business combinations. The shelf registration statement relating to these securities became effective on April 21, 2021. As of December 31, 2021, there are 12,500 shares of common stock available for issuance under this acquisition shelf registration statement.

Share Repurchase Program

On March 10, 2020, our Board of Directors authorized a new stock repurchase plan, under which we may repurchase up to $5,000 of our outstanding common stock. This new stock repurchase program is in addition to the 364 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.

Stock and Stock Option Plans

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 will continue to govern any outstanding awards granted thereunder.

Employees and consultants of the Company, its subsidiaries and affiliates, as well as members of our board, are eligible to receive awards under the 2018 Plan. The 2018 Plan provides for the grant of stock options, including incentive stock options (“ISOs”) and nonqualified stock options (“NQSOs”), stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance bonus awards, performance stock unit awards, other stock or cash-based awards and dividend equivalents to eligible individuals. We generally grant stock options with exercise prices equal to the fair market value at the time of grant. The options generally vest over three to four years and are exercisable for a period of five to ten years beginning with the date of grant.

The number of shares available for issuance under the 2018 Plan is equal to the sum of (i) 2,350 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 1,958 options and RSUs granted and outstanding pursuant to the 2018 Plan as of December 31, 2021. Currently, the number of shares available for issuance under the 2018 Plan is equal to the sum of (i) 2,350 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 cancelled or otherwise terminate following the effective date of the 2018 Plan.

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 RSUs in exchange for the cancellation of options to purchase 468 shares that were tendered by employees who participated in the offer exchange program.

We use the Black-Scholes option valuation model to value employee stock awards. We estimate stock price volatility based upon our historical volatility. Estimated option life and forfeiture rate assumptions are derived from historical data. For stock-based compensation awards with graded vesting, we recognize compensation expense using the straight-line amortization method.

Total compensation expense recognized in the Consolidated Statements of Comprehensive Income (Loss) for stock based awards was $2,990 and $2,365 for 2021 and 2020, respectively.

The following table summarizes the weighted average assumptions used to develop their fair value for the years ending December 31:

	2021	2020
Grant date fair value	$ 3.63	$ 2.44
Risk-free interest rate	0.64 %	0.20 %
Expected volatility	61 %	55 %
Expected life	3.99 years	2.85 years
Dividend yield	—	—

As of December 31, 2021, we reserved shares of common stock for future issuance under the 2009 Plan and 2018 Plan as follows (in thousands):

Options and RSUs outstanding	2,110
Shares available for future grant	604
Shares reserved	2,714

The following table summarizes activity related to options during the year ended December 31, 2021:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	1,245	$ 7.89		
Granted	1,187	7.90		
Exercised	(61)	6.41		
Cancelled	(478)	7.19		
Outstanding, end of year	1,893	$ 8.03	3.49	$ 900
Vested and expected to vest	1,652	$ 8.06	3.36	$ 842
Exercisable	608	$ 8.70	2.06	$ 469

The total intrinsic value of options exercised during the years ended December 31, 2021 and 2020 was $110 and $205, respectively. As of December 31, 2021, total compensation cost not yet recognized related to nonvested share options was $3,771, which is expected to be recognized over a weighted average period of 2.29 years.

The following table summarizes activity related to RSUs during the year ended December 31, 2021 (in thousands, except for weighted average grant date fair value):

	Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of year	425	$ 5.94
Granted	118	8.16
Released	(176)	6.08
Forfeited	(150)	5.75
Outstanding, end of year	217	$ 7.17

The total fair value of RSUs vested during the years ended December 31, 2021 and 2020 was $1,507 and $528, respectively. As of December 31, 2021, total compensation cost net yet recognized related to nonvested RSUs was $1,485, which is expected to be recognized over a weighted average period of 1.78 years.

As of December 31, 2021, we had 604 shares available for grant pursuant to the 2018 Plan.

401(k) Savings Plan

We sponsor a defined contribution 401(k) plan that is available to substantially all employees. Our Board of Directors may amend or terminate the plan at any time. We provided matching contributions to the plan of $261 and $124 in December 31, 2021 and 2020, respectively.

Employee Stock Purchase Plan

Our Employee Stock Purchase Plan ("Purchase Plan") was approved by the shareholders in June 2017. The Purchase Plan allows all eligible employees to purchase a limited number of shares of our common stock during pre-specified offering periods at a discount established by the Board of Directors, not to exceed 15% of the fair market value of the common stock, at the beginning or end of the offering period (whichever is lower). Under the ESPP, 475 shares were reserved for issuance of which there remains 308 shares available for future issuance.

NOTE 10 - EMPLOYEE RETENTION TAX CREDIT

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law, providing numerous tax provisions and other stimulus measures, including the Employee Retention Tax Credit ("ERTC"): a refundable tax credit against certain employment taxes. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERTC. We qualified for the ERTC in the first three quarters of 2021. During the quarter ended September 30, 2021, we recorded an aggregate benefit of $10,533 in our Consolidated Statements of Comprehensive Income (Loss) to reflect the ERTC for the first three quarters in 2021. The receivable for the ERTC benefit as of December 31, 2021 is in Other current assets on our Consolidated Balance Sheets at December 31, 2021.

NOTE 11 - INCOME TAXES

The components of the provision (benefit) for income taxes attributable to continuing operations for the years ended December 31 are as follows (in thousands):

	2021	2020
Current		
State	$ 95	$ (214)
Foreign	—	(1)
Total current	$ 95	$ (215)
Deferred		
Federal	$ 292	$ 259
State	415	293
Total deferred	$ 707	$ 552
Gross tax provision	$ 802	$ 337

Our provision for income taxes attributable to continuing operations for the years ended December 31 differ from the expected tax expense (benefit) amount computed by applying the statutory federal income tax rate of 21% to income before income taxes as a result of the following:

	2021	2020
Computed at statutory rate	$ 846	$ (3,355)
State tax, net of federal benefit	(207)	(632)
PPP loan forgiveness	(1,817)	—
Permanent items and other	34	(379)
Credit carryforwards	(308)	(122)
Change in tax carryforwards not benefited	457	3,137
Change in valuation allowance	1,797	1,688
	$ 802	$ 337

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred taxes for the years ended December 31 are as follows (in thousands):

	2021	2020
Deferred tax assets		
Net operating leases	$ 11,522	$ 11,570
Research and development credit carryforwards	3,600	3,246
Disallowed interest expense carryforwards	5	54
Stock compensation	480	258
Deferred revenue	27	148
Accrued expenses	984	590
Lease liabilities	1,637	1,931
Other	2	303
Gross deferred tax assets	18,257	18,100
Less: Valuation allowance	(8,689)	(6,892)
Total deferred tax assets	$ 9,568	$ 11,208
Deferred tax liabilities		
Acquired intangibles	$ (4,075)	$ (5,930)
Fixed assets	(189)	(284)
Capitalized software	(1,835)	(1,524)
Deferred commissions	(1,218)	(1,000)
Right-of-use assets	(1,494)	(1,721)
Goodwill	(2,352)	(1,637)
Total deferred tax liabilities	$ (11,163)	$ (12,096)
Net deferred tax liabilities	$ (1,595)	$ (888)

At December 31, 2021, we had federal net operating loss carryforwards of $48,679, research and development credit carryforwards of $3,789. The net operating loss and research and development credit carryforwards will expire in varying amounts from 2022 through 2041, if not utilized. Approximately $17,781 of the net operating loss carryforwards carry forward indefinitely, but can only offset up to 80% of taxable income.

As a result of various acquisitions by us in prior years, we may be subject to a substantial annual limitation in the utilization of the net operating losses and credit carryforwards due to the “change in ownership” provisions of Section 382 of the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses before utilization.

Due to the uncertainty surrounding the timing of realizing the benefits of our favorable tax attributes in future tax returns, we have placed a valuation allowance against our net deferred tax assets, exclusive of jurisdictions in which we have net deferred tax liabilities. During the year ended December 31, 2021, the valuation allowance increased by $1,797 due primarily to operations.

Under ASC 740-10, Income Taxes, we periodically review the uncertainties and judgments related to the application of complex income tax regulations to determine income tax liabilities in several jurisdictions. We use a “more likely than not” criterion for recognizing an asset for unrecognized income tax benefits or a liability for uncertain tax positions. We have determined we have the following unrecognized assets or liabilities related to uncertain tax positions as of December 31, 2021. We do not anticipate any significant changes in such uncertainties and judgments during the next twelve months. To the extent we are required to recognize interest and penalties related to unrecognized tax liabilities, this amount will be recorded as an accrued liability. The reconciliation of our unrecognized tax benefits is as follows:

Balance at December 31, 2019	$	856
Reductions based on tax positions related to the current year		(232)
Additions for tax positions of prior years		19
Reductions for tax positions of prior years		(56)
Balance at December 31, 2020		587
Additions based on tax positions related to the current year		23
Additions for tax positions of prior years		4
Reductions for tax positions of prior years		—
Balance at December 31, 2021	$	614

As of December 31, 2021, we had $614 of unrecognized tax benefits, of which $15 would affect the effective tax rate if recognized. Our assessment of our unrecognized tax benefits is subject to change as a function of our financial statement audit.

Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. During the twelve months ended December 31, 2021, we recognized $0 of interest and penalties in our income tax expense.

We file tax returns in the U.S. federal jurisdiction and in several state jurisdictions. We are subject to U.S. federal income tax examinations for years ending on or after December 31, 2018 and are subject to state and local income tax examinations by tax authorities for years ending on or after December 31, 2017. We are not currently under audit for any federal or state jurisdictions.

NOTE 12 - NET EARNINGS (LOSS) PER SHARE

We compute net earnings (loss) per share based on the weighted average number of common shares outstanding for the period. Diluted net earnings (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 2,096 for the year ended December 31, 2021 and 1,713 shares for the year ended December 31, 2020 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 earnings (loss) per common share for the years ended December 31 (in thousands, except per share amounts):

	2021	2020
Basic:		
Net income (loss)	$ 3,193	$ (16,311)
Weighted-average shares of common stock outstanding	19,313	15,910
Basic earnings (loss) per share	$ 0.17	$ (1.03)
Diluted:		
Net income (loss)	$ 3,193	$ (16,311)
Weighted-average shares of common stock outstanding	19,509	15,910
Diluted earnings (loss) per share	$ 0.16	$ (1.03)

NOTE 13 - SUBSEQUENT EVENTS

On January 1, 2022, the Company acquired certain assets of a Reseller Partner, which were used to provide payroll processing services. The Partner is located in the northeastern United States. The aggregate purchase price that the Company paid for these assets was $2,350, paid as follows: (i) $1,939 in cash at closing and (ii) the delivery of a promissory note in the amount of $411.

On February 4, 2022, the Company signed a lease to relocate the corporate headquarters to an office in Austin, Texas, which relocation is expected to occur in the fourth quarter of 2022. The lease is included in Item 15 — Exhibits and Financial Statement Schedules as Exhibit 10.35.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DOCUMENTS

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures

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 effective as of December 31, 2021 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on our assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2021 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles.

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control Over Financial Reporting

Except for the remediation of the material weakness during the fourth quarter of 2021, there have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the fourth quarter of 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Except as set forth below, the information required under this Item is incorporated by reference to the information set forth in our definitive proxy statement for our 2021 annual meeting of shareholders under the headings “Item 1 – Election of Directors and Other Matters.”

Code of Ethics

The Company has adopted a code of ethics entitled “Code of Business Conduct and Ethics” that applies to directors, officers and employees. It may be accessed through the “Corporate Governance” section of the Company’s website at *investor.asuresoftware.com/corporate-governance*. Asure also elects to disclose the information required by Form 8-K, Item 5.05, “Amendments to the Registrant’s Code of Ethics, or Waiver of a Provision of the Code of Ethics,” through the Company’s website, and such information will remain available on this website for at least a twelve month period. A copy of the “Code of Business Conduct and Ethics” is available in print to any stockholder who requests it.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this Item is incorporated by reference to the information set forth in our definitive proxy statement for our 2021 annual meeting of shareholders under the headings “Executive Compensation,” “Equity Compensation Plan Information” and “Non-Employee Director Compensation Table.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required under this Item is incorporated by reference to the information set forth in our definitive proxy statement for our 2021 annual meeting of shareholders under the heading “Security Ownership of Certain Beneficial Owners and Management.”

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required under this Item is incorporated by reference to the information set forth in our definitive proxy statement for our 2021 annual meeting of shareholders under the heading “Approval of Transactions with Related Parties.”

ITEM 14. PRINCIPAL ACCOUNTANT AND SERVICES

The information required under this Item is incorporated by reference to the information set forth in our definitive proxy statement for our 2021 annual meeting of shareholders under the heading “Item 2 – Ratification of Independent Registered Public Accounting Firm.”

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this Annual Report on Form 10-K:

(1) Financial Statements:

The Financial Statements required by this item are submitted in Part II, Item 8 of this report.

(2) Financial Statement Schedules:

All schedules are omitted because they are not applicable or the required information is shown in the Financial Statements or in the notes thereto.

(3) Exhibits:

EXHIBIT NUMBER	DESCRIPTION
2.1	Asset Purchase Agreement among Asure Payroll Tax Management LLC, Payroll Tax Management, Inc., Financial Business Group Holdings, and Alden J. Blowers, dated as of July 1, 2020 (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed July 13, 2020).
2.2	Asset Purchase Agreement, among Evolution Payroll Processing LLC, USA Processing, Inc., Mary VanWyck-Fiannaca and Frank Fiannaca, dated as of September 30, 2021 (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522). filed October 6, 2021).
2.3	Asset Purchase Agreement, among Evolution Payroll Processing LLC, Paydata Payroll Systems, Inc., Summit Trahan Revocable Trust data 2/10/09, as amended and restated U/A/D 6/12/12, Michael J. Trahan, and and Michael J. Trahan, as Seller Representative, dated as of September 30, 2021 (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed October 6, 2021).
3.1	Restated Certificate of Incorporation (Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q (File No. 1-34522), filed May 11, 2017).
3.2	Certificate of Amendment to Certificate of Incorporation (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed June 2, 2020).
3.3	Third Amended and Restated Bylaws (Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q (File No. 1-34522), filed November 9, 2018).
3.4	Amendment to No. 1 to Third Amended and Restated Bylaws (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed April 6, 2020).
4.1	Specimen Certificate for the Common Stock (Previously filed as Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 1-34522), filed December 13, 2012).
4.2	Second Amended and Restated Rights Agreement, dated as of April 17, 2019 between Asure Software, Inc. and American Stock Transfer & Trust Company (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed April 19, 2019).
4.3	Letter Agreement from Patrick Goepel relating to forfeiture of option rights (Previously filed as an Exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed March 30, 2012).+
4.4	Stock Option Agreement for Patrick Goepel (Previously filed as an Exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed March 30, 2012).+
4.5	Intentionally omitted
4.6	Description of the Company's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.*
10.1	Intentionally omitted
10.2	Intentionally omitted
10.3	Intentionally omitted
10.4	Stock Purchase Agreement dated September 25, 2009 with Patrick Goepel (Previously filed as an Exhibit to the Company's Current Report on Form 8-K/A (File No. 1-34522), filed September 28, 2009).

EXHIBIT NUMBER	DESCRIPTION
10.5	Amended and Restated Employment Agreement dated July 2, 2011 with Patrick Goepel (Previously filed as an Exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed March 30, 2012).
10.6	Intentionally omitted
10.7	Intentionally omitted
10.8	Intentionally omitted
10.9	Intentionally omitted
10.10	Intentionally omitted
10.11	Intentionally omitted.
10.12	Intentionally omitted.
10.13	Intentionally omitted.
10.14	Intentionally omitted.
10.15	Intentionally omitted.
10.16	Intentionally omitted
10.17	Intentionally omitted
10.18	Intentionally omitted
10.19	Employee Stock Purchase Plan, as amended on May 27, 2020 (Previously incorporated to the Company's Proxy Statement (File No. 1-34522) for its Annual Meeting of Shareholders held on May 27, 2020).+
10.20	Intentionally omitted
10.21	Intentionally omitted
10.22	Intentionally omitted
10.23	Intentionally omitted
10.24	Intentionally omitted
10.25	Form of Indemnification Agreement (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed December 21, 2017).
10.26	Executive Change in Control Severance Plan (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed December 21, 2017).+
10.27	Intentionally omitted
10.28	Intentionally omitted
10.29	Asure Software, Inc. 2018 Incentive Award Plan, as amended on March 29, 2019 (Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q (File No. 1-34522), filed May 11, 2020).+
10.30	Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the 2018 Incentive Award Plan (Previously filed as an Exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed March 11, 2021).+
10.31	Form of Stock Option Grant Notice and Stock Option Agreement under the 2018 Incentive Award Plan (Previously filed as an Exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed March 11, 2021).+
10.32	Promissory Note, dated April 15, 2020, between Asure Software, Inc. and Pinnacle Bank (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed April 21, 2020).
10.33	Loan and Security Agreement, dated as of September 10, 2021, among Asure Software, Inc., and Structural Capital Investments III, LP, Ocean II PLO LLC as administrative and collateral agent and the other lenders that are or become parties thereto (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed September 16, 2021).

EXHIBIT NUMBER	DESCRIPTION
10.34	Secured Term Promissory Note, dated as of September 10, 2021, between Asure Software, Inc. and Ocean PLO LLC (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed September 16, 2021).
10.35	Lease between 405 Colorado Holdings LP and Asure Software Inc., dated February 4, 2022.*
21.1	Subsidiaries of the Company*
23.1	Consent of Marcum LLP*
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished, not filed)**
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished, not filed)**
101	The following materials from Asure Software, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Inline XBRL: (1) the Consolidated Balance Sheets, (2) the Consolidated Statements of Comprehensive Loss, (3) the Consolidated Statements of Changes in Stockholders' Equity, (4) the Consolidated Statements of Cash Flows, and (5) Notes to Consolidated Financial Statements (filed herewith).
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2021, formatted as Inline XBRL and contained in Exhibit 101 (filed herewith).

+ Indicates management contract or compensatory plan, contract or arrangement in which directors or executive officers participate.

* Filed herewith.

** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

ASURE SOFTWARE, INC.

Date: March 14, 2022

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

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signed	Title	Date
/s/ PATRICK GOEPEL Patrick Goepel	Chief Executive Officer, Chairman of the Board of Directors Principal Executive Officer	March 14, 2022
/s/ JOHN PENCE John Pence	Chief Financial Officer Principal Financial and Accounting Officer	March 14, 2022
/s/ DANIEL GILL Daniel Gill	Lead Independent Director	March 14, 2022
/s/ BENJAMIN ALLEN Benjamin Allen	Director	March 14, 2022
/s/ CARL DREW Carl Drew	Director	March 14, 2022
/s/ GRACE LEE Grace Lee	Director	March 14, 2022
/s/ BRADFORD OBERWAGER Bradford Oberwager	Director	March 14, 2022
/s/ BJORN REYNOLDS Bjorn Reynolds	Director	March 14, 2022

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Asure Software, Inc. ("Asure," "we" or "our") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): its common stock, par value $ 0.01 per share ("Common Stock"), currently listed on the Nasdaq Stock Market. In addition, holders of Common Stock have the right to purchase Series A Junior Participating Preferred Stock (the "Series A Stock"). The following is a summary of the material terms of the Common Stock and the Series A Stock. This summary is qualified in its entirety by reference to Asure's Restated Certificate of Incorporation (the "Charter") and Third Amended and Restated By-laws (the "By-laws"), which are incorporated herein by reference as Exhibit 3.1 and Exhibit 3.2, respectively, to Asure's Annual Report on Form 10-K of which this Exhibit 4.6 is a part. We encourage you to read the Charter, the By-laws and applicable provisions of the Delaware General Corporation Law (the "DGCL") for additional information.

General

Our authorized capital stock consists of 44,000,000 shares of Common Stock, $0.01 par value per share, and 1,500,000 shares of preferred stock, $0.01 par value per share.

Common Stock

Voting Rights

The holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and do not have cumulative voting rights.

Dividends

Subject to limitations under the DGCL and preferences that may be applicable to any then outstanding preferred stock, holders of Common Stock are entitled to receive ratably those dividends, if any, as may be declared by our board of directors out of legally available funds.

Liquidation

In the event of our liquidation, dissolution or winding up, the holders of Common Stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of or provision for all of our debts and other liabilities, subject to the prior rights of any preferred stock then outstanding.

Rights and Preferences

Holders of Common Stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking funds provisions applicable to the Common Stock.

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is American Stock Transfer & Trust Company.

Preferred Stock

We currently have authorized 1,500,000 shares of preferred stock, $0.01 par value per share. Of those shares, we have designated 350,000 shares of Series A Junior Participating Preferred Stock, none of which shares are outstanding. The balance of our preferred stock is undesignated.

Series A Junior Participating Preferred Stock and Related Rights

We previously declared a dividend per share of Common Stock of one right (a "Right") to purchase from us one one-thousandth of a share of Series A Stock at a price of $1.7465 per one thousandth of a share of Series A Stock, subject to adjustment (the "Exercise Price"). The Rights are not exercisable until the Distribution Date referred to below. Until the Rights are exercised, the Rights holders will not have rights as our stockholders, including, without limitation, the right to vote or to receive dividends. The description and terms of the Rights are described in the Second Amended and Restated Rights Agreement between American Stock Transfer & Trust Company LLC and us, dated as of April 17, 2019, which we have previously filed with the SEC. We qualify the following summary by reference to the Second Amended and Restated Rights Agreement.

The Second Amended and Restated Rights Agreement imposes a significant penalty upon any person or group that acquires 4.9% or more (but less than 50%) of our outstanding Common Stock without the prior approval of our board.

The Rights become exercisable, if at all, ten days after a public announcement by us that a person or group has become an Acquiring Person. Until that date (the "Distribution Date"), our Common Stock certificates will evidence the Rights and will contain a notation to that effect. Any transfer of shares of Common Stock prior to the Distribution Date will constitute a transfer of the associated Rights. If the Rights become exercisable, each Right will allow its holder to purchase from us one one-thousandth of a share of Series A Stock for a purchase price of $1.7465. Each fractional share of Series A Stock would give the stockholder approximately the same dividend, voting and liquidation rights as one share of Common Stock. After the Distribution Date, the Rights will separate from the Common Stock and be evidenced by a Rights certificate, which we will mail to all holders of the Rights that are not void.

In addition, if a person or group becomes an Acquiring Person after the Distribution Date or already is an Acquiring Person and acquires more shares after the Distribution Date, all holders of Rights, except the Acquiring Person, may exercise their rights to purchase a number of shares of Common Stock (in lieu of Series A Stock) with a market value of twice the Exercise Price, upon payment of the purchase price.

Although we issued the Rights in an attempt to preserve our net operating loss carryforwards for tax purposes (which we cannot assure), the Rights have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board. We do not expect that the Rights will interfere with any merger or other business combination approved by our board since we may redeem the Rights at the Redemption Price prior to the date ten days after the public announcement that a person or group has become the beneficial owner of 4.9% or more of the Common Stock. Further, we may exclude from the calculation of beneficial ownership any securities which a person or any of such person's affiliates may be deemed to have the right to acquire pursuant to any merger or other acquisition agreement between such person and us if our board has approved such agreement prior thereto.

The transfer agent and registrar for our Series A Stock is American Stock Transfer & Trust Company.

LEASE

THIS LEASE ("Lease") is entered into as of 2/4/22, between 405 COLORADO HOLDINGS LP, a Delaware limited partnership ("Landlord"), and ASURE SOFTWARE, INC., a Delaware corporation ("Tenant").

In consideration of the mutual covenants stated below, and intending to be legally bound, Landlord and Tenant covenant and agree as follows:

1. KEY DEFINED TERMS.

(a) "Abatement Period" means the period that begins on the Commencement Date and ends on the day immediately prior to the 3-month anniversary of the Commencement Date. Nothing contained herein may be deemed to diminish or relieve Tenant of its obligation to pay in accordance with the terms of this Lease all sums owed by Tenant to Landlord during the Abatement Period other than Fixed Rent.

(b) "Additional Rent" means all rents, costs, and expenses other than Fixed Rent that Tenant is obligated to pay Landlord pursuant to this Lease.

(c) "Broker" means Colliers International.

(d) "Building" means the building known as 405 Colorado located at 401-405 Colorado Street Austin, Texas, containing approximately 205,803 rentable square feet.

(e) "Business Hours" means the hours of 7:00 a.m. to 6:00 p.m. on weekdays, and 9:00 a.m. to 1:00 p.m. on Saturdays, excluding Building holidays.

(f) "Commencement Date" means the date that is the earliest of: (i) the date on which Tenant first conducts any business (other than standard installation of services, furniture, fixtures and equipment, which shall be allowed so long as Tenant does not materially interfere with the construction of the Premises) in all or any portion of the Premises; (ii) Substantial Completion (as defined in Exhibit C); or (iii) November 1, 2022.

(g) "Common Areas" means, to the extent applicable, the lobby, parking facilities, passenger elevators, rooftop terrace, fitness or health center, plaza and sidewalk areas, multi-tenanted floor restrooms, and other similar areas of unrestricted access at the Project or designated for the benefit of Building tenants, and the areas on multitenant floors in the Building devoted to corridors, elevator lobbies, and other similar facilities serving the Premises.

(h) "Expiration Date" means the last day of the Term, or such earlier date of termination of this Lease pursuant to the terms hereof.

(i) "Fixed Rent" means fixed rent in the amounts set forth below:

TIME PERIOD	FIXED RENT PER R.S.F.	ANNUALIZED FIXED RENT	MONTHLY INSTALLMENT
Commencement Date – end of Abatement Period	$0.00	$0.00	$0.00
Fixed Rent Start Date – end of Rent Period 1	$47.00	$442,317.00	$36,859.75
Rent Period 2	$48.29	$454,457.19	$37,871.43
Rent Period 3	$49.62	$466,973.82	$38,914.49
Rent Period 4	$50.98	$479,772.78	$39,981.07
Rent Period 5	$52.38	$492,948.18	$41,079.02
Rent Period 6	$53.82	$506,500.02	$42,208.34
Rent Period 7	$55.30	$520,428.30	$43,369.03
Rent Period 8 – end of Initial Term	$56.82	$534,733.02	$44,561.09

(j) "Fixed Rent Start Date" means the day immediately following the end of the Abatement Period.

(k) "Initial Term" means the period commencing on the Commencement Date, and ending at 11:59 p.m. on: (i) if the Commencement Date is the first day of a calendar month, the day immediately prior to the

87-month anniversary of the Commencement Date; or (ii) if the Commencement Date is not the first day of a calendar month, the last day of the calendar month containing the 87-month anniversary of the Commencement Date.

(l) "Laws" means federal, state, county, and local governmental and municipal laws, statutes, ordinances, rules, regulations, codes, decrees, orders, and other such requirements, and decisions by courts in cases where such decisions are considered binding precedents in the state or commonwealth in which the Premises are located ("State"), and decisions of federal courts applying the laws of the State, including without limitation Title III of the Americans with Disabilities Act of 1990, 42 U.S.C. §12181 et seq. as now in effect or hereafter amended and all rules and regulations issued thereunder.

(m) "Premises" means the space presently known as Suite 1800 in the Building, as shown on Exhibit A-1 attached hereto, which is deemed to contain 9,411 rentable square feet, and situated on the land described on Exhibit A-2 attached hereto.

(n) "Project" means the Building, together with the parcel of land upon which the Building is located, and all Common Areas.

(o) "Rent" means Fixed Rent and Additional Rent. Landlord may apply payments received from Tenant to any obligations of Tenant then due and owing without regard to any contrary Tenant instructions or requests. Additional Rent shall be paid by Tenant in the same manner as Fixed Rent, without setoff, deduction, or counterclaim.

(p) "Rent Period" means, with respect to the first Rent Period, the period that begins on the Fixed Rent Start Date and ends on the last day of the calendar month preceding the month in which the first anniversary of the Commencement Date occurs; thereafter each succeeding Rent Period shall commence on the day following the end of the preceding Rent Period, and shall extend for 12 consecutive months.

(q) "Security Deposit" means $232,357.59.

(r) "Tenant's NAICS Code" means Tenant's 6-digit North American Industry Classification number under the North American Industry Classification System as promulgated by the Executive Office of the President, Office of Management and Budget, which is 511210.

(s) "Term" means the Initial Term together with any extension of the term of this Lease agreed to by the parties in writing.

2. PREMISES. Landlord leases to Tenant, and Tenant leases from Landlord, the Premises for the Term subject to the terms and conditions of this Lease. Tenant accepts the Premises in their "AS IS", "WHERE IS", "WITH ALL FAULTS" condition. Upon full execution and delivery of this Lease, Landlord shall deliver possession of the Premises to Tenant for Tenant's completion of the Leasehold Improvements (as defined in and pursuant to Exhibit C).

3. TERM. The Term shall commence on the Commencement Date. The terms and provisions of this Lease are binding on the parties upon Tenant's and Landlord's execution of this Lease notwithstanding a later Commencement Date for the Term. The rentable area of the Premises and the Building on the Commencement Date shall be deemed to be as stated in Section 1. By the Confirmation of Lease Term substantially in the form of Exhibit B attached hereto ("COLT"), Landlord shall notify Tenant of the Commencement Date and all other matters stated therein. The COLT shall be conclusive and binding on Tenant as to all matters set forth therein unless, within 15 days following delivery of the COLT to Tenant, Tenant contests any of the matters contained therein by notifying Landlord in writing of Tenant's objections.

4. FIXED RENT; SECURITY DEPOSIT; LATE FEE.

(a) Tenant covenants and agrees to pay to Landlord during the Term, without notice, demand, setoff, deduction, or counterclaim, Fixed Rent in the amounts set forth in Section 1. The Monthly Installment of Fixed Rent shall be payable to Landlord in advance on or before the first day of each month of the Term. If the Fixed Rent Start Date is not the first day of a calendar month, then the Fixed Rent due for the partial month commencing on the Fixed Rent Start Date shall be prorated based on the number of days in such month. All Rent payments shall be made by electronic funds transfer as follows (or as otherwise directed in writing by Landlord to Tenant from time to time): (i) ACH debit of funds, provided Tenant shall first complete Landlord's then-current forms authorizing Landlord to automatically debit Tenant's bank account; or (ii) ACH credit of immediately available funds to an account designated by Landlord. "ACH" means Automated Clearing House network or similar

system designated by Landlord. All Rent payments shall include the Building number and the Lease number, which numbers will be provided to Tenant in the COLT.

(b) Contemporaneously with Tenant's execution and delivery of this Lease, Tenant shall: (i) pay to Landlord the monthly Fixed Rent and monthly amount of Estimated Operating Expenses for the first full calendar month of the Term after the Abatement Period; and (ii) deliver to Landlord the Security Deposit. No interest shall be paid to Tenant on the Security Deposit, and Landlord shall have the right to commingle the Security Deposit with other funds of Landlord. If Tenant fails to perform any of its obligations under this Lease, Landlord may use, apply or retain the whole or any part of the Security Deposit for the payment of: (A) any rent or other sums that Tenant has not paid when due; (B) any sum expended by Landlord in accordance with the provisions of this Lease; and/or (C) any sum that Landlord expends or is required to expend in connection with an Event of Default (as defined in Section 17). Landlord's use of the Security Deposit shall not prevent Landlord from exercising any other remedy available to Landlord under this Lease, at law or in equity and shall not operate as either liquidated damages or as a limitation on any recovery to which Landlord may otherwise be entitled. If any portion of the Security Deposit is used, applied, or retained by Landlord, Tenant shall, within 15 days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount, and if Tenant fails to do so an Event of Default shall be deemed to have occurred. Landlord shall return the Security Deposit or the balance thereof (as applicable) to Tenant within 1 month after the later of the Expiration Date, Tenant's surrender of possession of the Premises to Landlord in the condition required under this Lease, Tenant's payment of all outstanding Rent, and Landlord's receipt of written notice from Tenant of its forwarding address. Upon the return of the Security Deposit or the balance thereof (as applicable) to Tenant, Landlord shall be completely relieved of liability with respect to the Security Deposit. If the originally named Tenant has assigned this Lease, Landlord may return the Security Deposit or the balance thereof (as applicable) to the current Tenant unless Landlord receives reasonably satisfactory evidence of the originally named Tenant's right to receive the Security Deposit. If Landlord conveys ownership of the Building and Landlord delivers the Security Deposit to the transferee, Landlord shall thereupon be released from all liability for the return of such Security Deposit and Tenant shall look solely to the transferee for the return of the Security Deposit..

(c) If Landlord does not receive the full payment from Tenant of any Rent when due under this Lease (without regard to any notice and/or cure period to which Tenant might be entitled), Tenant shall also pay to Landlord as Additional Rent a late fee in the amount of 5% of such overdue amount. Notwithstanding the foregoing, upon Tenant's written request, Landlord shall waive the above-referenced late fee 2 times during any 12 consecutive months of the Term provided Tenant makes the required payment within 3 days after receipt of notice of such late payment. With respect to any Rent payment (whether it be by check, ACH/wire, or other method) that is returned unpaid for any reason, Landlord shall have the right to assess a fee to Tenant as Additional Rent, which fee is currently $40.00 per returned payment.

5. OPERATING EXPENSES.

(a) Certain Definitions.

(i) "Operating Expenses" means collectively Project Expenses and Taxes.

(ii) "Project Expenses" means all costs and expenses paid, incurred, or accrued by Landlord in connection with the maintenance, operation, repair, and replacement of the Project including, without limitation: a management fee not to exceed 3% of gross rents and revenues from the Project; all costs associated with the removal of snow and ice from the Project; property management office rent; conference room and fitness center costs; security measures; transportation program costs; carbon offset costs; costs to comply with Laws as they relate to or are part of then-current sustainability guidelines or mandates; all costs associated with janitorial services, trash and garbage removal, recycling, cleaning, and sanitizing the Building; Project Utility Costs (as defined in Section 6 below); capital expenditures, repairs, and replacements, but only to the extent of the amortized costs of such capital item over the useful life of the improvement as reasonably determined by Landlord or, if greater, the actual savings created by such capital item for each year of the Term; valet, concierge, and card-access parking system costs; all insurance premiums and deductibles paid or payable by Landlord with respect to the Project; and the cost of providing those services required to be furnished by Landlord under this Lease. Notwithstanding the foregoing, "Project Expenses" shall not include any of the following: (A) repairs or other work occasioned by fire, windstorm, or other insured casualty or by the exercise of the right of eminent domain to the extent Landlord actually receives insurance proceeds or condemnation awards therefor; (B) leasing commissions, accountants', consultants', auditors or attorneys' fees, costs and disbursements and other expenses incurred in connection with negotiations or disputes with other tenants or prospective tenants or other occupants, or associated with the enforcement of any other leases or the defense of Landlord's title to or interest in the real property or any part thereof; (C) costs incurred by Landlord in connection with the original construction of the Building and related facilities; (D) costs (including permit, license, and inspection fees) incurred in renovating or otherwise improving or decorating, painting, or redecorating leased space for other tenants or other occupants or vacant space; (E) interest

on debt or amortization payments on any mortgage or deeds of trust or any other borrowings and any ground rent; (F) any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord; (G) any fines or fees for Landlord's failure to comply with Laws; (H) legal, accounting, and other expenses related to Landlord's financing, refinancing, mortgaging, or selling the Building or the Project; (I) any increase in an insurance premium caused by the non-general office use, occupancy, or act of another tenant; (J) costs for sculpture, decorations, painting, or other objects of art in excess of amounts typically spent for such items in office buildings of comparable quality in the competitive area of the Building; (K) cost of any political, charitable, or civic contribution or donation; (L) reserves for repairs, maintenance, and replacements; (M) Taxes; (N) cost of utilities directly metered or submetered to Building tenants and paid separately by such tenants; (O) fines, interest, penalties, or liens arising by reason of Landlord's failure to pay any Project Expenses when due, except that Project Expenses shall include interest or similar charges if the collecting authority permits such Project Expenses to be paid in installments with interest thereon, such payments are not considered overdue by such authority and Landlord pays the Project Expenses in such installments; (P) costs and expenses associated with hazardous waste or hazardous substances not generated or brought to the Project by Tenant or its agents including but not limited to the cleanup of such hazardous waste or hazardous substances and the costs of any litigation (including, but not limited to reasonable attorneys' fees) arising out of the discovery of such hazardous waste or hazardous substances; (Q) the portion of any wages, salaries, fees, or fringe benefits paid to personnel above the level of regional property manager, not related directly to the operation, management, or repair of the Project; (R) costs of services provided to other tenants of the Building to which Tenant is not entitled (including, without limitation, costs specially billed to and paid by specific tenants); (S) all costs relating to activities for the solicitation and execution of leases of space in the Building, including legal fees, real estate brokers' commissions, expenses, fees, and advertising, moving expenses, design fees, rental concessions, rental credits, tenant improvement allowances, lease assumptions or any other cost and expenses incurred in the connection with the leasing of any space in the Building; (T) costs representing an amount paid to an affiliate of Landlord (exclusive of any management fee permitted under the Project Expense inclusions) to the extent in excess of market rates for comparable services if rendered by unrelated third parties; (U) costs arising from Landlord's default under this Lease or any other lease for space in the Building; (V) costs of selling the Project or any portion thereof or interest therein; (W) costs or expenses arising from the gross negligence or willful misconduct of Landlord or its agents or employees; (X) costs incurred to remedy, repair, or otherwise correct violations of Laws that exist on the Commencement Date; or (Y) ground rents or rentals payable by Landlord pursuant to any over-lease.

(iii) "Taxes" means all taxes, assessments, and other governmental charges, whether general or special, ordinary or extraordinary, foreseen or unforeseen, including without limitation business improvement district charges, improvement contributions paid to business improvement districts or similar organizations, gross receipts tax for the Building, and special assessments for public improvements or traffic districts, that are levied or assessed against, or with respect to the ownership of, all or any portion of the Project during the Term or, if levied or assessed prior to the Term, are properly allocable to the Term, business property operating license charges, and real estate tax appeal expenditures incurred by Landlord. "Taxes" shall not include: (i) any inheritance, estate, succession, transfer, gift, franchise, corporation, net income or profit tax or capital levy that is or may be imposed upon Landlord; or (ii) any transfer tax or recording charge resulting from a transfer of the Building or the Project; provided, however, if at any time during the Term the method of taxation prevailing at the commencement of the Term shall be altered such that in lieu of or as a substitute in whole or in part for any Taxes now levied, assessed, or imposed on real estate there shall be levied, assessed, or imposed: (A) a tax on the rents received from such real estate; or (B) a license fee measured by the rents receivable by Landlord from the Premises or any portion thereof; or (C) a tax or license fee imposed upon the Premises or any portion thereof, then the same shall be included in Taxes. Tenant may not file or participate in any Tax appeals for any tax lot in the Project. "Taxes" shall specifically include the "margin tax" imposed by Chapter 171 of the Texas Tax Code, as the same may be amended or modified from time to time, together with any binding rules or regulations promulgated from time to time by the Comptroller of the State of Texas or other governmental body in connection with Chapter 171 of the Texas Tax Code, and the parties acknowledge and agree that the "margin tax" is a tax in lieu of real property taxes. Further, "Taxes" shall not include any sales, use, use and occupancy, transaction privilege, or other excise tax that may at any time be levied or imposed upon Tenant, or measured by any amount payable by Tenant under this Lease, whether such tax exists on the date of this Lease or is adopted hereafter (collectively, "Other Taxes"). Tenant shall pay all Other Taxes monthly or otherwise when due, whether collected by Landlord or collected directly by the applicable governmental agency; if applicable Law requires Landlord to collect any Other Taxes, such Other Taxes shall be payable to Landlord as Additional Rent.

(iv) "Tenant's Share" means the rentable square footage of the Premises divided by the rentable square footage of the Building on the date of calculation, which on the date of this Lease is stipulated to be 4.57%.

(b) During the Term, Tenant shall pay to Landlord in advance on a monthly basis on or before the first day of each month of the Term, payable pursuant to Section 5(c) below, Tenant's Share of Operating Expenses. If the Building is operated as part of a complex of buildings or in conjunction with other buildings or

parcels of land, then Landlord may prorate the common expenses and costs with respect to each such building or parcel of land in such manner as Landlord, in its sole but reasonable judgment, shall determine. Landlord shall calculate Operating Expenses using generally accepted accounting principles, and may allocate certain categories of Operating Expenses to the applicable tenants on a commercially reasonable basis, for example based on the type of use.

(c) For each calendar year (or portion thereof) for which Tenant has an obligation to pay any Operating Expenses, Landlord shall send to Tenant a statement of the monthly amount of projected Operating Expenses due from Tenant for such calendar year ("Estimated Operating Expenses"), and Tenant shall pay to Landlord such monthly amount of Estimated Operating Expenses as provided in Section 5(b), in advance on a monthly basis on or before the first day of each month of the Term without further notice, demand, setoff, deduction, or counterclaim, until Tenant's receipt of the succeeding statement of Estimated Operating Expenses. As soon as administratively available after each calendar year, Landlord shall send to Tenant a reconciliation statement of the actual Operating Expenses for the prior calendar year ("Reconciliation Statement"). If the amount actually paid by Tenant as Estimated Operating Expenses exceeds the amount due per the Reconciliation Statement, Tenant shall receive a credit in an amount equal to the overpayment, which credit shall be applied towards future Rent until fully credited. If the credit exceeds the aggregate future Rent owed by Tenant, and there is no uncured default, Landlord shall pay the excess amount to Tenant within 30 days after delivery of the Reconciliation Statement. If Landlord has undercharged Tenant, then Landlord shall either send Tenant an invoice setting forth the additional amount due or indicate the amount due as part of the Reconciliation Statement, which amount shall be paid in full by Tenant within 30 days after receipt of such invoice.

(d) If, during the Term, less than 100% of the rentable area of the Building is or was occupied by tenants, Project Expenses shall be deemed for such year to be an amount equal to the costs that would have been incurred had the occupancy of the Building been at least 100% throughout such year, as reasonably determined by Landlord and taking into account that certain expenses fluctuate with the Building's occupancy level (for example, janitorial expenses) and certain expenses do not so fluctuate (for example, landscaping expenses). In addition, if Landlord is not obligated or otherwise does not offer to furnish an item or a service to a particular tenant or portion of the Building (for example, if a tenant separately contracts with an office cleaning firm to clean such tenant's premises) and the cost of such item or service would otherwise be included in Project Expenses, Landlord shall equitably adjust the Project Expenses so the cost of the item or service is shared only by tenants actually receiving such item or service. All payment calculations under this Section shall be prorated for any partial calendar years during the Term and all calculations shall be based upon Project Expenses as grossed-up in accordance with the terms of this Lease. Tenant's obligations under this Section shall survive the Expiration Date.

(e) If Landlord or any affiliate of Landlord has elected to qualify as a real estate investment trust ("REIT"), any service required or permitted to be performed by Landlord pursuant to this Lease, the charge or cost of which may be treated as impermissible tenant service income under the laws governing a REIT, may be performed by an independent contractor of Landlord, Landlord's property manager, or a taxable REIT subsidiary that is affiliated with either Landlord or Landlord's property manager (each, a "Service Provider"). If Tenant is subject to a charge under this Lease for any such service, then at Landlord's direction Tenant shall pay the charge for such service either to Landlord for further payment to the Service Provider or directly to the Service Provider and, in either case: (i) Landlord shall credit such payment against any charge for such service made by Landlord to Tenant under this Lease; and (ii) Tenant's payment of the Service Provider shall not relieve Landlord from any obligation under this Lease concerning the provisions of such services.

(f) Provided there is no outstanding default by Tenant under this Lease, Tenant shall have the right, at its sole cost and expense, to cause Landlord's records related to a Reconciliation Statement to be audited provided: (i) Tenant provides notice of its intent to audit such Reconciliation Statement within 2 months after receipt of the Reconciliation Statement; (ii) the audit is performed by a certified public accountant that has not been retained on a contingency basis or other basis where its compensation relates to the cost savings of Tenant; (iii) any such audit may not occur more frequently than once during each 12-month period of the Term, nor apply to any year prior to the year of the then-current Reconciliation Statement being reviewed; (iv) the audit is completed within 1 month after the date that Landlord makes all of the necessary and applicable records available to Tenant or Tenant's auditor; (v) the contents of Landlord's records shall be kept confidential by Tenant, its auditor, and its other professional advisors, other than as required by applicable Law, and if requested by Landlord, Tenant and its auditor shall execute Landlord's standard confidentiality agreement as a condition to Tenant's audit rights under this paragraph; and (vi) if Tenant's auditor determines that an overpayment is due Tenant, Tenant's auditor shall produce a detailed report addressed to both Landlord and Tenant, which report shall be delivered within 15 days after Tenant's auditor's completion of the audit. During completion of Tenant's audit, Tenant shall nonetheless timely pay all of Tenant's Share of Operating Expenses without setoff or deduction. If Tenant's audit report discloses any discrepancy, Landlord and Tenant shall use good faith efforts to resolve the dispute. If the parties are unable to reach agreement within 20 days after Landlord's receipt of the audit report, Tenant shall have the right to refer the matter to a mutually acceptable independent certified public accountant, who shall work in good faith with Landlord and

Tenant to resolve the discrepancy; provided if Tenant does not do so within 10 days after the expiration of such 20-day period, Landlord's calculations and the Reconciliation Statement at issue shall be deemed final and accepted by Tenant. The fees and costs of such independent accountant to which such dispute is referred shall be borne by the unsuccessful party and shall be shared pro rata to the extent each party is unsuccessful as determined by such independent certified public accountant, whose decision shall be final and binding. Within 30 days after resolution of the dispute, whether by agreement of the parties or a final decision of an independent accountant, Landlord shall pay or credit to Tenant, or Tenant shall pay to Landlord, as the case may be, all unpaid Operating Expenses due and owing.

6. UTILITIES.

(a) Commencing on the Commencement Date, and continuing throughout the Term, Tenant shall pay for utility services as follows without setoff, deduction, or counterclaim: (i) Tenant shall pay directly to the applicable utility service provider for any utilities that are separately metered (not submetered) to the Premises; (ii) Tenant shall pay Landlord for any utilities serving the Premises that are separately submetered based upon Tenant's submetered usage, as well as for any maintenance and replacement costs associated with such submeters; and (iii) Tenant shall pay Landlord for Tenant's Share of Project Utility Costs as part of Operating Expenses pursuant to Section 5. "Project Utility Costs" means the total cost for all utilities serving the Project, excluding the costs of utilities that are directly metered or submetered to Building tenants or paid separately by such tenants. Notwithstanding anything to the contrary in this Lease, Landlord shall have the right to install meters, submeters, or other energy-reducing systems in the Premises at any time to measure any or all utilities serving the Premises, the costs of which meters shall be included in Project Expenses. For those utilities set forth in subsection (ii) above, Landlord or its designated agent shall invoice Tenant for such utilities as Additional Rent, which shall be payable within 30 days after receipt of an invoice therefor. For those utilities set forth in subsection (iii) above, Landlord shall have the right to either invoice Tenant for such utilities as Additional Rent (payable within 30 days after receipt of an invoice therefor), or together with Project Expenses. Landlord shall have the right to estimate the utility charge, which estimated amount shall be payable to Landlord within 30 days after receipt of an invoice therefor and may be included along with the invoice for Project Expenses, provided Landlord shall be required to reconcile on an annual basis based on utility invoices received for such period. The cost of utilities payable by Tenant under this Section shall include all charges and surcharges, applicable taxes, and Landlord's then-current charges for reading the applicable meters, provided Landlord shall have the right to engage a third party to read the submeters, and Tenant shall reimburse Landlord for both the utilities used as evidenced by the meters plus the costs for reading the meters within 30 days after receipt of an invoice therefor. Tenant shall pay such rates as Landlord may establish from time to time, which shall not be in excess of any applicable rates chargeable by Law, or in excess of the general service rate or other such rate that would apply to Tenant's use if charged by the utility or municipality serving the Building or general area in which the Building is located. If Tenant fails to pay timely any direct-metered utility charges from the applicable utility provider, Landlord shall have the right but not the obligation to pay such charges on Tenant's behalf and bill Tenant for such costs, which amount shall be payable to Landlord as Additional Rent within 30 days after receipt of an invoice therefor. Tenant shall at all times comply with the rules, regulations, terms, policies, and conditions applicable to the service, equipment, wiring, and requirements of the utility supplying electricity to the Building.

(b) Upon receipt of Tenant's written request (no more than once per calendar year), Landlord shall provide Tenant with the whole building ENERGY STAR score if the Building is in a market where Landlord reports such information. For any separately metered utilities, Landlord is hereby authorized to request and obtain, on behalf of Tenant, Tenant's utility consumption data from the applicable utility provider for informational purposes and to enable Landlord to obtain full building Energy Star scoring for the Building. Landlord shall have the right to shut down the Building systems (including electricity and HVAC systems) for required maintenance, safety inspections, or any other commercially reasonable purpose, including without limitation in cases of emergency; provided Landlord shall endeavor to schedule any nonemergency shut downs outside Business Hours. Landlord shall not be liable for any interruption in providing any utility that Landlord is obligated to provide under this Lease, unless such interruption or delay: (i) renders the Premises or any material portion thereof untenantable for the normal conduct of Tenant's business at the Premises, and Tenant has ceased using such untenantable portion, provided Tenant shall first endeavor to use any generator that serves the Premises or of which Tenant has the beneficial use; (ii) results from Landlord's negligence or willful misconduct; and (iii) extends for a period longer than 7 consecutive days, in which case, Tenant's obligation to pay Fixed Rent shall be abated with respect to the untenantable portion of the Premises that Tenant has ceased using for the period beginning on the 8th consecutive day after such conditions are met and ending on the earlier of: (A) the date Tenant recommences using the Premises or the applicable portion thereof; or (B) the date on which the service(s) is substantially restored. The rental abatement described above shall be Tenant's sole remedy in the event of a utility interruption, and Tenant hereby waives any other rights against Landlord in connection therewith. Landlord shall have the right to change the utility providers to the Project at any time. In the event of a casualty or condemnation affecting the Building and/or the Premises, the terms of Sections 14 and 15, respectively, shall control over the provisions of this Section.

(c) If Landlord reasonably determines that: (i) Tenant exceeds the design conditions for the heating, ventilation, and air conditioning ("HVAC") system serving the Premises, introduces into the Premises equipment that overloads such system, or causes such system to not adequately perform its proper functions; or (ii) the heavy concentration of personnel, motors, machines, or equipment used in the Premises, including telephone and computer equipment, or any other condition in the Premises caused by Tenant (for example, more than one shift per day or 24-hour use of the Premises), adversely affects the temperature or humidity otherwise maintained by such system, then Landlord shall notify Tenant in writing and Tenant shall have 15 days to remedy the situation to Landlord's reasonable satisfaction or if such situation cannot be reasonably remedied within 15 days then such period of time as is required to remedy the situation. If Tenant fails to timely remedy the situation to Landlord's reasonable satisfaction, Landlord shall have the right to install one or more supplemental air conditioning units in the Premises with the cost thereof, including the cost of installation, operation and maintenance, being payable by Tenant to Landlord within 30 days after Landlord's written demand. Tenant shall not change or adjust any closed or sealed thermostat or other element of the HVAC system serving the Premises without Landlord's express prior written consent. Landlord may install and operate meters or any other reasonable system for monitoring or estimating any services or utilities used by Tenant in excess of those required to be provided by Landlord (including a system for Landlord's engineer reasonably to estimate any such excess usage). If such system indicates such excess services or utilities, Tenant shall pay Landlord's reasonable charges for installing and operating such system and any supplementary air conditioning, ventilation, heat, electrical, or other systems or equipment (or adjustments or modifications to the existing Building systems and equipment), and Landlord's reasonable charges for such amount of excess services or utilities used by Tenant. All Tenant's Supplemental HVAC (as defined in Section 11(a) below) shall be separately metered to the Premises at Tenant's cost, and Tenant shall be solely responsible for all electricity registered by, and the maintenance and replacement of, such meters. Landlord has no obligation to keep cool any of Tenant's information technology equipment that is placed together in one room, on a rack, or in any similar manner ("IT Equipment"), and Tenant waives any claim against Landlord in connection with Tenant's IT Equipment. Landlord shall have the option to require that the computer room and/or information technology closet in the Premises shall be separately submetered at Tenant's expense, and Tenant shall pay Landlord for all electricity registered in such submeter. Within 1 month after written request, Tenant shall provide to Landlord electrical load information reasonably requested by Landlord with respect to any computer room and/or information technology closet in the Premises.

7. LANDLORD SERVICES.

(a) Subject to Section 5 and Section 6, Landlord shall provide the following services to the Premises during the Term: (i) HVAC service in the respective seasons during Business Hours; provided HVAC service to the Premises on Saturdays will be provided only upon Tenant's prior request to Landlord received no later than noon on the preceding business day; (ii) electricity for lighting and standard office equipment for comparable buildings in the market in which the Project is located; (iii) water, sewer, and, to the extent applicable to the Building, gas, oil, and steam service; and (iv) cleaning services. Tenant, at Tenant's expense, shall make arrangements with the applicable utility companies and public bodies to provide, in Tenant's name, telephone, cable, and any other utility service not provided by Landlord that Tenant desires at the Premises.

(b) Landlord shall not be obligated to furnish any services, supplies, or utilities other than as set forth in this Lease; provided, however, upon Tenant's prior request sent in accordance with Section 25(p) below, Landlord may furnish additional services, supplies, or utilities, in which case Tenant shall pay to Landlord, within 30 days after written demand, Landlord's then-current charge for such additional services, supplies, or utilities, or Tenant's pro rata share thereof, if applicable, as reasonably determined by Landlord. Landlord's current rate for HVAC service outside of Business Hours requested with at least 24 hours' prior notice (or by noon for weekend service) is $45.00 per hour, per zone, with a 2-hour minimum if the service does not commence immediately following the end of a day's Business Hours.

8. USE; SIGNS; PARKING; COMMON AREAS.

(a) Tenant shall use the Premises for general office use (nonmedical) befitting a class A office building and storage incidental thereto, and for no other purpose ("Permitted Use"). Tenant's use of the Premises for the Permitted Use shall be subject to all applicable Laws, and to all reasonable requirements of the insurers of the Building. Tenant represents and warrants to Landlord, for informational purposes only, that Tenant's current NAICS Code is set forth in Section 1 hereof, provided the foregoing shall not be construed in any manner as a restriction on the Permitted Use.

(b) Landlord shall provide Tenant with Building-standard identification signage on any Building lobby directories and at the main entrance to the Premises, the costs of which shall be paid for by Landlord for the originally named Tenant, otherwise by Tenant as Additional Rent within 30 days after written demand. Tenant shall not place, erect, or maintain any signs at the Premises, the Building, or the Project that are visible from outside of the Premises.

(c) Subject to the Building rules and regulations, during the Term Tenant shall have the nonexclusive right in common with others to use the Common Areas for their intended purposes. During the Term, Tenant shall obtain at least the Minimum Permit Number (as defined below) of permits for parking of standard-size automobiles of Tenant and its employees within the parking facility serving and located within the Building: (i) if applicable, by entering from time to time into the parking operator's standard agreement covering the use of parking spaces in such facility; (ii) upon the terms and subject to the conditions set forth in such agreements; and (iii) subject to Tenant's monthly payment to such operator of its fee for the right to such parking spaces. The "Minimum Permit Number" means 2.7 for every 1,000 rentable square feet of space in the Premises. The initial monthly cost for parking is $235.00 per space for unreserved, and $350.00 per space for reserved; provided, however, the parking garage operator reserves the right to increase the fee from time to time on or after the 2-year anniversary of the Commencement Date, consistent with prevailing rates in such parking facility. To the extent not included in the fee (if any) charged for parking in the parking facility for the Building, Tenant shall be solely liable for all parking taxes (if any) imposed by the applicable governmental authority with respect to Tenant's parking spaces. Landlord shall operate (or shall cause its operator to operate) the parking facility for the Building in accordance with the standards applicable at parking facilities at first-class office buildings in the vicinity of the Building. All vehicles entering or parking in the parking areas shall do so at the owner's sole risk and Landlord assumes no responsibility for any damage, destruction, vandalism, or theft with respect to such vehicles. Provided there is no Event of Default, Tenant may, upon prior written notice to Landlord within 6 months after the Commencement Date, designate up to 10% of its Minimum Permit Number as reserved parking spaces in a location(s) agreed by Landlord and Tenant; provided, however, Landlord shall have no obligation to monitor or patrol such reserved parking spaces, and Tenant shall pay Landlord for any reasonable costs for the reserved parking signage within 30 days after receipt of an invoice therefor. Landlord shall have the option of relocating the reserved parking spaces from time to time by delivery of written notice to Tenant provided the relocated parking spaces are substantially as accessible to the Premises as the originally granted spaces. Both parties agree that Tenant may sublease or assign all rights to any parking provided pursuant to this Lease in conjunction with a sublease or assignment of the Premises.

(d) Landlord shall have the right in its sole discretion to, from time to time, construct, maintain, operate, repair, close, limit, take out of service, alter, change, and modify all or any part of the Common Areas. Landlord, Landlord's agents, approved contractors, and utility service providers shall have the right to install, relocate, use, and maintain ducts, pipes, wiring, and conduits in and through the Premises provided such use does not cause the usable area of the Premises to be reduced beyond a de minimis amount.

(e) Subject to Landlord's security measures and Force Majeure Events (as defined in Section 25(g)), during the Term Landlord shall provide Tenant with access to the Building and, if applicable, passenger elevator service for use in common with others for access to and from the Premises 24 hours per day, 7 days per week, except during emergencies. Landlord shall have the right to limit the number of elevators (if any) to be operated during repairs and during non-Business Hours and on weekends. If applicable, Landlord shall provide Tenant with first-come, first-served access to the freight elevator(s) of the Building from time to time following receipt of Tenant's prior request, and Tenant shall pay Landlord's then-current charge for use of such freight elevators.

9. TENANT'S ALTERATIONS.

(a) Tenant shall not, and shall not permit any Tenant Agent to, cut, drill into, or secure any fixture, apparatus, or equipment, or make alterations, improvements, or physical additions of any kind to any part of the Premises (collectively, "Alterations") without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld, conditioned, or delayed. If Landlord fails to respond to a request for consent to a proposed Alteration within 10 business days after Landlord's receipt of such request, the request shall be deemed denied. Notwithstanding the foregoing, if Landlord fails to respond within such 10 business-day period, Tenant may thereafter send to Landlord a second written requesting approval of the proposed Alteration, which request must set forth in bold and 14-point capitalized type on the first page thereof the following statement: "SECOND AND FINAL REQUEST—LANDLORD HAS 10 BUSINESS DAYS TO RESPOND PURSUANT TO SECTION 9" ("Second Alteration Request"). If Landlord then fails to respond to the Second Alteration Request within 10 business days after receipt thereof, Landlord shall be deemed to have elected to consent to the proposed Alteration, provided Tenant shall otherwise have complied with all provisions of this Lease relating to such Alterations. "Tenant Agent" means any agent, employee, subtenant, assignee, contractor, subcontractor, client, family member, licensee, customer, invitee, or guest of Tenant. All Alterations shall be completed in compliance with all applicable Laws, and Landlord's rules and regulations for construction, using new or comparable materials only, by a contractor reasonably approved in writing by Landlord, and on days and at times reasonably approved in writing by Landlord. Tenant shall mark and tag all wiring and cabling installed by it or on its behalf upon installation. Notwithstanding the foregoing, Landlord's consent shall not be required for any Alteration costing less than $50,000.00 and that: (i) is nonstructural; (ii) does not impact any of the Building systems, involve electrical or drywall work or locking hardware, require a building permit, materially affect the air quality in the Building, or

require Landlord to incur additional costs as a result thereof; and (iii) is not visible from outside of the Premises. Tenant shall cause all Alterations to comply with the 405 Colorado Green Building Requirements, a copy of which is attached hereto as Exhibit F.

(b) Throughout the performance of Alterations, Tenant shall carry, or cause any contractor, subcontractor, or design professional to carry, via written contract, workers' compensation insurance in statutory limits together with employer's liability insurance, commercial general liability insurance (including, but not limited to, coverage for ongoing and products-completed operations), automobile liability, and umbrella/excess liability insurance in like form and limits in accordance with the terms and conditions specified in Exhibit C-2, and such other insurance coverage and limits as Landlord may otherwise reasonably require, which may include, without limitation, reasonable amounts of professional liability insurance with respect to design professionals, as well as contractor's pollution liability with respect to contractors and subcontractors.

(c) Tenant shall provide Landlord with a release of liens from all contractors, subcontractors, and design professionals associated with all Alterations. Tenant shall be solely responsible for the installation and maintenance of its data, telecommunication, and security systems and wiring at the Premises, which shall be done in compliance with all applicable Laws, and Landlord's rules and regulations. Tenant shall be responsible for all elements of Alterations (including, without limitation, compliance with Laws, and functionality of the design), and Landlord's approval of any Alteration and the plans therefor shall in no event relieve Tenant of the responsibility for such design, or create responsibility or liability on Landlord's part for their completeness, design sufficiency, or compliance with Laws. With respect to all improvements and Alterations made after the date hereof, Tenant acknowledges that: (A) Tenant is not, under any circumstance, acting as the agent of Landlord; (B) Landlord did not cause or request such Alterations to be made; (C) Landlord has not ratified such work; and (D) Landlord did not authorize such Alterations within the meaning of applicable State statutes. Nothing in this Lease or in any consent to the making of Alterations or improvements shall be deemed or construed in any way as constituting a request by Landlord, express or implied, to any contractor, subcontractor, or supplier for the performance of any labor or the furnishing of any materials for the use or benefit of Landlord. For Alterations other than the Leasehold Improvements contemplated in Exhibit C of this Lease, Landlord shall be entitled to collect a construction management fee equal to 5% of the cost of the Alterations in connection with Landlord's services in the supervising and review of any Alteration. Tenant shall not overload any floor or part thereof in the Premises or the Building, including any public corridors or elevators, by bringing in, placing, storing, installing or removing any large or heavy articles, and Landlord may prohibit, or may direct and control the location and size of, safes and all other heavy articles, and may require, at Tenant's sole cost and expense, supplementary supports of such material and dimensions as Landlord may deem necessary to properly distribute the weight.

(d) During all construction activities at the Premises by or on behalf of Tenant, Tenant shall use commercially reasonable efforts to recycle at least 75% of all construction-related debris and to cause its contractors to document the disposal and recycling of construction debris; Tenant shall deliver such documentation when and as reasonably requested by Landlord from time to time. All equipment and appliances installed in the Premises by or on behalf of Tenant shall be high efficiency, Energy Star-rated (or equally efficient). Tenant shall deliver to Landlord, as requested from time to time, such documentation regarding the equipment and appliances installed in the Premises as Landlord shall reasonably request. Tenant shall endeavor to meet the lighting power density standards established by ASHRAE Standard 90.1-2010 (or the then-equivalent or then-current standard) with respect to all lighting installed in the Premises by or on behalf of Tenant including the use of high efficiency lighting equipment system, daylight measures, automatic dimmers and motion detection occupancy sensors, where and to the extent appropriate. Tenant shall, as feasible, incorporate into the Premises materials that have low or no volatile organic compounds (VOC's), and high recycled content that is regionally sourced and rapidly renewable and with respect to wood, sourced from responsibly managed forests; provided all paints, sealants, coatings, glues, adhesives, carpets, non-carpet finished floors, and composite materials used within the Premises shall meet low or no VOC/toxicity standards reasonably acceptable to Landlord or in compliance with best practices for class A office buildings.

10. ASSIGNMENT AND SUBLETTING.

(a) Except as expressly permitted pursuant to Section 10(c), neither Tenant nor Tenant's legal representatives or successors in interest by operation of law or otherwise, shall sell, assign, transfer, hypothecate, mortgage, encumber, grant concessions or licenses, sublet, or otherwise dispose of all or any interest in this Lease or the Premises, or permit any person or entity other than Tenant to occupy any portion of the Premises (each of the foregoing is a "Transfer" to a "Transferee"), without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed. Any Transfer undertaken without Landlord's prior written consent, (other than pursuant to Section 10(c)) shall constitute an Event of Default and shall, at Landlord's option, be void and/or terminate this Lease. For purposes of this Lease, a Transfer shall include, without limitation, any assignment by operation of law, and any merger, consolidation, or asset sale involving Tenant, any direct or indirect transfer of control of Tenant, and any transfer of a majority of the ownership interests in Tenant. Consent by

Landlord to any one Transfer shall be held to apply only to the specific Transfer authorized, and shall not be construed as a waiver of the duty of Tenant, or Tenant's legal representatives or assigns, to obtain from Landlord consent to any other or subsequent Transfers pursuant to the foregoing, or as modifying or limiting the rights of Landlord under the foregoing covenant by Tenant.

(b) Without limiting the bases upon which Landlord may reasonably withhold its consent to a proposed Transfer, it shall not be unreasonable for Landlord to withhold its consent if: (i) the proposed Transferee shall have a net worth that is not acceptable to Landlord in Landlord's reasonable discretion, taking into account the remaining obligations under this Lease and the fact that Tenant is not released (it being unreasonable to deny any proposed Transferee based solely on their net worth if its net worth is greater than the original Tenant's net worth); (ii) the proposed Transferee, in Landlord's reasonable opinion, is not reputable and of good character; (iii) the portion of the Premises requested to be subleased renders the balance of the Premises unleasable as a separate area; (iv) Tenant is proposing to Transfer to an existing tenant of the Building or to another prospect with whom Landlord is then negotiating within the Building and Landlord has comparable space available to lease in the Building; (v) the proposed Transferee is a governmental or quasi-governmental agency; or (vi) the nature of such Transferee's proposed business operation would or might reasonably violate the terms of this Lease or of any other lease for the Building (including any exclusivity provisions), or would, in Landlord's reasonable judgment, otherwise be incompatible with other tenancies in the Building.

(c) Notwithstanding anything to the contrary in this Lease, Tenant shall have the right without the prior consent of Landlord, but after at least 15 days' prior written notice to Landlord, to make a Transfer to any Affiliate (as defined below), or an entity into which Tenant merges or that acquires substantially all of the assets or stock of Tenant ("Surviving Entity"); provided: (i) Tenant delivers to Landlord the Transfer Information (as defined below); (ii) the Surviving Entity shall have a tangible net worth at least equal to the net worth of Tenant on the date of this Lease or otherwise reasonably acceptable to Landlord taking into account the fact that the originally named Tenant is not being released; (iii) the originally named Tenant shall not be released or discharged from any liability under this Lease by reason of such Transfer, and the Permitted Transferee shall assume in writing all of the obligations and liabilities of Tenant under this Lease; (iv) the use of the Premises shall not change, and the Permitted Transferee, in Landlord's reasonable opinion, shall be reputable and of good character befitting a class A office building; (v) such Transfer is for a good business purpose and not principally for the purpose of transferring the leasehold estate created by this Lease; and (vi) if the Transfer is to an Affiliate, such Transferee shall remain an Affiliate throughout the Term and if such Transferee shall cease being an Affiliate, Tenant shall notify Landlord in writing of such change and such Transfer shall be deemed an Event of Default if Landlord's consent thereto is not given in writing within 10 business days after such notification. A Transfer described in the prior sentence is referred to herein as a "Permitted Transfer" to a "Permitted Transferee". An "Affiliate" means a corporation, limited liability company, partnership, or other registered entity, 50% or more of whose equity interest is owned by the same persons or entities owning 50% or more of Tenant's equity interests, a subsidiary, or a parent corporation.

(d) If at any time during the Term Tenant desires to complete a Transfer, Tenant shall give written notice to Landlord of such desire together with the Transfer Information. If Landlord fails to respond to a request for consent to a proposed Transfer within 10 business days after Landlord's receipt of such request and all of the Transfer Information, the request shall be deemed denied. Notwithstanding the foregoing, if Landlord fails to respond within such 10 business-day period, Tenant may thereafter send to Landlord a second written request for approval of the proposed Transfer, which request must set forth in bold and 14-point capitalized type on the first page thereof the following statement: "SECOND AND FINAL REQUEST—LANDLORD HAS 10 BUSINESS DAYS TO RESPOND PURSUANT TO SECTION 10" ("Second Transfer Request"). If Landlord then fails to respond to the Second Transfer Request within 10 business days after receipt thereof, Landlord shall be deemed to have elected to consent to the proposed Transfer, but Landlord shall not be estopped by or deemed to have approved any specific terms of the Transfer (such as, for example, if the assignment document were to release Tenant from any further liability under this Lease or if the sublease provides for a sublease term extending beyond the term of this Lease). If: (i) Tenant desires to assign this Lease or to sublease the entire Premises other than pursuant to Section 10(c), Landlord shall have the right to accelerate the Expiration Date so that the Expiration Date shall be the date on which the proposed assignment or sublease would be effective; or (ii) Tenant desires to sublease less than the entire Premises other than to an Affiliate, Landlord shall have the right to accelerate the Expiration Date with respect to (that is, recapture) the portion of the Premises that Tenant proposes to sublease (and in each case, a pro rata portion of Tenant's parking rights shall also expire on such accelerated Expiration Date). If Landlord elects to accelerate the Expiration Date pursuant to this paragraph, Tenant shall have the right to rescind its request for Landlord's consent to the proposed assignment or sublease by giving written notice of such rescission to Landlord within 10 days after Tenant's receipt of Landlord's acceleration election notice. If Tenant does not so rescind its request: (A) Tenant shall deliver the Premises or the applicable portion thereof to Landlord in the same condition as Tenant is, by the terms of this Lease, required to deliver the Premises to Landlord upon the Expiration Date; and (B) Fixed Rent and Tenant's Share shall be reduced on a per rentable square foot basis for the area of the Premises that Tenant no longer leases. If Landlord elects to accelerate the Expiration Date for less than the entire Premises, the cost of erecting any demising walls, entrances, and entrance corridors, and any other improvements required in

connection therewith shall be performed by Landlord, with the cost thereof being divided evenly between Landlord and Tenant.

(e) The "Transfer Information" means the following information: (i) a copy of the fully executed assignment and assumption agreement, or sublease agreement, as applicable (with respect to a Permitted Transfer, such agreement to be delivered to Landlord within 10 business days after the transaction closes and with respect to all other Transfers, such agreement shall be provided in draft form and shall not be executed until Landlord's consent has been given); (ii) a copy of the then-current financials of the Transferee (either audited or certified by the chief financial officer of the Transferee); and (iii) such other reasonably requested information by Landlord needed to confirm or determine Tenant's compliance with the terms and conditions of this Section.

(f) Any sums or other economic consideration received by Tenant as a result of any Transfer (except rental or other payments received that are attributable to the amortization of the cost of leasehold improvements made to the transferred portion of the Premises by Tenant for the Transferee, and other reasonable expenses incident to the Transfer, including standard leasing commissions or rent abatement) whether denominated rentals under the sublease or otherwise, that exceed, in the aggregate, the total sums which Tenant is obligated to pay Landlord under this Lease (prorated to reflect obligations allocable to that portion of the Premises subject to such Transfer) shall, at Landlord's option, either be retained by Tenant or divided evenly between Landlord and Tenant, with Landlord's portion being payable to Landlord as Additional Rent without affecting or reducing any other obligation of Tenant hereunder.

(g) Regardless of Landlord's consent to a proposed Transfer but except as specifically set forth below, no Transfer shall release Tenant from Tenant's obligations or alter Tenant's primary liability to fully and timely pay all Rent when due from time to time under this Lease and to fully and timely perform all of Tenant's other obligations under this Lease, and the originally named Tenant and all assignees shall be jointly and severally liable for all Tenant obligations under this Lease. At the time of a requested Transfer, Tenant shall have the right to request that Landlord release Tenant from further liability under this Lease from and after the date of the Transfer, in which case Tenant shall provide Landlord with audited financials for the proposed Transferee. Notwithstanding anything to the contrary in this Lease, if such financials document that the proposed Transferee has a tangible net worth that is the same or greater than the tangible net worth of Tenant at the time of the requested Transfer, as determined by Landlord in its sole discretion, then the transferring Tenant shall be released from liability under this Lease from and after the date of the Transfer and the Transferee's assumption of such further liability hereunder. The acceptance of rental by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. The joint and several liability of the originally named Tenant and any immediate and remote successor in interest of Tenant (by assignment or otherwise), and the due performance of the obligation of this Lease on Tenant's part to be performed or observed, shall in no way be discharged, released, or impaired by any: (i) agreement that modifies any of the rights and obligations of the parties under this Lease; (ii) stipulation that extends the time within which an obligation under this Lease is to be performed; (iii) waiver of the performance of an obligation required under this Lease; or (iv) failure to enforce any of the obligations under this Lease. If a Transferee defaults in the performance of any of the terms of this Lease, Landlord may proceed directly against the originally named Tenant without the necessity of exhausting remedies against such Transferee, and may collect Rent from the Transferee and apply the net amount collected to the Rent herein reserved; but no such collection shall be deemed a waiver of the provisions of this Section, an acceptance of such Transferee as tenant hereunder or a release of Tenant from further performance of the covenants herein contained.

11. REPAIRS AND MAINTENANCE.

(a) Except with respect to Landlord Repairs (as defined below), Tenant, at Tenant's expense, shall keep and maintain the Premises in good order and condition. As used in this Lease, "maintain" shall include without limitation promptly making all repairs and any reasonably necessary replacements necessary to keep and maintain such in good order and condition. Tenant shall have the option of replacing lights, ballasts, tubes, ceiling tiles, outlets and similar equipment itself or advising Landlord of Tenant's desire to have Landlord make such repairs, in which case Tenant shall pay to Landlord for such repairs at Landlord's then-standard rate. To the extent that Tenant requests that Landlord make any other repairs that are Tenant's obligation to make under this Lease, Landlord may elect to make such repairs on Tenant's behalf, at Tenant's expense, and Tenant shall pay to Landlord such expense. If Tenant has been in default under this Lease, Landlord may elect to require that Tenant prepay the amount of such repair. All Tenant repairs shall comply with Laws and utilize materials and equipment that are at least equal in quality, number, and usefulness to those originally used in constructing the Building and the Premises. In addition, Tenant shall maintain, at Tenant's expense, Tenant's Supplemental HVAC, Premises Water Heaters, and/or Alterations in a clean and safe manner and in proper operating condition throughout the Term. "Tenant's Supplemental HVAC" means any supplemental HVAC system serving the Premises (regardless of who installed it). "Premises Water Heater" means any water heater serving the Premises (regardless of who installed it), including without limitation expansion tanks and any associated piping. Tenant shall maintain Tenant's Supplemental HVAC under a service contract with a firm and upon such terms as may be reasonably satisfactory to Landlord, including

inspection and maintenance on at least a semiannual basis, and provide Landlord with a copy thereof. Within 5 days after Landlord's request, Tenant shall provide Landlord with evidence that such contract is in place. Further, Tenant shall ensure that all Premises Water Heaters have a working automatic water shut-off device with audible alarm and a leak pan underneath with the drain line run to a suitable floor drain. All repairs to the Building and/or the Project made necessary by reason of the installation, maintenance, and operation of Tenant's Supplemental HVAC, Premises Water Heaters, and Alterations shall be Tenant's expense. In the event of an emergency, such as a burst waterline or act of God, Landlord shall have the right to make repairs for which Tenant is responsible hereunder (at Tenant's cost) without giving Tenant prior notice, but in such case Landlord shall provide notice to Tenant as soon as practicable thereafter, and Landlord shall take commercially reasonable steps to minimize the costs incurred. Further, Landlord shall have the right to make repairs for which Tenant is responsible hereunder (at Tenant's cost) with prior notice to Tenant if Landlord believes in its sole and absolute discretion that the repairs are necessary to prevent harm or damage to the Building, and Landlord shall take commercially reasonable steps to minimize the costs incurred.

(b) Landlord, at Landlord's expense (except to the extent such expenses are includable in Project Expenses), shall make all necessary repairs to: (i) the footings and foundations and the structural elements of the Building; (ii) the roof of the Building; (iii) the HVAC, plumbing, elevators (if any), electric, fire protection and fire alert systems within the Building core from the core to the point of connection for service to the Premises, but specifically excluding Tenant's Supplemental HVAC, Premises Water Heaters, and Alterations; (iv) the Building exterior; and (v) the Common Areas (collectively, "Landlord Repairs"). Any provision of this Lease to the contrary notwithstanding, any repairs to the Project or any portion thereof made necessary by the negligent or willful act or omission of, or default under this Lease by, Tenant or any Tenant Agent shall be made at Tenant's expense, subject to the waivers set forth in Section 12(g).

(c) With respect to each party's respective repair and maintenance obligations as set forth in this Section 11, each party shall employ a low-environmental impact sustainable cleaning and maintenance program that complies with sustainability guidelines reasonably acceptable to Landlord or in compliance with best practices for class A office buildings, including the use of sustainable cleaning chemicals and the use of non-disposable or recyclable janitorial paper products and trash bags when price, quality, and availability are comparable to conventional products. Landlord shall have the right but not the obligation to alter, replace, or improve the Premises and/or the Building (and/or any components thereof) to reduce Operating Expenses, energy, water consumption, and/or greenhouse gas emissions, improve operational efficiency and sustainability, and/or obtain or maintain certification under any sustainability guidelines. The cost of any such alterations, replacements, or improvements shall be included in Operating Expenses to the extent permitted under this Lease.

(d) The parties agree it is in their mutual best interest that the Building and Premises be operated and maintained in a manner that is environmentally responsible, fiscally prudent, and provides a safe and productive work environment. Accordingly, Tenant shall use commercially reasonable efforts to conduct its operations in the Building and within the Premises to: (1) minimize to the extent reasonably feasible: (i) direct and indirect energy consumption and greenhouse gas emissions; (ii) water consumption; (iii) the amount of material entering the waste stream; and (iv) negative impacts upon the indoor air quality of the Building; and (2) permit the Building to maintain its LEED rating and an Energy Star label, to the extent applicable. Landlord shall use commercially reasonable efforts to operate and maintain the Common Areas of the Building to: (1) minimize to the extent reasonably feasible: (i) direct and indirect energy consumption and greenhouse gas emissions; (ii) water consumption; (iii) the amount of material entering the waste stream; and (iv) negative impacts upon the indoor air quality of the Building; and (2) permit the Building to maintain its LEED rating and an Energy Star label, to the extent applicable, the costs of which shall be included in Project Expenses (except to the extent otherwise not permitted). Tenant acknowledges Landlord's intention to operate the Building so as to provide for: (A) a healthy indoor environment; (B) the reduced use of energy and the use of renewable energy; (C) the reduced use of water and the use of recycled water (where and when possible); (D) the facilitation of alternate transportation to the Building; (E) the use of non-toxic, low-impact cleaning, pest control, and other products used in the operation and maintenance of the Building and the Premises; and (F) the recycling of daily operational waste that results from the activities of tenants, licensees, and visitors to the Building. Tenant acknowledges that the Building has achieved or qualifies for certification or rating pursuant to the following Green Building Rating System: LEED, Austin Energy Certification, Energy Star and Fitwel (in process of being achieved), and that Landlord may operate, manage, and maintain the Building to obtain or retain a certification or rating thereunder or obtain and maintain other Green Building Rating System accreditations, ratings, or certifications as Landlord deems appropriate. At all times, Tenant shall comply with the 405 Colorado Green Building Requirements, a copy of which is attached hereto as Exhibit F.

12. INSURANCE; SUBROGATION RIGHTS.

(a) Tenant shall not violate, or permit the violation of, any condition imposed by any insurance policy then issued in respect of the Project and shall not do, or permit anything to be done, or keep or permit anything to be kept in the Premises, that would subject Landlord to any liability or responsibility for personal

injury or death or property damage, increase any insurance rate in respect of the Project over the rate that would otherwise then be in effect, result in insurance companies of good standing refusing to insure the Project in amounts reasonably satisfactory to Landlord, or result in the cancellation of, or the assertion of any defense by the insurer in whole or in part to claims under, any policy of insurance in respect of the Project. If, by reason of any failure of Tenant to comply with this Lease, the premiums on Landlord's insurance on the Project are higher than they otherwise would be, Tenant shall reimburse Landlord, on written demand, for that part of such premiums attributable to such failure on the part of Tenant.

(b) Tenant, at Tenant's expense, shall obtain and keep in full force and effect at all times as of the Commencement Date (or Tenant's earlier accessing of the Premises), all of the following insurance policies:

(i) commercial general liability insurance written on an ISO CG 00 01 occurrence policy form or its then-commercially available equivalent, including a Separation of Insureds clause, coverage for contractual liability covering Tenant's contractual obligations under this Lease as an insured contract, personal injury liability, host liquor liability, premises-operations and hazards thereto, as well as liability arising out of this Lease in respect of the Premises and the conduct or operation of business therein. The minimum limits of coverage shall be no less than $1,000,000 per occurrence and $2,000,000 general aggregate (applying per location) for bodily injury (including death and mental anguish) and property damage, $1,000,000 personal and advertising injury, and $2,000,000 products-completed operations (for which coverage shall be maintained continuously for a minimum period equal to the applicable statute of limitations or statute of repose, whichever is greater) or in such other amounts as Landlord may from time to time require.

(ii) business automobile liability insurance covering liability arising from any non-owned or hired auto, provided such non-owned and hired auto liability may be satisfied by endorsement to the commercial general liability policy) in an amount of no less than $1,000,000 combined single limit per accident for bodily injury and property damage.

(iii) workers' compensation in statutory limits together with employer's liability insurance in amounts of no less than $1,000,000 each accident, $1,000,000 disease policy limit, and $1,000,000 disease each employee.

(iv) umbrella/excess liability insurance on a follow form basis in amounts of no less than $5,000,000 per occurrence and $5,000,000 annual aggregate (applying per location) in excess of commercial general liability, employer's liability, and automobile liability insurance policies, concurrent to, and no more restrictive than such underlying insurance policies. Such policy shall be endorsed to provide that this insurance is primary to, and noncontributory with, any other insurance in which Landlord and any Additional Insured is an insured, whether such other insurance is primary, excess, self-insurance, or insurance on any other basis, which must cause the umbrella/excess coverage to be vertically exhausted, whereby such coverage is not subject to any "Other Insurance" provision under Tenant's umbrella/excess liability policy. The limits of liability may be satisfied by a combination of primary and excess liability insurance.

(v) property insurance written on an ISO CP 10 30-Cause of Loss-Special Form, commonly referred to as the "all risk" policy form, or its then-commercially available equivalent, including, but not limited to, coverage against sprinkler leakage and other damage due to water, fire, windstorm, cyclone, tornado, hail, earthquake, explosion, riot, civil commotion, aircraft, vehicle, smoke damage, vandalism, and malicious mischief insuring all present and future Tenant's Property leased by or in the care, custody, and control of Tenant and located in the Premises in an amount of no less than the full replacement cost thereof, with an agreed amount endorsement (waiving applicable co-insurance clause). "Tenant's Property" means Tenant's trade fixtures, furniture, equipment, personal property, signage, Specialty Alterations (as defined in Section 18(b)), and telephone, security, and communication equipment system wiring and cabling. Tenant shall not self-insure. Tenant shall neither have, nor make, any claim against Landlord, and Landlord shall not be responsible or liable to Tenant or those claiming by, through, or under Tenant, for any loss or damage resulting to Tenant or those claiming by, through, or under Tenant, or its or their property, including without limitation Tenant's Property, regardless of the cause of the loss or damage, including, without limitation, fire, explosion, falling plaster, steam, gas, air contaminants or emissions, electricity, electrical or electronic emanations or disturbance, water, rain, snow, or leaks from any part the Building or from the pipes, appliances, equipment, or plumbing works or from the roof or from any other place, nor shall Landlord be liable for any loss of or damage to property of Tenant, including without limitation Tenant's Property, or of others entrusted to employees of Landlord.

(vi) business interruption insurance covering loss due to the occurrence of the hazards required to be insured against by Tenant pursuant to this Lease, in an amount sufficient to cover Tenant's monetary obligations under this Lease for a period of at least 12 months.

(vii) boiler and machinery, if there is a boiler, supplemental air conditioning unit, or pressure object or similar equipment in the Premises. When applicable, this insurance coverage requirement may be satisfied through the all-risk coverage required in Section 12(b)(v).

(c) All insurance policies required of Tenant under this Lease, including ongoing and products-completed operations coverage but exclusive of workers' compensation, shall name: Landlord and Brandywine Realty Trust, and their members, partners, joint venturers, shareholders, officers, employees, agents, mortgagees, ground lessors, affiliates, and property managers, and their respective officers, members, partners, directors, shareholders, employees, and agents, together with their successors and assigns as their interest may appear, and any other applicable party whose name and address have been furnished to Tenant, each as an additional insured (collectively, "Additional Insureds"). All such coverages shall be primary and noncontributory, and any other insurance that may be available to Landlord and any Additional Insured will be excess and noncontributory. Each Additional Insured shall be afforded coverage as broad as if this Lease had expressly covered the claim against the Additional Insured, and for the greater of the minimum amount called for by this Lease or Tenant's actual policy limit.

(d) Prior to the Commencement Date (or Tenant's earlier accessing of the Premises), Tenant shall provide Landlord and/or Landlord's designated agent with certificates that evidence that all insurance coverages required under this Lease are in place for the policy periods. Tenant shall also furnish to Landlord and/or Landlord's designated agent throughout the Term replacement certificates no later than 10 days after the binding of new policies issued in connection with the expiration of the then-current policy or policies or, upon request by Landlord and/or Landlord's designated agent from time to time, sufficient information to evidence that the insurance required under this Section is in full force and effect. In addition, Tenant shall provide Landlord and/or Landlord's designated agent with at least 30 days' prior written notice of cancelation or material alteration all such policies. Tenant shall include a waiver of the insurer's right of subrogation against Landlord and Additional Insureds during the Term in each of Tenant's liability and workers' compensation policies. If Tenant fails to provide Landlord and/or Landlord's designated agent with a requested insurance certificate as required under this Lease within 30 days after receipt of Landlord's written request therefor or if later the date required under this Section 12(d), Tenant shall pay to Landlord a fee equal to $25.00 for each day that elapses after such 30-day period until Landlord and/or Landlord's designated agent receives the requested certificate. In no event will any acceptance of certificates of insurance by Landlord, or failure of Tenant to provide certificates of insurance as required hereunder, be construed as a waiver or limitation of Tenant's obligations to maintain insurance coverage pursuant to this Section 12. All insurance required under this Lease shall be issued by an insurance company that has been in business for at least 5 years, is authorized to do business in the State, and is rated "A-/X" or greater by A.M. Best's Insurance Reports or any successor publication of comparable standing. The limits of any such required insurance shall not in any way limit Tenant's liability under this Lease or otherwise. If Tenant fails to maintain such insurance, Landlord may, but shall not be required to, procure and maintain the same, at Tenant's expense, which expense shall be reimbursed by Tenant as Additional Rent within 30 days after written demand. The deductible or self-insured retention amount required under any insurance policy maintained by Tenant shall be the sole responsibility of Tenant and not exceed $50,000, unless otherwise approved by Landlord in writing.

(e) Tenant shall enter a written contract with its movers and other vendors that requires them to: (i) procure insurance appropriate to the applicable risk and satisfactory to Landlord; (ii) endorse its policies with the Additional Insureds as additional insureds (except workers compensation); and (iii) be primary and noncontributory to any insurance carried by an Additional Insured. However, in no event will the mover and other vendors carry insurance coverages and limits less than the following: (i) commercial general liability insurance - $1,000,000 per occurrence, $2,000,000 general aggregate, $2,000,000 products-completed operations; (ii) commercial auto liability insurance for all owned, non-owned, and hired autos in a limit of $1,000,000 per accident; and (iii) workers compensation insurance as required by statute. Tenant shall deliver to Landlord and/or Landlord's designated agent a certificate of insurance naming each Additional Insured as an additional insured, which policies shall be primary and any other insurance that may be available to Landlord and any Additional Insured will be excess and noncontributory.

(f) Landlord shall obtain and maintain, or cause to be obtained or maintained, the following insurance during the Term: (i) replacement cost insurance including "all risk" property insurance on the Building, including without limitation leasehold improvements (exclusive of Tenant's Property); (ii) commercial general liability insurance (including bodily injury and property damage) covering Landlord's operations at the Project in amounts reasonably required by Landlord or any Mortgagee (as defined in Section 16); and (iii) such other insurance as reasonably required by Landlord or any Mortgagee.

(g) Landlord and Tenant shall each include in each of its property insurance policies (as required above) a waiver of the insurer's right of subrogation against the other party during the Term (and any period of Tenant's access to the Premises prior to the Commencement Date), and consent to a waiver of right of recovery pursuant to the terms of this paragraph. Both Landlord and Tenant agree to promptly give each insurance

company which has issued to it policies of insurance written notice of the terms of such mutual waivers and to cause such insurance policies to be properly endorsed, if necessary, to prevent the invalidation thereof by reason of such waivers. Notwithstanding anything to the contrary in this Lease: (i) each party hereby waives, releases, and agrees not to make any claim against or seek to recover from, the other party with respect to any claim (including a claim for negligence) that such party might otherwise have against the other party for loss, damage, or destruction with respect to its property occurring during the Term (or any period of Tenant's access to or occupancy of the Premises prior to the Commencement Date or after the Surrender Date) to the extent to which such party is, or is required to be, insured under a policy or policies containing a waiver of subrogation or permission to release liability; and (ii) all waivers of subrogation and rights of recovery required hereunder shall also apply to each of the waiving party's insurance policies' deductible(s)/self-insured retention(s). Nothing contained in this Section 12(g) shall be deemed to relieve either party of any duty imposed elsewhere in this Lease to repair, restore, or rebuild, or nullify any abatement of rents provided for elsewhere in this Lease.

13. INDEMNIFICATION.

(a) Except to the extent the release of liability and waiver of subrogation provided in Section 12 above applies, Tenant shall defend, indemnify, and hold harmless Landlord, Landlord's property manager, Brandywine Realty Trust, and each of their respective direct and indirect directors, officers, members, partners, managers, trustees, employees, and agents (collectively, "Landlord Indemnitees") from and against any and all third-party claims, actions, damages, liabilities, and expenses (including all reasonable costs and expenses (including reasonable attorneys' fees)) to the extent arising out of or from or related to: (i) any breach or default of any of Tenant's obligations under this Lease; (ii) any negligence or willful act or omission of Tenant, any Tenant Indemnitees (as defined below), or any Tenant Agent; and (iii) except to the extent arising from Landlord's negligence or willful misconduct, any acts or omissions occurring at, or the condition, use, or operation of, the Premises, including without limitation completion of the Leasehold Improvements. If Tenant fails to promptly defend a Landlord Indemnitee following written demand by the Landlord Indemnitee, the Landlord Indemnitee shall defend the same at Tenant's expense, by retaining or employing counsel reasonably satisfactory to such Landlord Indemnitee.

(b) Except to the extent the release of liability and waiver of subrogation provided in Section 12 above applies, Landlord shall defend, indemnify, and hold harmless Tenant and each of Tenant's directors, officers, members, partners, trustees, employees, and agents (collectively, "Tenant Indemnitees") from and against any and all third-party claims, actions, damages, liabilities, and expenses (including all reasonable costs and expenses (including reasonable attorneys' fees)) to the extent arising out of or from or related to: (i) any breach or default of any of Landlord's obligations under this Lease; and (ii) any negligence or willful misconduct of Landlord or any Landlord Indemnitees. If Landlord fails to promptly defend a Tenant Indemnitee following written demand by the Tenant Indemnitee, the Tenant Indemnitee shall defend the same at Landlord's expense, by retaining or employing counsel reasonably satisfactory to such Tenant Indemnitee.

(c) Landlord's and Tenant's obligations under this Section shall not be limited by the amount or types of insurance maintained or required to be maintained under this Lease. The provisions of this Section shall survive the Expiration Date.

14. CASUALTY DAMAGE. If there occurs any casualty to the Project and: (i) insurance proceeds are unavailable to Landlord or are insufficient to restore the Project to substantially its pre-casualty condition; (ii) zoning or other applicable Laws do not permit repair and restoration; or (iii) more than 30% of the total area of the Building is damaged, Landlord shall have the right to terminate this Lease and all the unaccrued obligations of the parties hereto, by sending written notice of such termination to Tenant within 60 days after such casualty. Such notice shall specify a termination date not fewer than 30 nor more than 90 days after such notice is given to Tenant. If there occurs any casualty to the Premises and: (i) in Landlord's reasonable judgment, the repair and restoration work would require more than 210 consecutive days to complete after the casualty (assuming normal work crews not engaged in overtime); or (ii) the casualty occurs during the last 12 months of the Term, Landlord and Tenant shall each have the right to terminate this Lease and all the unaccrued obligations of the parties hereto, by sending written notice of such termination to the other party within 60 days after the date of such casualty. Such notice shall specify a termination date not fewer than 30 nor more than 90 days after such notice is given to the other party, but in no event shall the termination date be after the last day of the Term. Notwithstanding the foregoing, if the casualty was caused by the act or omission of Tenant or any Tenant Agent, Tenant shall have no right to terminate this Lease due to the casualty. If there occurs any casualty to the Premises and neither party terminates this Lease, then Landlord shall use commercially reasonable efforts to cause the damage to be repaired (exclusive of Tenant's Property) to a condition as nearly as practicable to that existing prior to the damage, with commercially reasonable speed and diligence, subject to delays that may arise by reason of adjustment of the loss under insurance policies, Laws, and Force Majeure Events, provided if such damage was caused by the act or omission of Tenant or any Tenant Agent, then Tenant shall pay Landlord the amount by which Landlord's cost to repair exceeds the insurance proceeds, if any, actually received by Landlord on account of such damage (or, if Landlord fails to maintain the

insurance required by Section 12, that Landlord would have received to the extent Landlord maintained such insurance required by Section 12). Landlord shall not be liable for any inconvenience or annoyance to Tenant or Tenant Indemnitees, injury to Tenant's business, or pain and suffering, resulting in any way from such damage or the repair thereof. Notwithstanding the foregoing, Tenant's obligation to pay Fixed Rent and Additional Rent shall be equitably adjusted or abated during the period (if any) during which Tenant is not reasonably able to use the Premises or an applicable portion thereof as a result of such casualty. Tenant shall have no right to terminate this Lease as a result of any damage or destruction of the Premises, except as expressly provided in this Section. The provisions of this Lease, including this Section, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, and any Law with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises.

15. CONDEMNATION. If a taking renders the Building reasonably unsuitable for the Permitted Use, this Lease shall, at either party's option exercised by written notice to the other within 30 days after such taking, terminate as of the date title to condemned real estate vests in the condemner, the Rent herein reserved shall be apportioned and paid in full by Tenant to Landlord to such date, all Rent prepaid for period beyond that date shall forthwith be repaid by Landlord to Tenant, and neither party shall thereafter have any liability for any unaccrued obligations hereunder; provided, however, a condition to the exercise by Tenant of such right to terminate shall be that the portion of the Premises taken shall be of such extent and nature as materially to handicap, impede, or impair Tenant's use of the balance of the Premises for its normal business operations. If this Lease is not terminated after a condemnation, then notwithstanding anything to the contrary in this Lease, Rent shall be equitably reduced in proportion to the area of the Premises that has been taken for the balance of the Term. Subject to the terms of this paragraph, all awards, damages, and other compensation paid on account of such condemnation shall belong to Landlord, and Tenant assigns to Landlord all rights to such awards, damages, and compensation. Tenant shall not make any claim against Landlord or such authority for any portion of such award, damages, or compensation attributable to damage to the Premises, value of the unexpired portion of the Term, loss of profits or goodwill, leasehold improvements, or severance damages. Nothing contained herein, however, shall prevent Tenant from pursuing a separate claim against the authority for relocation expenses, business dislocation damages, and for the value of furnishings, equipment, and trade fixtures installed in the Premises at Tenant's expense and which Tenant is entitled pursuant to this Lease to remove on the Surrender Date, but only to the extent such claim does not reduce or diminish the award, damages, or compensation otherwise payable to or recoverable by Landlord in connection with such condemnation.

16. SUBORDINATION; ESTOPPEL CERTIFICATE; GROUND LEASE.

(a) This Lease is and shall be subject and subordinate at all times to the lien, provisions, operation, and effect of any mortgages or deeds of trust ("Mortgage"), ground leases, or other security instruments now or hereafter placed upon the Premises, Building, and/or Project and land of which they are a part without the necessity of any further instrument or act on the part of Tenant to effectuate such subordination. Tenant further agrees to execute and deliver within 15 days after written demand such further instrument evidencing such subordination and attornment as shall be reasonably required by any Mortgagee. If Landlord shall be or is alleged to be in default of any of its obligations owing to Tenant under this Lease, Tenant shall give to the holder ("Mortgagee") of any Mortgage whose name and address has been furnished to Tenant, notice by overnight mail of any such default that Tenant shall have served upon Landlord. Tenant shall not be entitled to exercise any right or remedy as there may be because of any default by Landlord without having given such notice to the Mortgagee. If Landlord shall fail to cure such default, the Mortgagee shall have 45 additional days within which to cure such default or such longer period as may be reasonably necessary to complete the cure provided Mortgagee is proceeding diligently to cure such default. Notwithstanding the foregoing, any Mortgagee may at any time subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such Mortgage without regard to their respective dates of execution and delivery, and in that event the Mortgagee shall have the same rights with respect to this Lease as though it had been executed prior to the execution and delivery of the Mortgage.

(b) Tenant shall attorn to any foreclosing mortgagee, purchaser at a foreclosure sale or by power of sale, or purchaser by deed in lieu of foreclosure. If the holder of a superior mortgage shall succeed to the rights of Landlord, then at the request of such party so succeeding to Landlord's rights (herein sometimes called successor landlord) and upon such successor landlord's written agreement to accept Tenant's attornment, Tenant shall attorn to and recognize such successor landlord as Tenant's landlord under this Lease and shall promptly, without payment to Tenant of any consideration therefor, execute and deliver any instrument that such successor landlord may request to evidence such attornment. Tenant hereby irrevocably appoints Landlord or the successor landlord the attorney in fact of Tenant to execute and deliver such instrument on behalf of Tenant, should Tenant refuse or fail to do so promptly after request. Upon such attornment, this Lease shall continue in full force and effect as, or as if it were, a direct lease between the successor landlord and Tenant upon all of the terms, conditions, and

covenants as are set forth in this Lease and shall be applicable after such attornment, except that the successor landlord shall not be bound by any modification of this Lease not approved by the successor landlord, or by any previous prepayment of more than one month's rent, unless such modification or prepayment shall have been expressly approved in writing by the holder of the superior mortgage through or by reason of which the successor landlord shall have succeeded to the rights of Landlord. With respect to any assignment by Landlord of Landlord's interest in this Lease, or the rents payable hereunder, conditional in nature or otherwise, which assignment is made to any Mortgagee, Tenant agrees that the execution thereof by Landlord, and the acceptance thereof by the Mortgagee, shall never be deemed an assumption by such Mortgagee of any of the obligations of Landlord hereunder, unless such Mortgagee shall, by written notice sent to Tenant, specifically elect, or unless such Mortgagee shall foreclose the Mortgage and take possession of the Premises. Tenant, upon receipt of written notice from a Mortgagee that such Mortgagee is entitled to collect Rent hereunder may in good faith remit such Rent to Mortgagee without incurring liability to Landlord for the nonpayment of such Rent. The provisions for attornment set forth in this Section 16(b) shall be self-operative and shall not require the execution of any further instrument. However, if Landlord reasonably requests a further instrument confirming such attornment, Tenant shall execute and deliver such instrument within 10 days after receipt of such request.

(c) Tenant must at any time and from time to time, within 10 days after receipt of Landlord's written request, execute and deliver to Landlord an estoppel certificate certifying all reasonably requested information pertaining to this Lease.

(d) Reference is hereby made to the Ground Lease Agreement dated as of November 1, 2008 (as amended, "Ground Lease") between Ground Lessor and Landlord, as may be amended, pursuant to which Landlord ground leases the land under the Building from Ground Lessor. "Ground Lessor" means, collectively, and together with their successors and assigns, John Coleman Horton III; John Coleman Horton III, Trustee for The John Coleman Horton IV Exempt Trust and The John Coleman Horton IV Non-Exempt Trust; John Coleman Horton III, Trustee of The Perry McCray Horton Exempt Trust and The Perry McCray Horton Non-Exempt Trust; American Bank, N.A. and Susan Chiles Harris, Successor Co-Trustees of The Trust for The Benefit of Susan Chiles Harris created under Article 2-3 of the will of John H. Chiles, Jr., deceased; Ciera Bank and Ann Chiles Graham, Successor Co-Trustees of The Trust for The Benefit of Ann Chiles Graham created under Article 2-3 of the will of John H. Chiles, Jr., deceased, as may be assigned. Tenant acknowledges that Landlord is the ground lessee under the Ground Lease, and Tenant agrees that this Lease shall be subject and subordinate to the Ground Lease and the rights of Ground Lessor thereunder.

17. DEFAULT AND REMEDIES.

(a) An "Event of Default" shall be deemed to exist and Tenant shall be in default hereunder if: (i) Tenant fails to pay any Rent when due and such failure continues for more than 3 business days after Landlord has given Tenant written notice of such failure (such notice being in lieu of, and not in addition to, any applicable statutory notice); provided, however, in no event shall Landlord have any obligation to give Tenant more than 2 such notices in any 12-month period, after which there shall be an Event of Default if Tenant fails to pay any Rent when due, regardless of Tenant's receipt of notice of such nonpayment, and, provided further, there shall be an automatic Event of Default if Tenant fails to pay any Rent when due and an automatic stay of bankruptcy precludes issuance of a default notice; (ii) Tenant fails to bond over a mechanic's or materialmen's lien within 15 days after Landlord's written demand; (iii) there is any assignment or subletting (regardless of whether the same might be void under this Lease) in violation of the terms of this Lease; (iv) the occurrence of any default beyond any applicable notice and/or cure period under any guaranty executed in connection with this Lease; (v) Tenant fails to deliver any Landlord-requested estoppel certificate or subordination agreement within 10 business days after receipt of written notice that such document was not received within the time period required under this Lease; (vi) Tenant ceases to use the Premises for the Permitted Use or removes substantially all of its furniture, equipment, and personal property from the Premises (other than in the case of a permitted subletting or assignment); (vii) there is a filing of a voluntary petition for relief by Tenant or any guarantor of this Lease, or the filing of a petition against Tenant or any guarantor of this Lease in a proceeding under the federal bankruptcy or other insolvency laws that is not withdrawn or dismissed within 45 days thereafter, or Tenant's rejection of this Lease after such a filing, or, under the provisions of any law providing for reorganization or winding up of corporations, the assumption by any court of competent jurisdiction of jurisdiction, custody, or control of Tenant or any substantial part of its property, or of any guarantor of this Lease, where such jurisdiction, custody, or control remains in force, unrelinquished, unstayed, or unterminated for a period of 45 days, or the death or ceasing of existence of Tenant or any guarantor of this Lease, or the commencement of steps or proceedings toward the dissolution, winding up, or other termination of the existence of Tenant or any guarantor of this Lease, or toward the liquidation of either of their respective assets, or the evidence of the inability of Tenant or any guarantor of this Lease to pay its debts as they come due, including without limitation an admission in writing of its inability to pay its debts when due, or any judgment docketed against any guarantor of this Lease which is not paid, bonded, or otherwise discharged within 45 days; or (viii) Tenant fails to observe or perform any of Tenant's other agreements or obligations under this Lease and such failure continues for more than 30 days after Landlord gives Tenant written notice of such failure, or the expiration of such

additional time period as is reasonably necessary to cure such failure (not to exceed an additional 60 days), provided Tenant immediately commences and thereafter proceeds with all due diligence and in good faith to cure such failure.

(b) Upon the occurrence of an Event of Default, Landlord, in addition to the other rights or remedies it may have under this Lease, at law, or in equity, and without prejudice to any of the same, shall have the option, without any notice to Tenant and with or without judicial process, to pursue any one or more of the following remedies:

(i) Landlord shall have the right to terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and Tenant shall pay Landlord upon written demand for all losses and damages that Landlord suffers or incurs by reason of such termination, including damages in an amount equal to the total of: (A) the direct out-of-pocket costs incurred by Landlord of repossessing the Premises and all other out-of-pocket expenses directly incurred by Landlord in connection with Tenant's default; (B) the unpaid Rent earned as of the date of termination; (C) all Rent for the period that would otherwise have constituted the remainder of the Term, discounted to present value at a rate of 2.75% per annum; and (D) all other sums of money and damages owing by Tenant to Landlord.

(ii) Landlord shall have the right to terminate Tenant's right of possession (but not this Lease) and may repossess the Premises by forcible detainer or forcible entry and detainer suit or otherwise, without demand or notice of any kind to Tenant and without terminating this Lease. If Tenant receives written notice of a termination of its right to possession, such notice will serve as both a notice to vacate, notice to pay or quit, and a demand for possession of, the Premises, and Landlord may immediately thereafter initiate a forcible detainer action without any further demand or notice of any kind to Tenant.

(iii) Landlord shall have the right to enter and take possession of all or any portion of the Premises without electing to terminate this Lease, in which case Landlord shall have the right to relet all, or any portion of the Premises on such terms as Landlord deems advisable. Landlord will not be required to incur any expenses to relet all or any portion of the Premises, although Landlord may at its option incur customary leasing commissions or other costs for the account of Tenant as Landlord shall deem necessary or appropriate to relet. In no event will the failure of Landlord to relet all or any portion of the Premises reduce Tenant's liability for Rent or damages; provided, however, neither the foregoing nor anything else contained in this Section shall relieve Landlord from any obligation under Texas law to mitigate the damages of Landlord arising as a result of an Event of Default by Tenant under this Lease and shall not be construed in any way as a provision or provisions which purports/purport to waive a right of Tenant to require that Landlord mitigate, or to exempt Landlord from a duty to mitigate (or from liability for its failure to satisfy such duty), Landlord's damages arising due to an Event of Default by Tenant under this Lease. Landlord must have full possession of all of the Premises before any duty to mitigate damages will arise, and Landlord shall be conclusively deemed not to be in full possession of all of the Premises if any litigation or other proceeding is pending in which Tenant is asserting a right to regain possession of the Premises and/or disputing Landlord's right to possession of the Premises. To satisfy Landlord's obligation under Texas law to mitigate its damages following an Event of Default by Tenant under this Lease, Landlord must only retain a real estate broker (such broker can be the same as the broker that is leasing the other space in the Building and/or Project which is available for rent) to market the Premises and acknowledge through such broker that all portions of the Premises are available for lease, and such retention shall constitute prima facie evidence of reasonable efforts on the part of Landlord to relet the Premises; provided, however, in no event shall Landlord be obligated to: (i) relet to an affiliate of Tenant or any party not reasonably acceptable to any mortgagee or lessor of Landlord; (ii) relet all or any portion(s) of the Premises for less than the then fair market value of such Premises as determined by Landlord; or (iii) relet all or any portion(s) of the Premises unless there is/are no other comparable space/spaces available for lease at the Project or any other property owned by Landlord or an affiliate of Landlord within a 2-mile radius of the Project. Additionally, with respect to provisions of the laws of Texas that require that Landlord use reasonable efforts to relet the Premises and mitigate its damages following an Event of Default, the following shall apply in determining whether efforts by Landlord to relet are reasonable: (1) Landlord may elect to lease other comparable, available space at the Project, if any, before reletting all or any portion of the Premises; (2) Landlord may elect to consent to the assignment or sublease by an existing tenant of the Project before reletting all or any portion of the Premises; (3) Landlord may decline to relet all or any portion of the Premises to a prospective tenant if the nature of such prospective tenant's business is not consistent with the tenant mix of the Project or with any other tenant leases that contain provisions prohibiting Landlord from leasing space at the Project for certain uses, or if the nature of such prospective tenant's business may have an adverse impact on the manner in which the Project is operated or upon the reputation of the Project even though in each of such circumstances such prospective tenant may have a good credit rating; and (4) before reletting all or any portion of the Premises to a prospective tenant, Landlord may require that such prospective tenant demonstrate the same financial capacity that Landlord would require as a condition to leasing other space at the Project to a prospective tenant. Without causing a surrender or forfeiture or termination of this Lease after the occurrence and during the continuance of an Event of Default, Landlord may: (A) relet all or any portion of the Premises for a term or terms to expire at the same time as, earlier than, or subsequent to, the expiration of the Term; (B) remodel or change the use and character of all or any portion of the Premises; and

(C) grant rent concessions in reletting all or any portion of the Premises, if necessary in Landlord's judgment, without reducing Tenant's obligation for Rent specified in this Lease. The rent earned from reletting all or any portion of the Premises shall be applied first, to the payment of any indebtedness other than Rent due from Tenant to Landlord, second, to the payment of any cost of such reletting including, without limitation, refurbishing costs and leasing commissions, and third, to the payment of Rent due and unpaid under this Lease. If the rent earned from reletting all or any portion of the Premises, after payment of such indebtedness and/or reletting costs, is insufficient to satisfy the payment when due of Rent reserved under this Lease for any monthly period, then Tenant shall pay to Landlord upon demand the amount of such deficiency. If such rent, after payment of such indebtedness and/or reletting costs, is greater than the Rent reserved under this Lease, Landlord may retain such excess. Reletting of the Premises after the occurrence of an Event of Default shall not be construed as an election to terminate this Lease and, notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease. Notwithstanding anything to the contrary in this Section, provided Landlord has not terminated this Lease with respect to the space relet to a substitute tenant, upon the default by any substitute tenant or upon the expiration or any earlier termination of such substitute tenant's lease term before the expiration of the Term, Landlord may, at Landlord's sole election, either relet to still another substitute tenant or otherwise exercise its rights under this Section.

(iv) Landlord shall have the right to enter upon and take custodial possession of all or any portion of the Premises, lock out or remove Tenant and any other person occupying all or any portion of the Premises, and alter the locks and other security devices at the Premises, all without demand or notice of any kind to Tenant and without Landlord being deemed guilty of trespass or becoming liable for any resulting loss or damage and without causing a termination or forfeiture of this Lease or of Tenant's obligation to pay Rent. If Landlord changes the lock(s) to door(s) into the Premises and Tenant is then delinquent in the payment of Rent due hereunder, a new key will be provided to Tenant only if no default then exists by Tenant under this Lease and the amount of the delinquent Rent is paid to Landlord by cashier's check or other payment medium of immediately available funds that is acceptable to Landlord in its sole discretion. Additionally, without notice, Landlord may alter locks or other security devices at the Premises to deprive Tenant of access thereto, and Landlord shall not be required to provide a new key or right of access to Tenant. The foregoing provision is intended to and shall supersede the provisions of Section 93.002 of the Texas Property Code.

(v) Landlord shall have the right to enter the Premises without terminating this Lease and without being liable for prosecution or any claim for damages therefor and maintain the Premises and repair or replace any damage thereto or do anything for which Tenant is responsible hereunder. Tenant shall reimburse Landlord immediately upon demand for any out-of-pocket costs which Landlord directly incurs in thus effecting Tenant's compliance under this Lease, and Landlord shall not be liable to Tenant for any damages with respect thereto.

(vi) Landlord shall have the right to continue this Lease in full force and effect, whether or not Tenant shall have abandoned the Premises. If Landlord elects to continue this Lease in full force and effect pursuant to this Section, then Landlord shall be entitled to enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due. Landlord's election not to terminate this Lease pursuant to this Section or pursuant to any other provision of this Lease, at law or in equity, shall not preclude Landlord from showing the Premises to potential tenants, subsequently electing to terminate this Lease, or pursuing any of its other remedies.

(c) Upon the occurrence of an Event of Default, Tenant shall be liable to Landlord for, and Landlord shall be entitled to recover: (i) all Rent accrued and unpaid; (ii) all costs and expenses directly incurred by Landlord in recovering possession of the Premises, including reasonable legal fees, and removal and storage of Tenant's Property; (iii) the costs and expenses of restoring the Premises to the condition in which the same were to have been surrendered by Tenant as of the Expiration Date; (iv) the costs of reletting commissions; and(v) all reasonable legal fees and court costs incurred by Landlord in connection with the Event of Default.

(d) Any amount payable by Tenant under this Lease that is not paid when due shall bear interest at the rate of 1.0% per month until paid by Tenant to Landlord. If Tenant fails to pay Rent when due on 3 or more occasions during the Term, Landlord shall have the right to require Tenant to pay all future Rent by ACH debit of funds, in which case Tenant shall complete Landlord's then-current forms authorizing Landlord to automatically debit Tenant's bank account.

(e) Neither any delay or forbearance by Landlord in exercising any right or remedy hereunder nor Landlord's undertaking or performing any act that Landlord is not expressly required to undertake under this Lease shall be construed to be a waiver of Landlord's rights or to represent any agreement by Landlord to thereafter undertake or perform such act. Landlord's waiver of any breach by Tenant of any covenant or condition herein contained (which waiver shall be effective only if so expressed in writing by Landlord) or Landlord's failure to exercise any right or remedy in respect of any such breach shall not constitute a waiver or relinquishment for the

future of Landlord's right to have any such covenant or condition duly performed or observed by Tenant, or of Landlord's rights arising because of any subsequent breach of any such covenant or condition, nor bar any right or remedy of Landlord in respect of such breach or any subsequent breach. Tenant hereby expressly waives, for itself and all persons claiming by, through or under it, any right of redemption, reentry, or restoration of the operation of this Lease under any present or future Law, including without limitation any such right which Tenant would otherwise have in case Tenant shall be dispossessed for any cause, or in case Landlord shall obtain possession of the Premises as herein provided.

(f) If Tenant defaults in the performance of any covenant, agreement, term, provision, or condition contained in this Lease, Landlord, in addition to any other rights and remedies it has under this Lease and without thereby waiving such default, may perform the same for the account of and at the expense of Tenant (but shall not be obligated to do so), without notice in a case of emergency and in any other case if such default continues after 5 days from the date that Landlord gives written notice to Tenant of its intention to do so. Landlord may invoice Tenant for all amounts paid by Landlord and all losses, costs, and expenses incurred by Landlord in connection with any such performance by Landlord pursuant to this paragraph, including, without limitation, all amounts paid and costs and expenses incurred by Landlord for any property, material, labor, or services provided, furnished, or rendered, or caused to be provided, furnished, or rendered, by Landlord to Tenant (together with interest at the rate of 0.5% per month from the date Landlord pays the amount or incurs the loss, cost, or expense until the date of full repayment by Tenant) monthly or immediately, at Landlord's option, and shall be due and payable by Tenant to Landlord as Additional Rent within 30 days after Tenant receives the invoice. Any reservation of a right by Landlord to enter upon the Premises and to make or perform any repairs, alterations, or other work in, to, or about the Premises, which, in the first instance, is Tenant's obligation pursuant to this Lease, shall not be deemed to impose any obligation on Landlord to do so, render Landlord liable to Tenant or any third party for the failure to do so, or relieve Tenant from any obligation to indemnify Landlord as otherwise provided elsewhere in this Lease.

(g) The rights granted to Landlord in this Section shall be cumulative of every other right or remedy provided in this Lease or which Landlord may otherwise have at law or in equity or by statute, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies or constitute a forfeiture or waiver of Rent or damages accruing to Landlord by reason of any Event of Default under this Lease. Landlord shall have all rights and remedies now or hereafter existing at law or in equity with respect to the enforcement of Tenant's obligations hereunder and the recovery of the Premises. No right or remedy herein conferred upon or reserved to Landlord shall be exclusive of any other right or remedy, but shall be cumulative and in addition to all other rights and remedies given hereunder or now or hereafter existing at law or in equity. Landlord shall be entitled to seek injunctive relief in case of the violation, or attempted or threatened violation, of any covenant, agreement, condition, or provision of this Lease, or to a decree compelling performance of any covenant, agreement, condition, or provision of this Lease.

(h) No payment by Tenant or receipt by Landlord of a lesser amount than any payment of Fixed Rent or Additional Rent herein stipulated shall be deemed to be other than on account of the earliest stipulated Fixed Rent or Additional Rent due and payable hereunder, nor shall any endorsement or statement or any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other right or remedy provided for in this Lease, at law or in equity, and acceptance of such partial payment shall be deemed subject to Landlord's reservation of all rights. Landlord shall have no obligation to accept any cure proffered by Tenant after an Event of Default.

(i) In addition to any applicable common law or statutory lien, none of which are to be deemed waived by Landlord, Landlord shall have, at all times, and Tenant hereby grants to Landlord, a valid lien and security interest to secure payment of all rentals and other sums of money becoming due hereunder from Tenant, and to secure payment of any damages or loss which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement or condition contained herein, upon all goods, wares, equipment, fixtures, furniture, improvements, and other personal property of Tenant which may hereafter be situated on the Premises, and all proceeds therefrom, and such property shall not be removed therefrom without the consent of Landlord, which shall not unreasonably withheld, conditioned or delayed, until all arrearage in Rent as well as any and all other sums of money then due to Landlord hereunder shall first have been paid and discharged and all the covenants, agreements, and conditions hereof have been fully complied with and performed by Tenant. Upon request by Tenant, Landlord shall subordinate the lien granted hereunder to any commercial lender to whom Tenant grants a security interest. Nothing herein shall be deemed to prevent the abandonment of property as set forth in Section 18(b). Upon the occurrence of an Event of Default by Tenant, Landlord may, in addition to any other remedies provided herein, peaceably enter upon the Premises and take possession of any and all goods, wares, equipment, fixtures, furniture, improvements, and other personal property of Tenant situated on the Premises, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Tenant reasonable notice of time and place of any public sale or of the time after which any private sale is to be

made, at which sale Landlord or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Tenant reasonable notice, the requirement of reasonable notice shall be met if such notice is given in the manner prescribed in Section 21 at least 5 days before the time of sale. The proceeds from any such disposition, less all expenses connected with the taking of possession, holding, and selling of the property (including reasonable attorneys' fees and other expenses), shall be applied as a credit against the indebtedness secured by the security interest granted in this paragraph. Any surplus shall be paid to Tenant or as otherwise required by law, and Tenant shall pay any deficiencies forthwith. Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provisions of the Uniform Commercial Code in force in the State.

18. SURRENDER; HOLDOVER.

(a) By no later than the Expiration Date or earlier termination of Tenant's right to possession of the Premises (such earlier date, the "Surrender Date"), Tenant shall vacate and surrender the Premises to Landlord in good order and condition, free of all Transferees, vacant, broom clean, and in conformity with the applicable provisions of this Lease, including without limitation Sections 9 and 11. Tenant shall have no right to hold over beyond the Surrender Date, and if Tenant does not vacate as required such failure shall be deemed an Event of Default and Tenant's occupancy shall not be construed to effect or constitute anything other than a tenancy at sufferance. During any period of occupancy beyond the Surrender Date, the amount of Rent owed by Tenant to Landlord shall be the Holdover Percentage of the Rent for the month immediately prior to the Expiration Date, without prorating for any partial month of holdover, and except that any provisions in this Lease that limit the amount or defer the payment of Additional Rent shall be null and void. "Holdover Percentage" equals: (i) 150% for the first month of holdover; and (ii) 200% for any period of holdover beyond 1 month. The acceptance of Rent by Landlord or the failure or delay of Landlord in notifying or evicting Tenant following the Surrender Date shall not create any tenancy rights in Tenant and any such payments by Tenant may be applied by Landlord against its costs and expenses, including reasonable attorneys' fees, incurred by Landlord as a result of such holdover. The provisions of this Section shall not constitute a waiver by Landlord of any right of reentry as set forth in this Lease; nor shall receipt of any Rent or any other act in apparent affirmance of the tenancy operate as a waiver of Landlord's right to terminate this Lease for a breach of any of the terms, covenants, or obligations herein on Tenant's part to be performed. No option to extend this Lease shall have been deemed to have occurred by Tenant's holdover, and any and all options to extend this Lease or expand the Premises shall be deemed terminated and of no further effect as of the first date that Tenant holds over. In addition, if Tenant fails to vacate and surrender the Premises as herein required, Tenant shall indemnify, defend, and hold harmless Landlord from and against any and all claims, actions, damages, liabilities, and expenses (including all reasonable costs and expenses (including reasonable attorneys' fees)) to the extent arising out of or from or related to such failure, including without limitation, claims made by any succeeding tenant and real estate brokers' claims and reasonable attorneys' fees. Tenant's obligation to pay Rent and to perform all other Lease obligations for the period up to and including the Surrender Date, and the provisions of this Section, shall survive the Expiration Date. In no way shall the remedies of Landlord set forth above be construed to constitute liquidated damages for Landlord's losses resulting from Tenant's holdover.

(b) Prior to the Surrender Date, Tenant, at Tenant's expense, shall remove from the Premises Tenant's Property, and restore in a good and workmanlike manner any damage to the Premises and/or the Building caused by such removal or replace the damaged component of the Premises and/or the Building if such component cannot be restored as aforesaid as reasonably determined by Landlord. Notwithstanding the foregoing, Tenant shall not be required to remove a Specialty Alteration if at the time Tenant requests Landlord's consent to such Specialty Alteration, Tenant provides Landlord with written notification that Tenant desires to not be required to remove such Specialty Alteration and Landlord consents in writing to Tenant's non-removal request, which consent will not be unreasonably withheld, conditioned or delayed. A "Specialty Alteration" means an Alteration or Leasehold Improvement that: (i) Landlord required to be removed in connection with Landlord's consent to making such Alteration or Leasehold Improvement; or (ii) is not Building standard, including without limitation kitchens (other than a standard office kitchen installed for the use of Tenant's employees only), executive restrooms, computer room installations, supplemental HVAC equipment and components, safes, vaults, libraries or file rooms requiring reinforcement of floors, internal staircases, slab penetrations (other than typical penetrations for kitchens and electrical distribution), non-Building-standard life safety systems, security systems, specialty door locksets (such as cipher locks) or specialty lighting, and any demising improvements done by or on behalf of Tenant after the Commencement Date. If Tenant fails to remove any of Tenant's Property as required herein, the same shall be deemed abandoned and Landlord, at Tenant's expense, may remove and dispose of same and repair and restore any damage caused thereby, or, at Landlord's election, such Tenant's Property shall become Landlord's property. Tenant shall not remove any Alteration (other than Specialty Alterations) from the Premises without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed.

19. RULES AND REGULATIONS. Tenant covenants that Tenant and Tenant Agents shall comply with the rules and regulations set forth on Exhibit E attached hereto. Landlord shall have the right to rescind and/or

augment any of the rules and regulations and to make such other and further written rules and regulations as in the reasonable judgment of Landlord shall from time to time be needed for the safety, protection, care, and cleanliness of the Project, the operation thereof, the preservation of good order therein, and the protection and comfort of its tenants, their agents, employees, and invitees, which when delivered to Tenant shall be binding upon Tenant in a like manner as if originally prescribed. In the event of an inconsistency between the rules and regulations and this Lease, the provisions of this Lease shall control. Landlord shall not have any liability to Tenant for any failure of any other tenants to comply with any of the rules and regulations.

20. GOVERNMENTAL REGULATIONS.

(a) Tenant shall not at any time use, generate, manufacture, refine, transport, treat, store, handle, dispose, bring, or otherwise cause to be brought or permit any Tenant Agent to bring, in, on, or about any part of the Project, any hazardous waste, solid waste, hazardous substance, toxic substance, petroleum product or derivative, asbestos, polychlorinated biphenyl, hazardous material, pollutant, contaminant, or similar material or substance as defined by the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Sections 9601 et seq., as the same may from time to time be amended, and the regulations promulgated pursuant thereto (CERCLA), or now or hereafter defined or regulated as such by any other Law ("Hazardous Material"). Notwithstanding any expiration or termination of this Lease, Tenant shall indemnify and hold harmless Landlord and Landlord Indemnitees from and against any and all claims, actions, damages, liabilities, and expenses (including all reasonable costs and expenses (including reasonable attorneys' fees)) to the extent arising out of or from or related to the presence or removal of, or failure to remove, Hazardous Materials generated, used, released, stored, or disposed of by Tenant or any Tenant Agent in or about the Project, whether before or after the Commencement Date. Notwithstanding the foregoing, during the Term Tenant shall be permitted to bring onto the Premises office cleaning supplies and products normally found in modern offices provided Tenant only brings a reasonable quantity of such supplies and products onto the Premises and Tenant shall at all times comply with all Laws pertaining to the storage, handling, use, disposal, and application of such supplies and products, and all Laws pertaining to the communication to employees and other third parties of any hazards associated with such supplies and products. Tenant shall not install any underground or above ground tanks on the Project. Tenant shall not cause or permit to exist any release, spillage, emission, or discharge of any Hazardous Material on or about the Project ("Release"). In the event of a Release, Tenant shall immediately notify Landlord both orally and in writing, report such Release to the relevant government agencies as required by applicable Law, and promptly remove the Hazardous Material and otherwise investigate and remediate the Release in accordance with applicable Law and to the satisfaction of Landlord. Landlord shall have the right, but not the obligation, to enter upon the Premises to investigate and/or remediate the Release in lieu of Tenant, and Tenant shall reimburse Landlord as Additional Rent for the costs of such remediation and investigation. Tenant shall promptly notify Landlord if Tenant acquires knowledge of the presence of any Hazardous Material on or about the Premises, except as Tenant is permitted to bring onto the Premises under this Lease. Landlord shall have the right to inspect and assess the Premises for the purpose of determining whether Tenant is handling any Hazardous Material in violation of this Lease or applicable Law, or to ascertain the presence of any Release. This subsection shall survive the Expiration Date.

(b) Tenant shall, and shall cause Tenant Agents to, use the Premises in compliance with all applicable Laws. Tenant shall comply with all present and future Laws concerning the use, occupancy, and condition of the Premises and all machinery, equipment, furnishings, fixtures, and improvements therein, all of which shall be complied with in a timely manner at Tenant's sole cost and expense. Without limiting the generality of the foregoing, Tenant shall: (i) obtain, at Tenant's expense, before engaging in Tenant's business or profession within the Premises, all necessary licenses and permits including, but not limited to, state and local business licenses, and permits; and (ii) remain in compliance with and keep in full force and effect at all times all licenses, consents, and permits necessary for the lawful conduct of Tenant's business or profession at the Premises. Tenant shall pay all personal property taxes, income taxes, gross receipts taxes, and other taxes, assessments, duties, impositions, and similar charges that are or may be assessed, levied, or imposed upon Tenant, Tenant's business, or Tenant's Property. Tenant shall also comply with all applicable Laws that do not relate to the physical condition of the Premises and with which only the occupant can comply, such as laws governing maximum occupancy, workplace smoking, VDT regulations, and illegal business operations, such as gambling. The judgment of any court of competent jurisdiction or the admission of Tenant in any judicial, governmental or regulatory action, regardless of whether Landlord is a party thereto, that Tenant has violated any of such Laws shall be conclusive of that fact as between Landlord and Tenant.

(c) Notwithstanding anything to the contrary in this Lease, if the requirement of any public authority obligates either Landlord or Tenant to expend money in order to bring the Premises and/or any area of the Project into compliance with Laws as a result of: (i) Tenant's particular use of the Premises or the use or occupancy of the Premises for other than general office use; (ii) Alterations or Leasehold Improvements; (iii) Tenant's change in the use of the Premises; (iv) the manner of conduct of Tenant's business or operation of its installations, equipment, or other property therein; (v) any cause or condition created by or at the request or direction of Tenant or any Tenant Agent, other than by Landlord's performance of any work for or on behalf of Tenant; or (vi) breach of

any of Tenant's obligations hereunder, then Tenant shall bear all costs of bringing the Premises and/or Project into compliance with Laws, whether such costs are related to structural or nonstructural elements of the Premises or Project, and in such event Tenant at its sole cost and expense shall be solely responsible for taking any and all measures that are required to comply with such Laws concerning the Building and the Premises (including point of entry and means of ingress and egress thereto) and the business conducted therein.

(d) Except to the extent Tenant shall comply as set forth above, during the Term Landlord at its expense (subject to reimbursement to the extent permitted under Section 5) shall take steps necessary to comply with all applicable Laws to the extent applicable directly to the Building structure and systems or the Common Areas.

(e) Each party hereto hereby acknowledges and agrees that it will not knowingly violate any applicable Laws regarding bribery, corruption, and/or prohibited business practices as they concern each such party's respective activities under or in connection with this Lease, and each such party will be solely responsible for and will hold harmless the other party from and against any claims or liabilities in connection with any of such responsible party's own violations of any such Laws.

21. NOTICES. Wherever in this Lease it is required or permitted that notice or demand be given or served by either party to this Lease to or on the other party, such notice or demand will be duly given or served if in writing and either: (i) personally served; (ii) delivered by prepaid nationally recognized courier service (for example, Federal Express, UPS, and USPS) with evidence of receipt required for delivery; (iii) delivered by registered or certified mail, return receipt requested, postage prepaid; or (iv) if an email address is provided by the recipient, emailed with confirmation of receipt by the recipient; in all such cases addressed to the parties at the addresses set forth below, except that prior to the Commencement Date, notices to Tenant may be sent instead to the attention of any employee or attorney of Tenant with whom Landlord negotiated this Lease. Each such notice will be deemed to have been given to or served upon the party to which addressed on the date the same is delivered or delivery is refused. Each party has the right to change its address for notices (provided such new address is in the continental United States) by a writing sent to the other party in accordance with this Section, and each party will, if requested, within 10 days confirm to the other its notice address. Notices from Landlord may be given by either an agent or attorney acting on behalf of Landlord.

Tenant: Asure Software, Inc.
Attn: John Pence
405 Colorado Avenue, Suite 1800
Austin, Texas 78701
Email: john.pence@asuresoftware.com

Landlord: 405 Colorado Holdings LP
c/o Brandywine Realty Trust
Attn: Legal Notices/Legal Dept., RE: Building 770
Cira Centre
2929 Arch St., Suite 1800
Philadelphia, PA 19104
Phone: 610-325-5600
Email: Legal.Notices@bdnreit.com

Notwithstanding anything to the contrary in this Lease, billing statements and the like may be sent by regular mail or electronic means (such as email) to Tenant's billing contact without copies.

Tenant's billing contact:
Asure Software, Inc.
Attn: _____
405 Colorado Avenue, Suite 1800
Austin, Texas 78701
Phone: _____
Email: accountspayable@asuresoftware.com

For informational purposes, Tenant's current contacts for the following are set forth below, and Tenant shall endeavor to notify Landlord in writing of any changes to this information:

(1) Tenant insurance certificates:

Name: Melanie Murray
Email: melanie.murray@asuresoftware.com

(2) Tenant property management issues:
Name: John Pence
Email: john.pence@asuresoftware.com

For informational purposes, Landlord's contact for sustainability practices and initiatives is environments@bdnreit.com.

22. BROKERS. Landlord and Tenant each represents and warrants to the other that such representing party has had no dealings, negotiations, or consultations with respect to the Premises or this transaction with any broker or finder other than a Landlord affiliate and CBRE, Inc., representing Landlord, and Broker, representing Tenant. Each party shall indemnify, defend, and hold harmless the other from and against any and all liability, cost, and expense (including reasonable attorneys' fees and court costs), arising out of or from or related to its misrepresentation or breach of warranty under this Section. Landlord shall pay Broker a commission in connection with this Lease pursuant to the terms of a separate written agreement between Landlord and Broker. This Section shall survive the Expiration Date.

23. LANDLORD'S LIABILITY. No Landlord shall be liable for any obligation or liability based on or arising out of any event or condition occurring during the period that such Landlord was not the owner of the Building or a landlord's interest therein. Upon request and without charge, Tenant shall attorn to any successor to Landlord's interest in this Lease provided such transferee assumes the obligations of Landlord hereunder that arise from and after the date of the transfer. Landlord may transfer its interest in the Building without the consent of Tenant, and such transfer or subsequent transfer shall not be deemed a violation on Landlord's part of any of the terms of this Lease. Upon any sale of the Building, Landlord shall be relieved of all responsibility for the Premises and shall be released from any liability thereafter accruing under this Lease provided such transferee assumes the obligations of Landlord hereunder that arise from and after the date of the transfer. Landlord shall have no personal liability under any of the terms, conditions, or covenants of this Lease. Tenant and Tenant Agents shall look solely to the equity of Landlord in the Building and/or the net proceeds actually received therefrom for the satisfaction of any claim, remedy, or cause of action of any kind whatsoever arising from the relationship between the parties or any rights and obligations they may have relating to the Project, this Lease, or anything related to either, including without limitation as a result of the breach of any Section of this Lease by Landlord. In addition, no recourse shall be had for an obligation of Landlord hereunder, or for any claim based thereon or otherwise in respect thereof or the relationship between the parties, against any past, present, or future Landlord Indemnitee (other than Landlord), whether by virtue of any statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such other liability being expressly waived and released by Tenant with respect to the Landlord Indemnitees (other than Landlord).

24. RELOCATION. Landlord, at its sole expense, on at least 3 months' prior written notice to Tenant but only on one occasion during the Term and not during the first or last 12 months of the Lease Term, may require Tenant to move from the Premises to another suite of substantially comparable size, layout, quality and decor in the Building. Landlord may not move Tenant into a space that is more than 10% larger or smaller the Premises without Tenant approval, and in the event the Relocation Space is larger than the original Premises, Tenant shall continue to pay the Fixed Rent and Additional Rent based on the original size of the Premises. In the event of any such relocation, Landlord shall pay all the reasonable expenses: (a) of preparing and decorating the new premises so that they will be substantially similar to the Premises; (b) of moving Tenant's furniture and equipment to the new premises (including Tenant's data and communication wiring and cabling, AV, security and access controls); and (c) reasonably incurred and documented by Tenant, up to a maximum amount of $2,500.00, for notifying its clients of such relocation, obtaining new letterhead and business cards, and other incidental expenses related directly to Tenant's relocation. Tenant shall execute any reasonable amendment evidencing the terms of the relocation as Landlord may require in its reasonable discretion. Upon the effective date of the relocation: (i) the description of the Premises set forth in this Lease shall, without further act on the part of Landlord or Tenant, be deemed amended so that the new premises shall, for all purposes, be deemed the Premises hereunder, and all of the terms, covenants, conditions, provisions, and agreements of this Lease, including those agreements to pay Rent (at the same rate per rentable square foot subject to size restrictions above), shall continue in full force and effect and shall apply to the new premises; and (ii) Tenant shall move into the new premises.

25. GENERAL PROVISIONS.

(a) Provided Tenant has performed all of the terms and conditions of this Lease to be performed by Tenant, including the payment of Rent, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance from Landlord or anyone lawfully or equitably claiming by, through, or

under Landlord, under and subject to the terms and conditions of this Lease and of any mortgages and deeds of trust now or hereafter affecting all or any portion of the Premises.

(b) Subject to the terms and provisions of Section 10, the respective rights and obligations provided in this Lease shall bind and inure to the benefit of the parties hereto and their successors and assigns.

(c) This Lease shall be governed in accordance with the Laws of the State of Texas, without regard to choice of law principles. Landlord and Tenant hereby consent to the exclusive jurisdiction of the state and federal courts located in the jurisdiction in which the Project is located.

(d) In connection with any litigation or arbitration arising out of this Lease, Landlord or Tenant, whichever is the prevailing party as determined by the trier of fact in such litigation, shall be entitled to recover from the other party all reasonable costs and expenses incurred by the prevailing party in connection with such litigation, including reasonable attorneys' fees. If Landlord is compelled to engage the services of attorneys (either outside counsel or in-house counsel) to enforce the provisions of this Lease, to the extent that Landlord incurs any cost or expense in connection with such enforcement, the sum or sums so paid or billed to Landlord, together with all interest, costs and disbursements, shall be due from Tenant immediately upon receipt of an invoice therefor following the occurrence of such expenses. If, in the context of a bankruptcy case, Landlord is compelled at any time to incur any expense, including attorneys' fees, in enforcing or attempting to enforce the terms of this Lease or to enforce or attempt to enforce any actions required under the Bankruptcy Code to be taken by the trustee or by Tenant, as debtor-in-possession, then the sum so paid by Landlord shall be awarded to Landlord by the Bankruptcy Court and shall be immediately due and payable by the trustee or by Tenant's bankruptcy estate to Landlord in accordance with the terms of the order of the Bankruptcy Court.

(e) This Lease, which by this reference incorporates all exhibits, riders, schedules, and other attachments hereto, supersedes all prior discussions, proposals, negotiations and discussions between the parties and this Lease contains all of the agreements, conditions, understandings, representations, and warranties made between the parties hereto with respect to the subject matter hereof, and may not be modified orally or in any manner other than by an agreement in writing signed by both parties hereto or their respective successors in interest. Whenever placed before one or more items, the words "include", "includes", and "including" shall mean considered as part of a larger group, and not limited to the item(s) recited. Except to the extent expressly set forth otherwise in this Lease, neither Landlord, nor anyone acting on Landlord's behalf, has made any representation, warranty, estimation, or promise of any kind or nature whatsoever, and Landlord disclaims any implied representations or warranties, relating to the condition of the Project or any part thereof including the Premises, or the land under the Building or suitability, including without limitation, the fitness of the Premises for Tenant's intended use, the HVAC and other building systems, the indoor air quality, and the environmental condition, and Tenant agrees that Landlord shall not be liable for any patent or latent defects therein. If any provisions of this Lease are held to be invalid, void, or unenforceable, the remaining provisions hereof shall in no way be affected or impaired and such remaining provisions shall remain in full force and effect.

(f) TIME IS OF THE ESSENCE UNDER ALL PROVISIONS OF THIS LEASE, INCLUDING ALL NOTICE PROVISIONS.

(g) If Landlord or Tenant is in any way delayed or prevented from performing any obligation (except, with respect to Tenant, its obligations to pay Rent, the giving of notice with respect to the exercise of a Lease option, and surrender of the Premises as and when required under this Lease) due to fire or other casualty (or reasonable delays in the adjustment of insurance claims), acts of terrorism, war, pandemic, or other emergency (including severe weather emergency), governmental delay beyond what is commercially reasonable (provided the party claiming the delay provides reasonable evidence to the other party that the party claiming the delay is diligently pursuing the approval or permit that is the subject of the governmental delay), inability to obtain any materials or services, acts of God, strike, lockout or other labor dispute, orders or regulations of any federal, state, county or municipal authority, embargoes, or any other cause beyond such party's reasonable control (whether or not foreseeable or similar or dissimilar to the foregoing events) (each, a "Force Majeure Event"), then the time for performance of such obligation shall be excused for the period of such delay or prevention (and such party shall not be deemed in default with respect to the performance of its obligations) and extended for a period equal to the period of such delay or prevention. Financial disability or hardship shall never constitute a Force Majeure Event. No such inability or delay due to a Force Majeure Event shall constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of Rent, or relieve the other party from any of its obligations under this Lease, or impose any liability upon such party or its agents, by reason of inconvenience or annoyance to the other party, or injury to or interruption of the other party's business, or otherwise.

(h) Excepting payments of Fixed Rent, Operating Expenses, and utilities (which are to be paid as set forth in Sections 4, 5, and 6) and unless a specific time is otherwise set forth in this Lease for any Tenant

payments, all amounts due from Tenant to Landlord shall be paid by Tenant to Landlord as Additional Rent within 30 days after receipt of an invoice therefor.

(i) Unless Tenant's financials are publicly available online at no cost to Landlord, within 10 days after written request by Landlord (but not more than once during any 12-month period unless a default has occurred under this Lease or Landlord has a reasonable basis to suspect that Tenant has suffered a material adverse change in its financial position, or in the event of a sale, financing, or refinancing by Landlord of all or any portion of the Project), Tenant shall furnish to Landlord, Mortgagee, or Landlord's prospective mortgagee or purchaser, reasonably requested financial information. In connection therewith and upon Tenant's request, Landlord and Tenant shall execute a mutually acceptable confidentiality agreement on Landlord's form therefor.

(j) Tenant represents and warrants to Landlord that: (i) Tenant was duly organized and is validly existing and in good standing under the Laws of the jurisdiction set forth for Tenant in the first sentence of this Lease; (ii) Tenant is legally authorized to do business in the State; (iii) the person(s) executing this Lease on behalf of Tenant is(are) duly authorized to do so; and (iv) Tenant has the full corporate or partnership power and authority to enter into this Lease and has taken all corporate or partnership action, as the case may be, necessary to carry out the transaction contemplated herein, so that when executed, this Lease constitutes a valid and binding obligation enforceable in accordance with its terms. From time to time upon Landlord's request, Tenant will provide Landlord with corporate resolutions or other proof in a form acceptable to Landlord authorizing the execution of this Lease at the time of such execution.

(k) If Tenant has removed all or substantially all of Tenant's Property and there are 2 months or less remaining in the Term, Landlord shall have the right to access and make improvements to the Premises in anticipation of reletting without affecting or modifying the Term or Rent, and without any additional notice to or consent of Tenant. Tenant shall have no rights in or to such improvements. Tenant hereby waives any claim of constructive eviction, early termination of this Lease, or reduction of Rent in connection with Landlord exercising such right.

(l) Each party hereto represents and warrants to the other that such party is not a party with whom the other is prohibited from doing business pursuant to the regulations of the Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury, including those parties named on OFAC's Specially Designated Nationals and Blocked Persons List. Each party hereto is currently in compliance with, and shall at all times during the Term remain in compliance with, the regulations of OFAC and any other governmental requirement relating thereto. Each party hereto shall defend, indemnify, and hold harmless the other from and against any and all claims, damages, losses, risks, liabilities, and expenses (including reasonable attorneys' fees and costs) incurred by the other to the extent arising from or related to any breach of the foregoing certifications. The foregoing indemnity obligations shall survive the Expiration Date.

(m) Except as set forth in this paragraph, neither Tenant nor Landlord shall issue, or permit any broker, representative, or agent representing either party in connection with this Lease to issue: (i) any press release; or (ii) any other public disclosure regarding the specific terms of this Lease (or any amendments or modifications hereof), without the prior written approval of the other party. The parties acknowledge that the transaction described in this Lease and the terms thereof (but not the existence thereof) are of a confidential nature and shall not be disclosed except to such party's employees, attorneys, accountants, consultants, advisors, affiliates, and actual and prospective purchasers, lenders, investors, subtenants, and assignees (collectively, "Permitted Parties"), and except as, in the good faith judgment of Landlord or Tenant, may be required to enable Landlord or Tenant to comply with its obligations under Law (and, to the extent such disclosure is being made in compliance with Law, upon prior notice to the other party to the extent permitted). In connection with the negotiation of this Lease and the preparation for the consummation of the transactions contemplated hereby, each party acknowledges that it will have had access to confidential information relating to the other party. Each party shall treat such information and shall cause its Permitted Parties to treat such confidential information as confidential, and shall preserve the confidentiality thereof, and not duplicate or use such information, except by Permitted Parties. Notwithstanding the foregoing, Landlord shall have the right, to the extent required to be disclosed by Landlord or Landlord's affiliates in connection with filings required by the Securities and Exchange Commission ("SEC") and similar regulatory frameworks, without notice to Tenant to include in such securities filings general information relating to this Lease, including, without limitation, Tenant's name, the Building, and the square footage of the Premises.

(n) Neither Tenant, nor anyone acting through, under, or on behalf of Tenant, shall have the right to record this Lease, nor any memorandum, notice, affidavit, or other writing with respect thereto, or otherwise file this Lease with any governmental authority.

(o) Tenant shall not claim any money damages by way of setoff, counterclaim, or defense, based on any claim that Landlord unreasonably withheld its consent, in which case Tenant's sole and exclusive remedy shall be an action for specific performance, injunction, or declaratory judgment.

(p) All requests made to Landlord to perform repairs or furnish services, supplies, utilities, or freight elevator usage (if applicable), shall be made online to the extent available (currently such requests shall be made via https://connect.brandywinerealty.com/, as the same may be modified by Landlord from time to time) otherwise via email or written communication to Landlord's property manager for the Building. Whenever Tenant requests Landlord to take any action not required of Landlord under this Lease or give any consent required or permitted to be given by Landlord under this Lease (for example, a request for a Transfer consent, a consent to an Alteration, or a subordination of Landlord's lien, but other than a request for services, supplies, or utilities which is governed by Section 7(b)), Tenant shall pay to Landlord for Landlord's administrative and/or professional costs in connection with each such action or consent Landlord's reasonable costs incurred by Landlord in reviewing and taking the proposed action or consent, including reasonable attorneys', engineers' and/or architects' fees (as applicable). The foregoing amount shall be paid by Tenant to Landlord within 30 days after Landlord's delivery to Tenant of an invoice for such amount. Tenant shall pay such amount without regard to whether Landlord takes the requested action or gives the requested consent.

(q) Tenant acknowledges and agrees that Landlord shall not be considered a "business associate" for any purpose under the Health Insurance Portability and Accountability Act of 1996 and all related implementing regulations and guidance.

(r) Tenant shall cause any work performed on behalf of Tenant to be performed by contractors who work in harmony, and shall not interfere, with any labor employed by or on behalf of Landlord or Landlord's contractors. If at any time any of the contractors performing work on behalf of Tenant does not work in harmony or interferes with any labor employed by or on behalf of Landlord, other tenants, or their respective mechanics or contractors, then the permission granted by Landlord to Tenant to do or cause any work to be done in or about the Premises may be withdrawn by Landlord with 48 hours' written notice to Tenant.

(s) This Lease may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. The submission of this Lease by Landlord to Tenant for examination does not constitute a reservation of or option for the Premises or of any other space within the Building or in other buildings owned or managed by Landlord or its affiliates. This Lease shall not be binding nor shall either party have any obligations or liabilities or any rights with respect hereto, or with respect to the Premises, unless and until both parties have executed and delivered this Lease. The parties acknowledge and agree that notwithstanding any law or presumption to the contrary, the exchange of copies of this Lease and signature pages by electronic transmission shall constitute effective execution and delivery of this Lease for all purposes, and signatures of the parties hereto transmitted and/or produced electronically shall be deemed to be their original signature for all purposes.

(t) Landlord and persons authorized by Landlord may enter the Premises at all reasonable times upon reasonable advance notice or, in the case of an emergency, at any time without notice. Landlord shall not be liable for inconvenience to or disturbance of Tenant by reason of any such entry; provided, however, in the case of repairs or work, such shall be done, so far as practicable, so as to not unreasonably interfere with Tenant's use of the Premises. Landlord shall have the absolute right at all times, including an emergency situation, to limit, restrict, or prevent access to the Building in response to an actual, suspected, perceived, or publicly or privately announced health or security threat.

(u) If more than one person executes this Lease as Tenant, each of them is jointly and severally liable for the keeping, observing, and performing of all of the terms, covenants, conditions, provisions, and agreements of this Lease to be kept, observed, and performed by Tenant.

(v) TO THE EXTENT PERMITTED BY APPLICABLE LAW, LANDLORD AND TENANT HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE AS AMENDED FROM TIME TO TIME, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPANCY OF THE BUILDING, ANY CLAIM OR INJURY OR DAMAGE, OR ANY EMERGENCY OR OTHER STATUTORY REMEDY WITH RESPECT THERETO. TENANT CONSENTS TO SERVICE OF PROCESS AND ANY PLEADING RELATING TO ANY SUCH ACTION AT THE PREMISES; PROVIDED, HOWEVER, NOTHING HEREIN SHALL BE CONSTRUED AS REQUIRING SUCH SERVICE AT THE PREMISES. TENANT WAIVES ANY RIGHT TO RAISE ANY NONCOMPULSORY COUNTERCLAIM IN ANY SUMMARY OR EXPEDITED ACTION OR PROCEEDING INSTITUTED BY LANDLORD. LANDLORD, TENANT, ALL GUARANTORS, AND ALL GENERAL PARTNERS EACH WAIVES ANY OBJECTION TO THE VENUE OF ANY ACTION FILED IN ANY COURT

SITUATED IN THE JURISDICTION IN WHICH THE BUILDING IS LOCATED, AND WAIVES ANY RIGHT, CLAIM, OR POWER UNDER THE DOCTRINE OF FORUM NON CONVENIENS OR OTHERWISE TO TRANSFER ANY SUCH ACTION TO ANY OTHER COURT.

26. TENANT'S EXPENSE PAYMENTS. Landlord and Tenant agree that each provision of this Lease for determining charges, amounts and other Additional Rent payable by Tenant is commercially reasonable and, as to each such charge or amount, constitutes a "method by which the charge is to be computed" for purposes of Section 93.012 of the Texas Property Code. **ACCORDINGLY, TENANT VOLUNTARILY AND KNOWINGLY WAIVES ALL RIGHTS AND BENEFITS, IF ANY, AVAILABLE TO TENANT UNDER SECTION 93.012 OF THE TEXAS PROPERTY CODE, AS SUCH SECTION NOW EXISTS OR AS IT MAY BE HEREAFTER AMENDED, SUCCEEDED AND/OR RENUMBERED.**

27. TAX PROTEST; WAIVER OF DTPA.

(a) Tenant has no right to protest the real property tax rate applicable to the Project and/or the appraised value of the Project determined by any taxing authority. Tenant hereby knowingly, voluntarily and intentionally waives and releases any right, whether created by law or otherwise, to do any of the following: (i) to file or otherwise protest before any taxing authority any such rate or value determination even though Landlord may elect not to file any such protest; (ii) to appeal any order of a taxing authority which determines any such protest; and (iii) to receive, or otherwise require that Landlord deliver to Tenant, a copy of any reappraisal notice received by Landlord from any taxing authority. The foregoing waiver and release covers and includes any and all rights, remedies and recourse of Tenant, now or at any time hereafter existing, under Section 41.413 and Section 42.015 of the Texas Tax Code (as currently enacted or hereafter modified) together with any other or further laws, rules or regulations covering the subject matter thereof. Tenant acknowledges and agrees that the foregoing waiver and release was bargained for by Landlord and Landlord would not have agreed to enter into this Lease in the absence of this waiver and release.

(b) **WAIVER OF CONSUMER RIGHTS: PURSUANT TO, AND TO THE EXTENT PERMITTED BY SECTION 17.42 OF THE TEXAS DECEPTIVE TRADE PRACTICES – CONSUMER PROTECTION ACT (TEX. BUS. & COM. CODE ANN. §17.41, ET. SEQ.), LANDLORD AND TENANT EACH WAIVE THEIR RESPECTIVE RIGHTS UNDER THE TEXAS DECEPTIVE TRADE PRACTICES – CONSUMER PROTECTION ACT, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS, AND AGREE THAT SUCH ACT SHALL HAVE NO APPLICABILITY TO THIS LEASE, EXCEPT THAT SUCH WAIVER SHALL NOT APPLY TO SECTION 17.555 OF SUCH ACT. AFTER CONSULTATION WITH AN ATTORNEY OF LANDLORD'S OWN SELECTION, LANDLORD VOLUNTARILY CONSENTS TO THE FOREGOING WAIVER BY IT. AFTER CONSULTATION WITH AN ATTORNEY OF TENANT'S OWN SELECTION, TENANT VOLUNTARILY CONSENTS TO THE FOREGOING WAIVER BY IT.**

28. NO IMPLIED WARRANTIES; WAIVER OF IMPLIED TENANT TERMINATION OPTION.

(a) **LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE AND, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS LEASE, TENANT'S OBLIGATION TO PAY RENT HEREUNDER IS NOT DEPENDENT UPON THE CONDITION OF THE PREMISES OR THE PERFORMANCE BY LANDLORD OF ITS OBLIGATIONS HEREUNDER, AND, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS LEASE, TENANT SHALL CONTINUE TO PAY RENT AND ALL AMOUNTS DUE HEREUNDER, WITHOUT ABATEMENT, SETOFF OR DEDUCTION NOTWITHSTANDING ANY BREACH BY LANDLORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER, WHETHER EXPRESS OR IMPLIED. TENANT HAS HAD A FULL AND FAIR OPPORTUNITY TO INSPECT THE PREMISES AND FINDS THAT THE PREMISES SUIT TENANT'S PURPOSES. TENANT HAS KNOWLEDGE OF THE PREMISES AND WITH THIS KNOWLEDGE HAS VOLUNTARILY AGREED TO DISCLAIM THE IMPLIED WARRANTY OF SUITABILITY. BOTH LANDLORD AND TENANT HAVE EXPRESSLY BARGAINED FOR AND AGREED TO THIS DISCLAIMER. FOR AND IN CONSIDERATION OF THE EXECUTION OF THIS LEASE, LANDLORD AND TENANT AGREE THAT LANDLORD WOULD NOT HAVE SIGNED THIS LEASE BUT FOR THE DISCLAIMERS SET FORTH ABOVE, AND TENANT WAIVES ANY WARRANTY REGARDING THE PREMISES EXCEPT THOSE EXPRESSLY PROVIDED IN THIS LEASE.**

(b) **REFERENCE IS HEREBY MADE TO THE DECISION RENDERED BY THE SUPREME COURT OF TEXAS IN ROHRMOOS VENTURE ET AL V. UTSW DVA HEALTHCARE LLP, 2019 WL 1873428 (TEX. APR. 26, 2019) ("ROHRMOOS"). NOTWITHSTANDING ANYTHING IN ROHRMOOS TO THE CONTRARY, TENANT HEREBY EXPRESSLY WAIVES AND DISCLAIMS ANY**

AND ALL IMPLIED RIGHTS TO TERMINATE THIS LEASE SET FORTH IN ROHRMOOS. BOTH LANDLORD AND TENANT HAVE EXPRESSLY BARGAINED FOR AND AGREED TO THIS DISCLAIMER. FOR AND IN CONSIDERATION OF THE EXECUTION OF THIS LEASE, LANDLORD AND TENANT AGREE THAT LANDLORD WOULD NOT HAVE SIGNED THIS LEASE BUT FOR THE DISCLAIMERS SET FORTH ABOVE, AND TENANT HEREBY ACKNOWLEDGES AND AGREES THAT TENANT'S RIGHTS (AS APPLICABLE) TO TERMINATE THIS LEASE SHALL BE SOLELY LIMITED TO THOSE EXPLICITLY SET FORTH IN THIS LEASE.

29. LANDLORD'S CONSENT OR APPROVAL. If Landlord's prior consent or approval is required under the terms of this Lease or any of its Exhibits, such consent or approval shall not be unreasonably withheld, conditioned, or delayed.

30. EXTENSION OPTIONS.

(a) Provided: (i) no Event of Default exists nor any condition that, with notice and/or the passage of time, would constitute an Event of Default; (ii) there has not previously been an Event of Default (irrespective of the fact that Tenant cured such default); (iii) this Lease is in full force and effect; (iv) Tenant is the originally named Tenant (other than in the event of a Permitted Transfer); and (v) Tenant or a Permitted Transferee is occupying and paying full Rent on 100% of the Premises for the conduct of Tenant's business, Tenant shall have the right to extend the Term ("Extension Option") for up to 2 consecutive terms of 60 months each beyond the end of the Initial Term (each, an "Extension Term") by delivering Tenant's written extension election notice ("Extension Notice") to Landlord no later than the Extension Deadline and no earlier than 3 months prior to the Extension Deadline, with time being of the essence. The "Extension Deadline" means the date that is 12 months prior to the expiration of the Initial Term or the then-current Extension Term, as applicable. If an Event of Default exists at any time after Landlord receives an Extension Notice but before the first day of the applicable Extension Term, then Landlord, at Landlord's option, shall have the right to nullify Tenant's exercise of such Extension Option. The terms and conditions of this Lease during each Extension Term shall remain unchanged except Tenant shall only be entitled to the 2 Extension Terms provided above, the annual Fixed Rent for the applicable Extension Term shall be the Extension Rent (as defined below), but no less than the Fixed Rent payable for the year immediately preceding the commencement of the Extension Term, the Expiration Date shall be the last day of the Extension Term (or such earlier date of termination of this Lease pursuant to the terms hereof), and, except to the extent reflected in the Extension Rent, Landlord shall have no obligation to perform any tenant improvements to the Premises or provide any tenant improvement allowance to Tenant. Upon Tenant's delivery of the Extension Notice, Tenant may not thereafter revoke its exercise of the Extension Option. Notwithstanding anything to the contrary in this Lease, Tenant shall have no right to extend the Term other than or beyond the 2, 60-month Extension Terms described in this paragraph, and if Tenant fails to exercise any Extension Option for an Extension Term, all subsequent Extension Options for Extension Terms shall be null and void and of no further force and effect.

(b) "Extension Rent" means the fair market extension term base rent for space comparable to the Premises in comparable buildings in the market in which the Building is located. In determining the Extension Rent, Landlord, Tenant and any broker shall take into account all relevant factors including, without limitation, prevailing market allowances and concessions for renewing tenants, space measurement methods and loss factors, the lease term, the size of the space, the location of the building(s), parking charges, the amenities offered at the building(s), the age of the building(s), and whether Project Expenses and other pass-through expenses are on a triple net, base year, expense stop or other basis. In lieu of directly providing any prevailing market allowances and/or concessions, Landlord may elect to reduce the Extension Rent by the economic equivalent thereof to reflect the fact that such allowances and concessions were not provided directly to Tenant. During the Extension Term, Tenant shall not be entitled to any tenant improvement allowances, free rent periods, or other economic concessions (if any) that Tenant was entitled to during the prior Term, except to the extent such items are indirectly incorporated into the Extension Rent as set forth in this Section. When the Extension Rent is being determined for the first year of the Extension Term, the Extension Rent for the second and all subsequent years of the Extension Term shall also be determined in accordance with the same procedures as are set forth herein and based upon the then prevailing annual rent escalation factor in the applicable leasing market.

(c) If Tenant timely exercises an Extension Option and Landlord and Tenant do not agree upon the Extension Rent in writing by the date that is the later of 30 days after Landlord's receipt of the Extension Notice or 3 months prior to the Extension Deadline, then within 15 days after either party notifies the other in writing that such notifying party desires to determine the Extension Rent in accordance with the procedures set forth in this Section, Landlord and Tenant shall each deliver to the other party a written statement of such delivering party's determination of the Extension Rent, together with such supporting documentation as the delivering party desires to deliver. Within 10 days after such 15-day period, Landlord and Tenant shall appoint a licensed real estate broker having a minimum of 10 years' experience in the market in which the Building is located who shall select either Landlord's determination or Tenant's determination, whichever the broker finds more accurately reflects the Extension Rent. The broker shall be instructed to notify Landlord and Tenant of such selection within 10 days after

such broker's appointment. The broker shall have no power or authority to select any Extension Rent other than the Extension Rent submitted by Landlord or Tenant nor shall the broker have any power or authority to modify any of the provisions of this Lease, and the decision of the broker shall be final and binding upon Landlord and Tenant. If Landlord and Tenant do not timely agree in writing upon the appointment of the broker, Landlord shall submit to Tenant the names of 3 qualified brokers licensed and having a minimum of 10 years' experience in the market in which the Building is located, and Tenant shall have 10 days after receiving such names to notify Landlord of which of the 3 brokers Tenant selects to determine the Extension Rent. If Tenant fails to timely notify Landlord of Tenant's selection, Landlord shall have the right to unilaterally appoint the broker. The fee and expenses of the broker shall be shared equally by Landlord and Tenant.

(d) Upon Tenant's timely and proper exercise of an Extension Option pursuant to the terms above and satisfaction of the above conditions: (i) the "Term" shall include the Extension Term, subject only to the determination of Extension Rent; and (ii) upon Landlord's request, Tenant shall execute prior to the expiration of the then-expiring Term, an appropriate amendment to this Lease, in form and content reasonably satisfactory to both Landlord and Tenant, memorializing the extension of the Term for the ensuing Extension Term (provided Tenant's failure to execute such amendment shall not negate the effectiveness of Tenant's exercise of the Extension Option).

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Lease under seal as of the day and year first-above stated.

LANDLORD:
405 COLORADO HOLDINGS LP

By: 405 Colorado Holdings GP LLC, its general partner

By: /s/ Bill Redd

Name: Bill Redd

Title: EVP and Senior Managing Director

Date: 2/4/2022

TENANT:
ASURE SOFTWARE, INC.

By: /s/ Patrick Goepel

Name: Patrick Goepel

Title: Chief Executive Officer

Date: 2/1/2022

Exhibits:
Exhibit A-1: Location Plan of Premises
Exhibit A-2: Description of Land
Exhibit B: Form of COLT
Exhibit C: Leasehold Improvements
Exhibit D: [Intentionally Deleted]
Exhibit E: Rules and Regulations
Exhibit F: 405 Colorado Green Building Requirements

[Signature Page]

EXHIBIT A-1
LOCATION PLAN OF PREMISES (NOT TO SCALE)

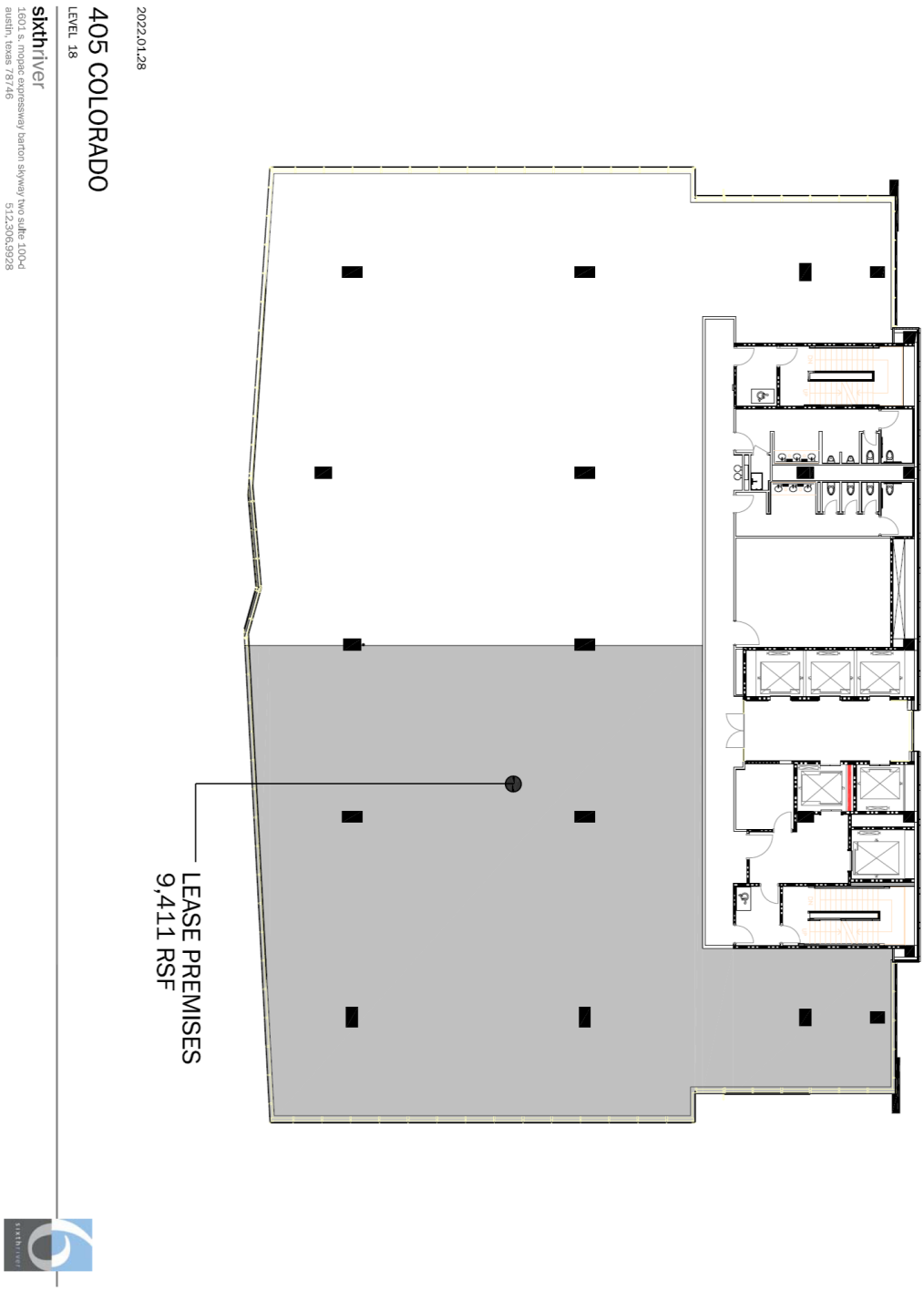

EXHIBIT A-2
DESCRIPTION OF LAND

Lot 1, Block “43A”, 401 COLORADO SUBDIVISION, a subdivision in Travis County, Texas, according to the map or plat thereof, recorded under Document No. 201100165 of the Official Public Records of Travis County, Texas.

EXHIBIT B
FORM OF COLT

CONFIRMATION OF LEASE TERM

THIS CONFIRMATION OF LEASE TERM ("COLT") is made as of _____ between _____ ("Landlord") and _____ ("Tenant").

1. Landlord and Tenant are parties to that certain lease dated _____ ("Lease Document"), with respect to the premises described in the Lease Document, known as Suite ____ consisting of approximately _____ rentable square feet ("Premises"), located at _____.

2. All capitalized terms, if not defined in this COLT, have the meaning give such terms in the Lease Document.

3. Tenant has accepted possession of the Premises in their "AS IS" "WHERE IS" condition and all improvements required to be made by Landlord per the Lease Document have been completed.

4. The Lease Document provides for the commencement and expiration of the Term of the lease of the Premises, which Term commences and expires as follows:

   a. Commencement of the Term of the Premises: _____

   b. Expiration of the Term of the Premises: _____

5. The required amount of the Security Deposit and/or Letter of Credit per the Lease Document is $_____. Tenant has delivered the Security Deposit and/or Letter of Credit per the Lease Document in the amount of $_____.

6. The Building Number is _____ and the Lease Number is _____. This information must accompany every payment of Rent made by Tenant to Landlord per the Lease Document.

TENANT:

_____

By:_____

Name:_____

Title:_____

LANDLORD:

_____

By:_____

Name:_____

Title:_____

EXHIBIT C
LEASEHOLD IMPROVEMENTS

This Exhibit C-Leasehold Improvements ("Exhibit") is a part of the Lease to which this Exhibit is attached. Capitalized terms not defined in this Exhibit shall have the meanings set forth for such terms in the Lease.

1. Definitions.

(a) "Architect" means the licensed architect engaged by Tenant, subject to Landlord's reasonable approval, to prepare the Architectural Plans.

(b) "Architectural Plans" means 100% fully coordinated and complete, Permittable and accurate architectural working drawings and specifications for the Leasehold Improvements prepared by the Architect including all architectural dimensioned plans showing wall layouts, wall and door locations, power and telephone locations and reflected ceiling plans and further including elevations, details, specifications and schedules according to accepted AIA standards.

(c) "Building Standard" means the quality and quantity of materials, finishes, ways and means, and workmanship specified from time to time by Landlord as being standard for leasehold improvements at the Building or for other areas at the Building, as applicable.

(d) "CD's" means the Architectural Plans together with the MEP Plans, copies of all permit applications required for the Leasehold Improvements, all related documents, and if applicable, the Structural Plans, as approved by Landlord pursuant to Section 2 below.

(e) "Central Systems" means any Building system or component within the Building core servicing the tenants of the Building or Building operations generally (such as base building plumbing, electrical, heating, ventilation and air conditioning, fire protection and fire alert systems, elevators, structural systems, building maintenance systems or anything located within the core of the Building or central to the operation of the Building).

(f) "Construction Costs" means all costs in the permitting, demolition, construction, acquisition, and installation of the Leasehold Improvements, including, without limitation, contractor fees, overhead and profit, and the cost of all labor and materials supplied by the Contractor, suppliers, independent contractors, and subcontractors arising in connection with the Leasehold Improvements.

(g) "Construction Management Fee" means a fee in the amount of 1% of the sum of the Planning Costs and the Construction Costs.

(h) "Contractor" means the general contractor selected by Tenant in accordance with the terms of this Exhibit to construct and install the Leasehold Improvements, subject to Section 3(a).

(i) "Improvement Allowance" means an amount equal to the product of $68.00 multiplied by the rentable square footage of the Premises, which product equals $639,948.00.

(j) "Improvement Costs" means the sum of: (i) the Planning Costs; (ii) the Construction Costs; and (iii) the Construction Management Fee.

(k) "Leasehold Improvements" means the improvements, alterations, and other physical additions to be made or provided to, constructed, delivered or installed at, or otherwise acquired for, all of the Premises in accordance with the CD's, or otherwise approved in writing by Landlord or paid for in whole or in part from the Improvement Allowance. Any provision of this Exhibit to the contrary notwithstanding, the Leasehold Improvements shall not include Tenant's Equipment or any of the associated permits therefor. Tenant shall cause all Leasehold Improvements to comply with the 405 Colorado Green Building Requirements, a copy of which is attached to the Lease as Exhibit F.

(l) "MEP Engineer" means Blum Consulting (Dallas), which shall be engaged by Tenant to prepare the MEP Plans.

(m) "MEP Plans" means 100% fully coordinated and complete, Permittable and accurate mechanical, electrical, and plumbing plans, schedules and specifications for the Leasehold Improvements prepared by the MEP Engineer in accordance and in compliance with the requirements of applicable building, plumbing, and electrical codes and the requirements of any authority having jurisdiction over or with respect to such plans, schedules, and specifications, which are complete, accurate, consistent, and fully coordinated with and implement and carry out the Architectural Plans.

(n) "Permittable" means that the applicable plan meets the requirements necessary to obtain a building permit from the city or county (as applicable) in which the Building is located.

(o) "Planning Costs" means all actual, reasonable, documented, third-party costs incurred by Tenant and directly related to the design of the Leasehold Improvements including, without limitation, the professional fees of any engineers, consultants, architects, space planners, and other professionals preparing and/or reviewing the CD's.

(p) "Structural Engineer" means the engineer engaged by Tenant, subject to Landlord's reasonable approval, to prepare the Structural Plans.

(q) "Structural Plans" means 100% fully coordinated and complete, Permittable, and accurate structural plans, schedules and specifications, if any, for the Leasehold Improvements prepared by the Structural Engineer in accordance and in compliance with the requirements of any authority having jurisdiction over or with respect to such plans, schedules and specifications, which are complete, accurate, consistent, and fully coordinated with and implement and carry out the Architectural Plans.

(r) "Substantial Completion" means the later of the date on which the Leasehold Improvements have been completed except for punch list items as determined by the Architect, and Tenant has obtained a certificate or inspection report permitting the lawful occupancy of the Premises issued by the appropriate governmental authority.

(s) "Tenant's Equipment" means any telephone, telephone switching, data, and security cabling and systems, cabling, wiring, furniture, computers, servers, suite security, Tenant's trade fixtures, and other personal property installed (or to be installed) by or on behalf of Tenant in the Premises.

2. CD's.

(a) Proposed CD's; Landlord's Approval. By no later than the earlier of: (i) May 1, 2022; and (ii) commencement of the Leasehold Improvements, time being of the essence, Tenant shall prepare and deliver to Landlord, in hard copy and .pdf format, proposed CD's ("Proposed CD's") for Landlord's review, stamped for permit filing, together with any underlying detailed information Landlord may require in order to evaluate the Proposed CD's. The design of the Leasehold Improvements must be consistent with sound architectural, engineering, and construction practices in Class A office buildings comparable in size and market to the Building. Within 10 business days after Landlord's receipt of the Proposed CD's, Landlord shall notify Tenant in writing as to whether Landlord approves or disapproves such Proposed CD's, which approval shall not be unreasonably withheld, conditioned, or delayed. If Landlord disapproves of the Proposed CD's, or approves the Proposed CD's subject to modifications, Landlord shall state in its written notice to Tenant the reasons therefor, and Tenant, upon receipt of such written notice, shall revise and within 5 business days thereafter resubmit the Proposed CD's to Landlord for review and Landlord's reasonable approval, which approval shall not be unreasonably withheld. If Landlord does not respond to the Proposed CD's within such ten business day period, then Landlord shall be deemed to have denied the Proposed CD's. Notwithstanding the foregoing, if Landlord fails to respond within such 10 business-day period, Tenant may thereafter send to Landlord a second written requesting approval of the proposed CD's, which request must set forth in bold and 14-point capitalized type on the first page thereof the following statement: "SECOND AND FINAL REQUEST—LANDLORD HAS 5 BUSINESS DAYS TO RESPOND PURSUANT TO EXHIBIT C" ("Second CD Request"). If Landlord then fails to respond to the Second CD Request within 5 business days after receipt thereof, Landlord shall be deemed to have elected to consent to the proposed CD's, provided Tenant shall otherwise have complied with all provisions of this Lease relating to the CD's. All design, construction, and installation in connection with the Leasehold Improvements shall conform to the requirements of applicable building, plumbing, and electrical codes and the requirements of any authority having jurisdiction over, or with respect to, such Leasehold Improvements. All reasonable third-party costs incurred by Landlord in reviewing the Proposed CD's shall be paid by Tenant to Landlord within 30 days after receipt by Tenant of a statement of such costs. Landlord's approval of the CD's is not a representation that: (I) such CD's are in compliance with all applicable Laws; or (II) the CD's or design is sufficient for the intended purposes. Tenant shall be responsible for all elements of the design of the Leasehold Improvements and the CD's (including, without limitation, compliance with Laws, functionality of design, the structural integrity of the design, the configuration of the Premises and the placement of Tenant's furniture, appliances and equipment), and Landlord's approval of the Leasehold Improvements and the CD's shall in no event relieve Tenant of the responsibility for such design, or create responsibility or liability on Landlord's part for their completeness, design sufficiency, or compliance with Laws.

(b) Permit Application. Tenant shall deliver any and all CD's and all revisions thereto to Landlord and obtain Landlord's approval of same prior to submitting any of such CD's for permits. Landlord's approval to the CD's under Section 2(a) shall be deemed to be Landlord's approval as required under this Section

2(b). It shall be deemed reasonable for Landlord to deny consent to a requested revision to the CD's if Landlord determines that Substantial Completion will be delayed by more than thirty (30) days. Tenant shall apply for and pay the cost of obtaining all permits and certificates for the Leasehold Improvements within 3 days after receiving Landlord's approval of the CD's. Tenant shall pay for any charges levied by inspecting agencies as such charges are levied in connection with the Leasehold Improvements.

(c) Changes to CD's. If there are any changes in the Leasehold Improvements or the CD's from the work or improvements shown in the CD's as approved by Landlord, each such change must receive the prior written approval of Landlord, and, in the event of any such approved change in the CD's, Tenant shall, upon completion of the Leasehold Improvements, furnish Landlord with an accurate "as built" plan of the Leasehold Improvements as constructed (hard copy and AutoCAD), which plan shall be incorporated into this Exhibit by this reference for all intents and purposes.

(d) Tenant's and Landlord's Representative. "Tenant's Representative" means John Pence, whose email address is john.pence@asuresoftware.com. "Landlord's Representative" means Bill Lindstrom, whose email address is william.lindstrom@bdnreit.com. Each party shall have the right to designate a substitute individual as Tenant's Representative or Landlord's Representative, as applicable, from time to time by written notice to the other. All correspondence and information to be delivered to Tenant with respect to this Exhibit shall be delivered to Tenant's Representative, and all correspondence and information to be delivered to Landlord with respect to this Exhibit shall be delivered to Landlord's Representative. Notwithstanding anything to the contrary in the Lease, communications between Landlord's Representative and Tenant's Representative in connection with this Exhibit may be given via electronic means such as email without copies.

3. Completion of Leasehold Improvements.

(a) Selection of Contractor. Tenant shall inform Landlord of the general contractors from whom Tenant desires to solicit bids for the Leasehold Improvements. Each general contractor from whom Tenant desires to solicit a bid and the terms of the selected contractor's contract ("Construction Contract") shall be subject to Landlord's prior reasonable approval, which shall not be unreasonably withheld, conditioned or delayed. Landlord shall have the right to specify one general contractor who, at Tenant's option, shall either be the Contractor or one of the general contractors to whom Tenant bids the Leasehold Improvements. The Contractor shall contract for such work directly with Tenant, but shall perform such work in reasonable coordination with Landlord's operation of the Building. Tenant shall provide Landlord with a copy of the executed Construction Contract promptly after execution (but in any event prior to commencement of construction), and from time to time a list of all subcontractors the Contractor will use in connection with the performance of the Leasehold Improvements as such subcontractors are selected to assist in the performance of the Leasehold Improvements. Tenant's contractors and subcontractors shall work in harmony and shall not unduly interfere with labor employed by Landlord, or its contractors or subcontractors or by any other tenant or their contractors.

(b) Construction in Accordance with CD's; Schedule. Tenant shall cause the Leasehold Improvements to be performed by the Contractor substantially in accordance with the approved CD's (including without limitation any Landlord conditions on such approval), Laws, and Landlord's rules and regulations for construction. Tenant shall diligently pursue completion of the Leasehold Improvements, which shall expressly include improving all of the Premises. Tenant shall commence construction of the Leasehold Improvements within 5 days after receipt of the building permit, and shall use commercially reasonable efforts to complete the Leasehold Improvements within 3 months after receipt of the building permit. Prior to commencement of the Leasehold Improvements, Tenant shall provide Landlord with a schedule of the estimated dates and amounts for Tenant's requests for disbursement from the Improvement Allowance pursuant to Section 4(f) below ("Draw Schedule"). If during completion of the Leasehold Improvements there are any material changes to the dates or amounts on the Draw Schedule, Tenant shall promptly notify Landlord with the specifics of the changes. Within 3 days after receipt of request therefor from time to time, Tenant shall provide Landlord with an accounting of all costs incurred by or on behalf of Tenant in connection with the Leasehold Improvements. By no later than October 31, 2022, Tenant shall cause the Contractor to certify to Landlord that that following has been completed in the Premises: (i) walls constructed and painted; (ii) carpets, floor coverings and ceiling tiles installed; (iii) light fixtures installed and operational; (iv) all mechanical system installed and operational; (v) plumbing/millwork installed and operational; (vi) electrical outlets installed and operational; (vii) entrance door locking systems installed and operational; and (viii) kitchen constructed and operational, and Landlord will confirm that bathrooms on the 19th Floor are constructed and operational. If Tenant fails to complete the foregoing work by October 31, 2022, then with written notice to Tenant, Landlord shall have the right to complete such work at Tenant's cost.

(c) Tenant's Equipment. Tenant shall be solely responsible for the ordering and time of ordering of Tenant's Equipment. Tenant shall mark and tag all wiring and cabling installed by it or on its behalf upon installation.

(d) Building Standards. Except to the extent that the CD's expressly provide for the construction or installation of improvements, items, materials, fixtures, finishes, quantities, specifications, etc. that are non-Building Standard, Tenant will cause the Leasehold Improvements to be constructed or installed to Building Standards or better.

(e) Fire-Life Safety; Central Systems.

(i) Any Leasehold Improvements relating to the Building fire and life safety systems shall be performed by Landlord's fire and life safety subcontractor, as a subcontractor of the Contractor and at Tenant's expense.

(ii) Neither Tenant nor any of its agents or contractors shall alter, modify, or in any manner disturb any of the Central Systems.

(f) Water Heaters. Tenant shall ensure that all water heaters serving the Premises have a working automatic water shut-off device with audible alarm and a leak pan underneath with the drain line run to a suitable floor drain.

4. Costs.

(a) Improvement Allowance.

(i) Landlord shall provide the Improvement Allowance to Tenant in accordance with the terms of this Exhibit.

(ii) The Improvement Allowance shall be applied solely towards payment of the Improvement Costs, but specifically excluding costs for Tenant's Equipment, cabling, moving, utilities, and movable furniture, fixtures, or equipment that has no permanent connection to the structure of the Building.

(iii) If any portion of the Improvement Allowance remains undisbursed as of the 12-month anniversary of the date on which the Lease is fully executed and delivered, the Improvement Allowance shall be deemed reduced by such undisbursed amount, and Landlord shall retain such undisbursed portion of the Improvement Allowance which shall be deemed waived by Tenant and shall not be paid to Tenant, credited against Rent, or applied to Tenant's moving costs or prior lease obligations.

(b) Tenant's Payment Responsibility. Tenant shall be responsible for the full and timely payment of all Improvement Costs.

(c) Construction Management Fee. Tenant shall pay the Construction Management Fee to Landlord as compensation for Landlord's management services in protecting Landlord's interest in the Building. Tenant shall pay the Construction Management Fee to Landlord within 30 days after Landlord sends an invoice therefor to Tenant.

(d) Excess Costs. To the extent that the Improvement Costs exceed the Improvement Allowance, Tenant shall be solely responsible for payment of such excess amount.

(e) Rent. If Tenant fails to make any payment when due under this Exhibit, such failure shall be deemed a failure to make a Rent payment under the Lease. Landlord shall have no obligation to make a disbursement from the Improvement Allowance if, at the time such disbursement is to be made, there exists an uncured default.

(f) Disbursement of Improvement Allowance.

(i) Subject to the terms of this Exhibit, Landlord shall disburse the Improvement Allowance to Tenant for reimbursement of the Improvement Costs (subject to Section 4(a) above) for work in place (but not for costs arising from an Event of Default or from any facts or circumstances that could become an Event of Default, such as legal fees or bonding costs arising in connection with a mechanic's lien placed on the Premises or Tenant's interest therein), and in no event will Landlord be required to disburse all or any portion of the Improvement Allowance prior to the date the CDs are approved in accordance with Section 2(a). Landlord shall have the right (but not the obligation) to make Improvement Allowance disbursements to any third party for whom Tenant has requested a disbursement or, following the occurrence of an Event of Default, directly to the Contractor. If Landlord elects to make payments directly to a third party, the payment is contingent upon such third party not being a "related party" for purposes of 17CFR 229.404(a) (Item 404(a)) or under generally accepted accounting principles or under NYSE independence requirements (or other then-applicable exchange requirements), and if such

third party is found to be a related party, the payments will be made directly to Tenant. If it is found that Landlord has made a payment to a third party that violates any of the foregoing requirements, then Tenant shall work cooperatively to unwind such payment, causing the third party to repay to Landlord the amount paid in error, and Landlord will then make such payment directly to Tenant.

(ii) Except as set forth in (iii)(D) below with respect to final distribution of Retainage, Landlord shall be entitled to withhold from any requested disbursement for payment under the Construction Contract a retainage equal to 10% of the amount due under the Construction Contract ("Retainage"). Landlord shall not withhold more than the Retainage; thus, to the extent the disbursement request already reflects a retainage from the amount requested by the Contractor, Landlord shall not withhold more than the Retainage less such retained amount.

(iii) Any provision of this Exhibit to the contrary notwithstanding, Tenant agrees that Landlord shall not be obligated to make a disbursement from the Improvement Allowance unless the following conditions have been satisfied or waived in writing by Landlord:

(A) With respect to amounts payable under the Construction Contract or any other contract under which a mechanic's or materialmen's lien could arise (as reasonably determined by Landlord), Landlord shall have received from Tenant a request for payment, which request includes: (i) a copy of a certificate signed by the Architect certifying the then-percentage completion of the Leasehold Improvements, and approving payment of an amount at least equal to the amount set forth in Tenant's request for payment; (ii) a submission by the Architect of AIA forms G-702 and G-703, or substantially similar forms (Landlord and Tenant agree that the retainage set forth in such forms is one and the same as the Retainage set forth above and that there will not be a separate or an additional retainage under such forms); (iii) proof of payment, such as canceled checks or proof of ACH from the bank; and (iv) releases of liens on Landlord's form therefor from the Contractor, Architect, and any other relevant contractor or subcontractor (including without limitation design professionals) for work for which Tenant requests a disbursement (collectively, "Lien Waivers"). Landlord shall not be obligated to disburse funds for materials stored offsite.

(B) Landlord shall have inspected and approved the Leasehold Improvements performed for which disbursement has been requested, such approval not to be unreasonably withheld, conditioned or delayed..

(C) Landlord shall have no obligation to make a disbursement from the Improvement Allowance to the extent that Landlord has received an intent to lien or there exists any unbonded lien against the Building or the Premises or Tenant's interest therein (including the cost to bond over the lien to the reasonable satisfaction of Landlord, plus Landlord's reasonable attorneys' fees) by reason of work done, or claimed to have been done, or materials supplied, or claimed to have been supplied, to or for Tenant for the Premises, or if the conditions to advances of the Improvement Allowance are not satisfied. Landlord shall notify Tenant in writing of the reasons that Landlord disputes disbursing any portion of the Improvement Allowance. Landlord shall withhold only such amounts as Landlord disputes in good faith and only such amounts as Landlord deems reasonably necessary to protect Landlord's interests. Landlord shall have no obligation to disburse any portion of the Improvement Allowance for the payment of any bond premiums required of Tenant under this Exhibit in connection with any liens filed or sought in connection with the Leasehold Improvements.

(D) The Retainage shall be disbursed to Tenant 30 days after Substantial Completion of the Leasehold Improvements; provided, however, in no event shall the Retainage be disbursed to Tenant until such time as Tenant has complied with the requirements set forth in Section 3(b) and Section 5(a) hereof.

(E) There shall exist no Event of Default and no condition which with notice and/or the passage of time would constitute an Event of Default.

(iv) Provided Landlord has received a disbursement request from Tenant, together with the other items, certifications, Lien Waivers, etc. required under this Exhibit in connection with such disbursement on or before the 15th day of a month, Landlord shall make such disbursement no later than the last day of the following month. Landlord shall not be required to make more than 1 disbursement from the Improvement Allowance during any 30-day period.

(g) Inspection of Leasehold Improvements. Landlord reserves the right to inspect and to be present during the performance of the Leasehold Improvements solely for the purpose of protecting Landlord's interest in the Building, but Landlord will have no obligation to so inspect or be present and, if Landlord elects to so

inspect, or to be present during the performance of all or any portion of the Leasehold Improvements, neither such inspection nor such presence shall give rise to any liability by Landlord to Tenant or to any other person or entity.

(h) Space Plan Allowance. Provided there is no uncured Event of Default, Landlord will reimburse Tenant an amount equal to the lesser of: (i) $1,411.65; and (ii) the actual and reasonable third-party costs incurred by Tenant in connection with an initial space plan for the Premises (such lesser amount being hereinafter referred to as the "Space Plan Allowance"). Landlord will pay the Space Plan Allowance to Tenant within 30 days after Landlord's receipt of an invoice therefor (no more frequently than once per month) together with reasonable supporting documentation, evidence of payment in full by Tenant, and unconditional lien waivers (on Landlord's form therefor). Any portion of the Space Plan Allowance not used by Tenant on or before the 6-month anniversary of the date on which the Lease is fully executed and delivered will be deemed waived by Tenant and will not be paid to Tenant or credited against Rent.

5. Retainage; Deliverables; Rules for Leasehold Improvements.

(a) Conditions to Disbursement of Retainage. Prior to Landlord's disbursement of any portion of the Retainage, Tenant, at Tenant's expense, shall furnish Landlord with:

(i) evidence reasonably satisfactory to Landlord that the Leasehold Improvements have been paid for in full (other than any Leasehold Improvements to be paid for with the Retainage), that any and all liens therefor that have been or might be filed have been discharged of record (by payment, bond, order of a court of competent jurisdiction, or otherwise) or waived, and that no security interests relating to the Leasehold Improvements are outstanding and provide final Lien Waivers;

(ii) a copy of the certifications and approvals with respect to the Leasehold Improvements that may be required from any governmental authority and/or any board or fire underwriters or similar body for the use and/or occupancy of the Premises;

(iii) proof of the insurance required by the Lease;

(iv) an affidavit from the Architect certifying that the Leasehold Improvements have been completed substantially in accordance with the CD's;

(v) the opportunity to inspect the Premises so that Landlord can be reasonably satisfied that Substantial Completion occurred in accordance with the CD's;

(vi) 1 set of reproducible "as built" blueprints of the Premises, together with a CAD disk (in AutoCAD format);

(vii) an HVAC air balancing report reasonably satisfactory to Landlord;

(viii) copies of all guaranties and/or warranties; and

(ix) copies of all O&M information, manuals, etc.

(b) Interference with Others. Tenant will make reasonable efforts not to materially obstruct or materially interfere with the rights of, or otherwise materially disturb or injure, other tenants of the Building during the performance of the Leasehold Improvements.

(c) Rules and Regulations for Construction. Tenant shall cause the Contractor and each of the Contractor's subcontractors to adhere to the rules and procedures set forth in Exhibit C-1 attached hereto.

(d) Insurance. Tenant shall cause the Contractor, at no cost to Landlord, to maintain and keep in full force and effect, the insurance required under Exhibit C-2, with such companies, and in such form and amounts as Landlord may reasonably require. Tenant shall, at no cost to Landlord, maintain and keep in full force and effect, the insurance required of Tenant under the Lease and this Exhibit. Prior to commencement of construction of the Leasehold Improvements, Landlord shall be provided with copies of insurance certificates indicating coverages as required by Exhibit C-2 are in full force and effect, and a copy of the executed Construction Contract.

EXHIBIT C-1
CONTRACTOR REQUIREMENTS

A. General

1. No work shall be permitted until the property management office is furnished with copies of all required permits.

2. All demolition, removal or other types of work, which may inconvenience other tenants or disturb building operations, must be scheduled and performed before or after normal working hours. The property management office shall be notified at least 24 hours prior to commencement of such work.

3. All fire alarm testing must be performed after normal working hours.

B. Prior to commencement of Leasehold Improvements

1. Tenant shall deliver to Landlord, for Landlord's approval, which will not be unreasonably withheld, a list of all the contractors and subcontractors who will be performing the work.

2. Tenant shall deliver to Landlord 2 complete sets of permit plans and specifications properly stamped by a registered architect or professional engineer and shall deliver to Landlord any and all subsequent revisions to such plans and specifications.

3. It is Tenant's responsibility to obtain approval of plans and required permits from jurisdictional agencies. Tenant must submit copies of all approved plans and permits to the property management office and post the original permit on the Premises prior to commencement of any work. All work performed by a contractor or subcontractor shall be subject to Landlord's inspection.

C. Requirements and Procedures

1. All reasonable construction noise shall be allowed during all hours, pursuant to all applicable government approvals and building rules and regulations. Extremely loud work (demolition or work impacting building structure or building occupants) shall be scheduled for hours outside of Business Hours. At such times when other tenants occupy the Building, core drilling or cutting shall be permitted only between the hours of 7:00 p.m. and 7:00 a.m. Monday through Friday and 4:00 p.m. on Saturday through 7:00 a.m. on Monday. All core drilling/cutting must be approved by the Base Building structural engineer. X-rays of areas may be required at Landlord's engineer's discretion. The property management office must be notified at least 24 hours prior to commencement of such work.

2. Prior to the initiation of any construction activity in the Building, Tenant shall make arrangements for use of the loading dock and elevators with the property management office. Upon initiation of construction activity in the Building, Tenant shall make arrangements for use of the loading dock and elevators with the property management office 48 hours in advance. Notwithstanding the foregoing, Tenant shall not have a priority over future tenants and/or their contractors in the use of the elevators and loading dock. No material or equipment shall be carried under or on top of the elevators. If the building manager deems an elevator operator is required, such operator shall be provided by the contractor at the contractor's expense.

3. Tie-in of either fire alarm or sprinkler/fire suppression systems shall not occur until all other work related to such systems has been completed.

4. If a shutdown of risers and mains for electric, HVAC, sprinkler, fire protection, and plumbing work is required, work shall be scheduled with 48 hours' advance notice. Drain downs or fill-ups of the sprinkler system or any other work to the fire protection system which may set off an alarm, must be accomplished between the hours of 7:00 p.m. and 7:00 a.m. Monday through Friday and 4:00 p.m. on Saturday through 7:00 a.m. on Monday.

5. The contractor must:

   a. Properly supervise construction on the Premises at all times.

b. Police the job at all times, continually keeping the Premises and Project orderly. All Tenant materials are to be reasonably neatly stacked.

c. Maintain cleanliness and protection of all areas, including elevator and lobbies.

d. If requested by Landlord, distribute I.D. badges provided by Landlord to all construction workers. Any construction worker without a valid badge will be escorted from the building. I.D. badges will be changed at the discretion of the property management office.

e. If other tenants occupy the building, provide the property management office with a list of those who are expected on the job after hours or during a weekend. Tenant shall use its best efforts to submit such list by noon on the day in which after hours work is scheduled.

f. Arrange for telephone service if necessary. The property management and security telephones will not be available for use by contractors.

g. Block off supply and return grills, diffusers and ducts to keep dust from entering into the Building air system.

h. Avoid and prevent the disturbance of other tenants.

i. Tenant's contractors and subcontractors may only park in parking areas at the Project specifically designated by Landlord.

6. If the contractor is negligent in any of its responsibilities, Landlord shall give Tenant notice of such negligence and a reasonable opportunity to cure such negligence (except in the case of emergencies or potential harm to persons or damage to property), at Tenant's sole expense. If Tenant fails to cure timely such negligence, Landlord may elect to correct the same and Tenant shall be charged for the corrective work.

7. All equipment and material installation must be equal to the standards of workmanship and quality established for the Building.

8. Upon completion of the work, Tenant shall submit to the property management office properly executed forms or other documents indicating approval by all relevant agencies of the local government having jurisdiction over the Building whose approval is required for Tenant's use and occupancy of the Premises.

9. Tenant shall submit to the property management office a final "as-built" set of drawings, together with a CAD disk (in AutoCAD format), showing all items of work in full detail.

10. Contractors who require security for the Premises during construction shall provide same at their sole expense. Landlord will not be liable for any stolen items from Tenant's work area. It is suggested that the contractor and subcontractors use only tools and equipment bearing an identification mark denoting the contractor and subcontractor's name.

11. All contractors/subcontractors/employees will enter and exit through the loading dock area, and use the freight elevator (to the extent applicable). Building passenger elevators may not be used. To the extent there is no loading dock or freight elevator at the Building, contractors must coordinate path of travel and elevator usage with Landlord prior to commencing any work in the Building.

12. Prior to the commencement of construction, Landlord and Tenant will inspect the Building, and Tenant will prepare and deliver to Landlord a memorandum setting forth any pre-construction damages to the Building. Any damage caused by the contractor to existing work of others shall be repaired or replaced at the sole cost and expense of the contractor to Landlord's satisfaction.

13. The contractor shall be responsible for the protection of finished surfaces of public areas (floors, walls, ceiling, etc.).

14. Tenant shall pay all utility costs after the delivery of the Premises to Tenant, and during any construction period. If required by Landlord at any time during the completion of the Leasehold Improvements, Tenant shall install, at Tenant's sole cost and expense, electric submeters on each floor of the Premises. All electric power to Tenant's contractor and subcontractors' tools shall be

powered through such submeters. Tenant shall pay Landlord for use of such electric power within 30 days after written demand. If Tenant requests that Landlord provide central heating or air conditioning, Tenant shall be charged the then-prevailing hourly rate for such central heating or air conditioning service.

15. Contractors shall not use any restroom facilities in the Building without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.. Any damages to these facilities will be repaired by the contractor at its sole cost and expense. Landlord will provide no janitorial services to such restrooms.

16. The contractor must arrange to have freight or stock received by its own forces. Contractors and subcontractors are required to submit to the property management office a written request for dock space for offloading materials and/or equipment required to construct Tenant's space. All requests are to include the name of the supplier/hauler, time of expected arrival and departure from Landlord's dock facility, name of contractors and subcontractors designated to accept delivery, and the location that the materials/equipment will be transported by the contractor/subcontractor. Disregard for this requirement will result in those vehicles being moved at the vehicle owner's expense. Under no circumstances will a vehicle be parked and left in the loading dock. The contractor must provide for storage and removal of all trash at the contractor's expense. The contractor is not allowed to use the building trash dumpster under any circumstances. Any building materials left in loading dock, service corridor, stairwell, garage, on the site, etc. will be removed from the Project at the contractor's expense. Upon delivery of materials to the loading dock, tools, supplies, equipment, etc., the transport vehicle must be removed from the loading dock prior to the materials being carried to the worksite.

EXHIBIT C-2
INSURANCE REQUIREMENTS

1. Minimum Insurance Coverages. The Contractor shall, throughout the duration of any contract or any work authorized under purchase order, at its expense, carry and from time to time renew, and will cause its subcontractors to do the same, included in the cost of the work pursuant to the Construction Contract, the following coverages and limits throughout the duration of the Construction Contract and thereafter, as specified herein, as will protect against claims that may arise out of or result from the Leasehold Improvements and/or operations related thereto for which the Contractor may be legally liable, whether performed by the Contractor, a subcontractor, anyone directly or indirectly employed by any of them, or anyone for whose acts they may be liable. Such lines of insurance must be maintained for no less than the following minimum limits, or such greater limits as required by Law, and issued by a company or companies licensed to do business in the state in which the Building is located, possessing an A.M. Best's Rating of no less than "A-" and a financial size of "VIII" in the latest edition of Best's Insurance Reports (except for the State Fund for Workers' Compensation coverage, as applicable):

(a) worker's compensation insurance and employers' liability insurance, workers' compensation insurance in statutory limits together with employer's liability insurance in amounts of no less than $1,000,000 for bodily injury by accident (each accident), $1,000,000 bodily injury by disease (each employee), and $1,000,000 bodily injury by disease (policy limit).

(b) commercial general liability insurance, issued on an ISO CG 00 01 occurrence policy form or a substitute providing equivalent coverage, which must cover without limitation, liability arising from personal and advertising injury, ongoing and products-completed operations, and independent contractor liability. The Contractor shall carry coverage in amounts no less than $1,000,000 each occurrence and $2,000,000 general aggregate covering bodily injury and property damage, $1,000,000 personal and advertising injury, and $2,000,000 products-completed operations aggregate, or the applicable limits of insurance shown in the declarations, whichever are greater, including any indemnity and hold harmless clause Landlord may reasonably require, or in such other amounts Landlord may approve. The commercial general liability insurance policy shall: (i) apply the general aggregate separately to the Leasehold Improvements and/or operations related thereto by an aggregate limit per project endorsement on ISO form ISO CG 25 03 05 09 or equivalent form; (ii) continuously be maintained as to products-completed operations with respect to liability arising out of the Leasehold Improvements and/or operations related thereto; (iii) include a separation of insureds clause without any insured versus insured exclusion applicable to the Additional Insureds (as defined in the Lease); (iv) provide coverage for liability assumed under an "insured contract" (including tort liability of another assumed in a commercial contract) without any limiting modification or removal to the (x) definition thereof, or (y) insured contract exception to the contractual liability and employer's liability exclusions; (v) not contain any classification limitation endorsement, which limits or excludes coverage applicable to the Leasehold Improvements and/or operations related thereto or construction type contemplated by the Construction Contract; (vi) not contain any exclusion with respect to "explosion, collapse, and underground" property damage hazards (if applicable to the tenant improvements and/or operations related thereto); (vii) not contain any exclusion or limitation with respect to resulting or consequential property damage to or from "your work"; (viii) cover incidental design liability arising from the insured's construction means and methods without any exclusion with respect to professional liability broader than ISO endorsement CG 22 79 07 98; and (ix) if the Leasehold Improvements are located within 50 feet of a railroad, light rail, subway, or similar tracked conveyance, not contain any exclusion or limitation for coverage related thereto and include ISO endorsement CG 24 17 10 01 – Contractual Liability-Railroads or a substitute providing equivalent coverage.

(c) business automobile liability insurance, covering liability arising out of any auto, including owned (if any), non-owned, and hired autos, in an amount of no less than $1,000,000 combined single limit each accident for bodily injury and property damage, provided such non-owned and hired auto liability may be satisfied by appropriate endorsement to the commercial general liability insurance policy. If the Contractor and/or any subcontractor of any tier is hauling or transporting waste materials, or any other environmentally regulated substance that requires a regulated manifest, relating to the Leasehold Improvements and/or operations related thereto, the automobile liability insurance policy of the Contractor and/or subcontractor performing such operations must also include CA-9948 and MCS-90 endorsements.

(d) umbrella and/or excess liability insurance, in excess of commercial general liability, business automobile liability, employer's liability, and, as applicable, contractor's pollution liability insurance policies, concurrent to, and at least as broad as the underlying primary insurance policies, which must "drop down" over reduced or exhausted aggregate limits as to such underlying policies and contain a "follow form" statement. The Contractor must carry, or cause its subcontractors to carry, in amounts no less than the greater of: (i) $2,000,000 each occurrence and $2,000,000 in the aggregate; (ii) the limits carried by the Contractor and its subcontractors; or (iii) the Contractor's umbrella/excess limits outlined in the Schedule of Coverage Limits below. The general aggregate limit must apply separately to the Leasehold Improvements and/or operations related thereto by an aggregate limit per project endorsement on ISO form pursuant to Section 1(b) above. Such umbrella/excess liability

policy must be endorsed to provide that this insurance is primary to, and noncontributory with, any other insurance on which Landlord and the Additional Insureds are an insured, whether such other insurance is primary, excess, contingent, self-insurance, or insurance on any other basis. This endorsement must cause the umbrella/excess coverage to be vertically exhausted, whereby such coverage is not subject to any "Other Insurance" clause under this umbrella and/or excess liability policy.

(e) contractor's pollution liability insurance, if the Contractor or any subcontractor is engaged for environmental abatement or remediation work, including treatment, storage, removal, or transport of hazardous substances at, to, or from the Project site, or work includes, but is not limited to, excavation, boring, grading, demolition, plumbing, HVAC, fire sprinkler and process piping, or any other work that could in any way contribute to or cause moisture to be introduced into the interior of the Building, either by construction, sealing, or penetrating any portion of the Building's exterior envelope or releasing moisture within the Building, in amounts of no less than the greater of: (i) $1,000,000 each occurrence and $1,000,000 in the aggregate; (ii) the Contractor's pollution liability insurance limits outlined in the Schedule of Coverage Limits below; or (iii) the limits carried by the Contractor and its subcontractors. This policy must include liability coverage for bodily injury and property damage, clean-up costs resulting from pollution conditions, as well as coverage for mold, accidental release of asbestos, and removal/transportation of underground storage tanks (if applicable to the Leasehold Improvements and/or operations related thereto). If the coverage required under this paragraph is written on a claims-made policy form, such coverage must apply with a retroactive date to reflect the date the commencement date of the Construction Contract, and continue in force by renewal or Extended Reporting Period provision for a minimum period equal to the greater of 6 years after Substantial Completion of the Leasehold Improvements and/or operations related thereto, or the period under which a claim can be asserted under the applicable statute of limitations and/or repose. Non-owned disposal site coverage for specified sites must be provided (by endorsement or its equivalent), if the Contractor or any subcontractor is disposing of hazardous material and/or waste(s).

(f) professional liability insurance, if the Contractor or any subcontractor is engaged to perform any professional design or engineering services, in amounts of no less than the greater of: (i) $2,000,000 each occurrence and $2,000,000 in the aggregate; (ii) the Contractor's professional liability insurance limits outlined in the Schedule of Coverage Limits below; or (iii) the limits carried by such Contractor and its subcontractors. Such policy must: (A) continue in force by renewal or Extended Reporting Period provision for a minimum period equal to the greater of 6 years after Substantial Completion of the Leasehold Improvements and/or operations related thereto or the period in which a claim can be asserted under the applicable statute of limitations and/or repose; (B) not contain any exclusion or limitation in the definition of covered professional services applicable to the Leasehold Improvements and/or operations related thereto, as contemplated by the Construction Contract; and (C) not contain a deductible or self-insured retention in excess of $50,000 per claim, payment of which will be the sole responsibility of the Contractor or subcontractor, as applicable.

(g) a bailee's floater if the Contractor or any subcontractor is engaged as a mover. Such floater shall be the amount of the full replacement cost of property in care, custody, and control of the Contractor or subcontractor.

(h) personal property insurance. The Contractor and its subcontractors are responsible for each party's own property, tools, and equipment, including, all associated property insurance, deductibles, and claims related thereto.

(i) builder's risk insurance written on Causes of Loss-Special Form or its equivalent, in the amount of the Leasehold Improvements, all work incorporated in the Building, and all materials and equipment related thereto, on a replacement cost basis without any co-insurance requirements or penalties. Notwithstanding the foregoing, builder's risk insurance may be carried by Tenant in lieu of the Contractor.

2. Minimum Insurance Coverages for Tenant-Engaged Design Professionals. Tenant shall require any architect, structural engineer, design professional, or MEP engineer (each, a "Design Professional") retained or contracted by Tenant to carry, and to cause its subcontractors to carry, throughout the duration of any contract or any work authorized under purchase order, at their expense, the coverages and limits required of Contractor in Section 1 of this Exhibit C-2 and comply with all terms and conditions in Section 3 of this Exhibit C-2, provided, however, if lower limits are shown for that related Design Professional in the Schedule of Coverage Limits below, then that Design Professional may carry limits equal to the greater of those limits in the Schedule of Coverage Limits or what they actually carry.

3. Additional Insurance Requirements.

(a) To the fullest extent permitted by Law, the commercial general liability (including ongoing and products-completed operations coverage), automobile liability, umbrella/excess liability, and, as

applicable, contractor's pollution liability insurance policies must be endorsed to include the Additional Insureds as additional insureds to each of the applicable policies, which must be at least as broad as the coverage afforded to the named insured thereunder. This insurance must be primary and any other insurance that may be available to Landlord or any Additional Insured must be excess and noncontributory, which must be afforded by policy endorsement. Such additional insured coverage as to the commercial general liability insurance policy must be afforded by way of scheduled endorsement ISO CG 20 37 07 04 together with CG 20 10 07 04 or their equivalent. The additional insured and primary and noncontributory endorsements shall: (i) be furnished to and approved by Landlord prior to the commencement of the Leasehold Improvements; and (ii) not contain any limitation or exclusion due to the requirement of contractual privity between any such person or organization required to be included as an additional insured and the named insured. Defense will be provided as an addition to and not included within the limit of liability.

(b) An insurance certificate in the customary form, naming Landlord and any Additional Insureds and evidencing that premiums therefor have been paid, shall be delivered to Landlord simultaneously with the execution of any contract and prior to performing any work authorized under a purchase order. Evidence of the Project name and address must be listed in the description section of the certificate and on all endorsements specific to the Leasehold Improvements. Within 15 days prior to expiration of such insurance, a like certificate shall be delivered to Landlord evidencing the renewal of such insurance together with evidence satisfactory to Landlord of payment of the premium. All certificates must contain a provision that if such policies are canceled or changed during the periods of coverage as stated therein, in such a manner as to affect the coverages evidenced in this certificate, written notice will be mailed to Landlord by registered mail 30 days prior to such cancellation or change. In no event will any acceptance of certificates of insurance and endorsements by Tenant, or failure of the Contractor (or any subcontractor) to provide certificates of insurance and endorsements as required hereunder, be construed as a waiver of or estoppel to assert the Contractor's obligations to procure and maintain the insurance coverages in accordance with the insurance requirements set forth in this Exhibit C-2.

(c) The Contractor and its subcontractors must properly endorse each respective policy to waive rights of subrogation in favor of Landlord and the Additional Insureds. The waiver of subrogation endorsements must be furnished to and approved by Landlord prior to the commencement of any work. If Tenant is carrying Builder's Risk Insurance, such policy shall be endorsed to include a waiver of subrogation in favor of Landlord and any Additional Insureds.

(d) Each insurance policy required under this Exhibit C-2 shall not be canceled or materially modified without at least 30 days' advance written notice to Landlord. Contractor's and each subcontractor's insurance policies must be endorsed to extend notice of cancellation rights to Landlord, to the extent commercially available thereunder.

(e) Neither the maintenance of any insurance policy nor compliance with the minimum limits required hereunder will be deemed to limit or restrict in any way the Contractor's or subcontractor's liability in connection with or arising out of the Leasehold Improvements and/or operations related thereto or the indemnification obligations set forth in the contract.

(f) The deductible or self-insured retention amount related to any insurance required under this Exhibit C-2: (i) must not exceed $25,000, unless otherwise set forth hereunder this Exhibit C-2 and/or approved by Landlord in writing; (ii) will not be borne by Landlord or any Additional Insured; (iii) must be evidenced on the appropriate certificate of insurance; and (iv) will not be included in the cost of the Leasehold Improvements.

(g) Landlord reserves the right to reasonably require such other insurance, written in such other amounts, terms, and conditions, against other insurable hazards that at the time are commonly insured against in the case of projects similar in nature, construction type, and geographic location to the Leasehold Improvements and/or as otherwise required by Landlord's mortgagee, if any.

Schedule of Coverage Limits

Scope of Services	Umbrella/Excess Liability	Professional Liability	Contractor's Pollution Liability
Trade Contractors			
Carpentry	$2M/$2M		
Electrical	$2M/$2M	$2M	
Plumbing	$2M/$2M	$2M	$2M
HVAC	$2M/$2M	$2M	$2M
Drywall	$2M/$2M		$1M
Demolition	$5M/$5M		$2M
Excavation, Underpinning & Pile Driving	$2M/$2M	$2M	$2M
Scaffolding	$5M/$5M		
Foundation	$2M/$2M		
Elevators Construction and Permanent – Maintenance and Consultants	$10M/$10M	$2M	$2M (hydraulic elevators)
Concrete	$2M/$2M	$2M	$2M
Masonry	$2M/$2M	$2M	$2M
Window Installation	$2M/$2M	$2M	$2M
Steel Erection	$5M/$5M		
Roofing	$2M/$2M		$2M
Cranes and Operations (> 21 tons)	$25M/$25M	$2M	
Cranes and Operations (< 21 tons)	$10M/$10M	$2M	
Additional Trades and Services			
Fence Contractors	$1M/$1M		
Interior Designers and Decorators	$1M/$1M	$2M	
Fire protection equipment installation, service, repair	$5M/$5M	$2M	
Fire / Life-Safety System P/M, Testing	$2M/$2M	$1M	
Sprinkler Installation or Repair	$2M/$2M	$2M	$2M
Landscaping (use of heavy equipment and/or chemicals)	$2M/$2M	$2M	$2M
A/C Equipment & Systems Contractors	$2M/$2M	$2M	$2M
Hazardous Materials	$5M/$5M	$2M	$5M
Parking Lot - Patching / Re-Paving	$2M/$2M		
Surveys and Layout	$2M/$2M	$2M	
Architects/Architectural Consultants	$2M/$2M	$2M	
Waterproofing Contractors	$2M/$2M	$2M	$2M
Flooring / Carpeting Installation	$2M/$2M	$2M	
Signage Installation / Repairs	$2M/$2M	$2M	
Mechanical	$2M/$2M	$2M	
Engineer - All Types	$2M/$2M	$2M	
Welding Contractors	$2M/$2M	$2M	
Asbestos/Mold/Lead Abatement/Underground Storage	$5M/$5M	$5M	$5M
Steam Boiler Installation, Service, Repair	$5M/$5M	$2M	$2M
Emergency Generator Maintenance	$2M/$2M		
Portable Handheld Radio Maintenance	$1M/$1M		
Office Equipment Maintenance	$1M/$1M		
Movers	$2M/$2M		
Overhead Garage Door Maintenance	$2M/$2M		$1M
Landscaping (no heavy equipment and/or use of chemicals)	$2M/$2M		
Carpet Cleaning Services	$2M/$2M		$2M
Access control system maintenance	$2M/$2M	$2M	$2M
Locksmith	$1M/$1M		
Window Washing and Rig Maintenance	$5M/$5M		

EXHIBIT D
[INTENTIONALLY DELETED]

EXHIBIT E
RULES AND REGULATIONS

RULES AND REGULATIONS

1. Sidewalks, entrances, passages, elevators, vestibules, stairways, corridors, halls, lobby, and any other part of the Building shall not be obstructed or encumbered by Tenant or used for any purpose other than ingress or egress to and from the Premises. Landlord shall have the right to control and operate the common portions of the Building and exterior facilities furnished for common use of the Building's tenants (such as the eating, smoking, and parking areas) in such a manner as Landlord deems appropriate.

2. No awnings or other projections may be attached to the outside walls of the Building without the prior written consent of Landlord. All drapes and window blinds shall be of a quality, type, design, and color, and attached in a manner approved in writing by Landlord.

3. No showcases, display cases, or other articles may be put in front of or affixed to any part of the exterior of the Building, or placed in hallways or vestibules without the prior written consent of Landlord. All supplies shall be kept in designated storage areas. Tenant shall not use or permit the use of any portion of the Project for outdoor storage. No mats, trash, or other objects may be placed in the public corridors, hallways, stairs, or other common areas of the Building.

4. Restrooms and other plumbing fixtures shall not be used for any purposes other than those for which they were constructed, and no debris, rubbish, rags, or other substances may be thrown therein. Only standard toilet tissue may be flushed in commodes. All damage resulting from any misuse of these fixtures shall be the responsibility of the tenant who, or whose employees, agents, visitors, clients, or licensees, caused such damage. Bathing and changing of clothes is permitted only in designated shower/locker facilities, and is not permitted in restrooms.

5. Tenant shall not, without the prior written consent of Landlord, mark, paint, drill into, bore, cut, string wires, or in any way deface any part of the Premises or the Building except for the reasonable hanging of decorative or instructional materials on the walls of the Premises. Tenant shall remove seasonal decorations that are visible outside of the Premises within 30 days after the end of the applicable season.

6. Tenant shall not construct, install, maintain, use, or operate in any part of the Project any electrical device, wiring, or other apparatus in connection with a loud speaker system or other sound/communication system that may be heard outside the Premises.

7. No bicycles, mopeds, skateboards, scooters, or other vehicles may be brought into, used, or kept in or about the Building or in the common areas of the Project other than in locations specifically designated thereof. No animals or pets of any kind (other than a service animal performing a specified task), including without limitation fish, rodents, and birds, may be brought into, used, or kept in or about the Building. Rollerblading and roller skating is not permitted in the Building or in the common areas of the Project.

8. Tenant shall not cause or permit any unusual or objectionable odors to be produced upon or permeate from the Premises.

9. No space in the Project may be used for the manufacture of goods for sale in the ordinary course of business, or for sale at auction of merchandise, goods, or property of any kind.

10. Tenant shall not make any unseemly or disturbing noises, or disturb or interfere with the occupants of the Building or neighboring buildings or residences by voice, musical instrument, radio, talking machines, whistling, singing, lewd behavior, or in any other way. All passage through the Building's hallways, elevators, and main lobby shall be conducted in a quiet, businesslike manner. Tenant shall not commit or suffer any waste upon the Premises, the Building, or the Project, or any nuisance, or do any other act or thing that may disturb the quiet enjoyment of any other tenant in the Building or Project.

11. Tenant shall not throw anything out of the doors, windows, or down corridors or stairs of the Building.

12. Tenant shall not place, install, or operate in the Premises or in any part of the Project, any engine, stove, machinery, or electrical equipment not directly related to its business, including without limitation space

heaters, coffee cup warmers, and small refrigerators, conduct mechanical operations, cook thereon or therein, or place or use in or about the Premises or the Project any explosives, gasoline, kerosene oil, acids, caustics, canned heat, charcoal, or any other flammable, explosive or hazardous material, without the prior written consent of Landlord. Notwithstanding the foregoing, Tenant shall have the right to install and use a coffee machine, microwave oven, toaster, ice maker, refrigerator, and/or vending machine in compliance with all applicable Laws in a kitchen or break room designated as such by Landlord, provided Tenant shall use only stainless steel braided hoses. All supply waterlines shall be of copper (not plastic) tubing.

13. No smoking (including without limitation of cigarettes, cigars, and e-cigarettes) is permitted anywhere in the Premises, the Building, or the Project, including but not limited to restrooms, hallways, elevators, stairs, lobby, exit and entrance vestibules, sidewalks, and parking lot areas, provided smoking shall be permitted in any Landlord-designated exterior smoking area. All cigarette ashes and butts shall be deposited in the containers provided for such disposal, and shall not be disposed of on sidewalks, parking lot areas, or toilets.

14. Tenant shall not install any additional locks or bolts of any kind upon any door or window of the Building without the prior written consent of Landlord. Tenant shall, upon the termination of its tenancy, return to Landlord all keys for the Premises, either furnished to or otherwise procured by Tenant, and all security access cards to the Building.

15. Tenant shall keep all doors to hallways and corridors closed during Business Hours except as they may be used for ingress or egress.

16. Tenant shall not use the name of the Building, Project, Landlord, or Landlord's agents or affiliates in any way in connection with its business except as the address thereof. Landlord shall also have the right to prohibit any advertising by Tenant that, in Landlord's sole opinion, tends to impair the reputation of the Building or its desirability as a building for offices, and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

17. Tenant shall be responsible for all security access cards issued to it, and shall secure the return of all security cards from all employees terminating employment with them. Lost cards shall cost $35.00 per card to replace. No person/company other than Building tenants and/or their employees may have security access cards unless Landlord grants prior written approval.

18. All deliveries to the Building that involve the use of a hand cart, hand truck, or other heavy equipment or device shall be made via the freight elevator, if such freight elevator exists in the Building. Tenant shall be responsible to Landlord for any loss or damage resulting from any deliveries made by or for Tenant to the Building. Tenant shall procure and deliver to Landlord a certificate of insurance from its movers, which certificate shall name Landlord as an additional insured.

19. Landlord reserves the right to inspect all freight to be brought into the Building, and to exclude from the Building all freight or other material that violates any of these rules and regulations.

20. Tenant shall refer all contractors, contractor's representatives, and installation technicians rendering any service on or to the Premises, to Landlord for Landlord's approval and supervision before performance of any contractual service or access to Building. This provision shall apply to all work performed in the Building including installation of telephones, telegraph equipment, electrical devices and attachments, and installations of any nature affecting floors, walls, woodwork, trim, windows, ceilings, equipment, or any other physical portion of the Building. Landlord reserves the right to require that all agents of contractors and vendors sign in and out of the Building.

21. If Tenant desires to introduce electrical, signaling, telegraphic, telephonic, protective alarm or other wires, apparatus or devices, Landlord shall direct where and how the same are to be placed, and except as so directed, no installation boring or cutting shall be permitted, without Landlord's consent, not to be unreasonably withheld, conditioned, or delayed. Landlord shall have the right to prevent and to cut off the transmission of excessive or dangerous current of electricity or annoyances into or through the Building or the Premises and to require the changing of wiring connections or layout at Tenant's expense, to the extent that Landlord may reasonably deem necessary, and further to require compliance with such reasonable and

uniformly applied rules as Landlord may establish relating thereto, and in the event of non-compliance with the requirements or rules, Landlord shall have the right immediately to cut wiring or to do what it reasonably considers necessary to remove the danger, annoyance, or electrical interference with apparatus in any part of the Building. All wires installed by Tenant must be clearly tagged at the distributing boards and junction boxes and elsewhere where required by Landlord, with the suite number of the office to which such wires lead, and the purpose for which the wires respectively are used, together with the name of the concern, if any, operating such wires.

22. Landlord reserves the right to exclude from the Building at all times any person who is not known or does not properly identify himself or herself to Landlord's management or security personnel.

23. Landlord may require, at its sole option, all persons entering the Building outside of Business Hours to register at the time they enter and at the time they leave the Building.

24. No space within the Building, or in the common areas such as the parking lot, may be used at any time for the purpose of lodging, sleeping, or for any immoral or illegal purposes.

25. Tenant shall not use the hallways, stairs, lobby, or other common areas of the Building as lounging areas during breaks or during lunch periods.

26. No canvassing, soliciting, or peddling is permitted in the Building or its common areas.

27. Tenant shall comply with all Laws regarding the collection, sorting, separation, and recycling of garbage, trash, rubbish and other refuse, and Landlord's recycling policy for the Building.

28. Landlord does not maintain suite finishes that are non-standard, such as kitchens, bathrooms, wallpaper, special lights, etc. However, should the need arise for repair of items not maintained by Landlord, Landlord at its sole option, may arrange for the work to be done at tenant's expense.

29. Tenant shall clean at least once a year, at its expense, drapes in the Premises that are visible from the exterior of the Building.

30. No pictures, signage, advertising, decals, banners, etc. may be placed in or on windows in such a manner as they are visible from the exterior, without the prior written consent of Landlord.

31. Tenant is prohibited at all times from eating or drinking in hallways, elevators, restrooms, lobbies, or lobby vestibules outside of the Premises. Food storage shall be limited to a Landlord-approved kitchen or break room.

32. Tenant shall be responsible to Landlord for any acts of vandalism performed in the Building by its employees, invitees, agents, contractors, licensees, subtenants, and assignees.

33. Tenant shall not permit the visit to the Premises of persons in such numbers or under such conditions as to interfere with the use and enjoyment by other tenants of the entrances, hallways, elevators, lobby, exterior common areas, or other public portions or facilities of the Building.

34. Landlord's employees shall not perform any work or do anything outside of their regular duties unless under special instructions from Landlord. Requests for such requirements shall be submitted in writing to Landlord.

35. Tenant is prohibited from interfering in any manner with the installation and/or maintenance of the heating, air conditioning and ventilation facilities and equipment at the Project.

36. Landlord shall not be responsible for lost or stolen personal property, equipment, money, or jewelry regardless of whether such loss occurs when an area is locked against entry or not.

37. Landlord shall not permit entrance to the Premises by use of pass key controlled by Landlord, to any person at any time without written permission of Tenant, except employees, contractors or service personnel

supervised or employed by Landlord.

38. Tenant shall observe and comply with the driving and parking signs and markers on the Project grounds and surrounding areas. Tenant shall comply with all reasonable and uniformly applied parking regulations promulgated by Landlord from time to time for the orderly use of vehicle parking areas. Parked vehicles shall not be used for vending or any other business or other activity while parked in the parking areas. Vehicles shall be parked only in striped parking spaces, except for loading and unloading, which shall occur solely in zones marked for such purpose, and be so conducted as to not unreasonably interfere with traffic flow or with loading and unloading areas of other tenants. Tractor trailers shall be parked in areas designated for tractor trailer parking. Employee and tenant vehicles shall not be parked in spaces marked for visitor parking or other specific use. All vehicles entering or parking in the parking areas shall do so at owner's sole risk and Landlord assumes no responsibility for any damage, destruction, vandalism, or theft. Tenant shall cooperate with Landlord in any reasonable and uniformly applied measures implemented by Landlord to control abuse of the parking areas, including without limitation access control programs, tenant and guest vehicle identification programs, and validated parking programs, provided no such validated parking program shall result in Tenant being charged for spaces to which it has a right to free use under the Lease. Each vehicle owner shall promptly respond to any sounding vehicle alarm or horn, and failure to do so may result in temporary or permanent exclusion of such vehicle from the parking areas. Any vehicle that violates the parking regulations may be cited, towed at the expense of the owner, temporarily or permanently excluded from the parking areas, or subject to other lawful consequence.

39. Tenant shall not enter other separate tenants' hallways, restrooms, or premises except with prior written approval from Landlord's management.

40. Tenant shall not place weights anywhere beyond the load-per-square-foot carrying capacity of the Building.

41. Tenant shall comply with all laws, regulations, or other governmental requirements with respect to energy savings, not permit any waste of any utility services provided Landlord, and cooperate with Landlord fully to ensure the most effective and efficient operation of the Building.

42. The finishes, including floor and wall coverings, and the furnishings and fixtures in any areas of the Premises that are visible from the common areas of the Building are subject to Landlord's approval in its sole discretion. Selections for these areas shall be pre-approved in writing by Landlord.

43. Power strips and extension cords shall not be combined (also known as daisy chaining).

44. Candles and open flames are prohibited in the Building.

45. Guns, firearms, and other dangerous weapons (concealed or otherwise) are not allowed at the Project, subject to applicable Law (if any) requiring Landlord to so permit at the Project.

Landlord reserves the right to rescind any of these rules and make such other and further rules and regulations as in the judgment of Landlord shall from time to time be needed for the safety, protection, care, and cleanliness of the Project, the operations thereof, the preservation of good order therein, and the protection and comfort of its tenants, their agents, employees, and invitees, which rules when made and notice thereof given to Tenant shall be binding upon Tenant in a like manner as if originally prescribed. As used in these rules and regulations, capitalized terms shall have the respective meanings given to them in the Lease to which these rules and regulations are attached, provided Tenant shall be responsible for compliance herewith by everyone under Tenant's reasonable control, including without limitation its employees, invitees, agents, contractors, licensees, subtenants and assignees, and a violation of these rules and regulations by any of the foregoing is deemed a violation by Tenant.

EXHIBIT F

405 COLORADO GREEN BUILDING REQUIREMENTS

The following requirements are made part of the Tenant Improvements scope of work, are mandatory, and are not subject to Tenant approval. Nothing contained in this document shall be construed to deviate from other requirements set forth in the Lease. Tenants should review, understand, and complete the full requirements for stated LEED/AEGB credits using the reference documents as needed. SITE VISITS: All tenants shall schedule site visits as required with an AEGB representative at substantial completion of tenant finish-out, Landlord presence is recommended.

I. PLANS & SPECIFICATIONS (AEGB Basic Requirement 1)

Tenant is required to provide access to their complete set of plans and specifications for landlord review, at a minimum at the 100% Design Development (DD) and the Building Permit stages.

II. CURRENT CODES AND REGULATIONS (AEGB Basic Requirement 2)

Tenant is responsible for meeting all current City of Austin Codes with local amendments (including but not limited to energy, building, mechanical, plumbing, electrical, and current drainage and water quality standards applicable in project watershed).

III. BUILDING SYSTEMS COMMISSIONING (AEGB Basic Requirement 3) and FUNDAMENTAL COMMISSIONING OF BUILDING ENERGY SYSTEMS (LEED EAp1)

If the Tenant were to install their own systems or make changes to landlord-provided mechanical and/or electrical systems (including lighting systems), these systems must be commissioned by a third-party commissioning agent (CxA).

IV. BUILDING ENERGY PERFORMANCE (AEGB Basic Requirement 4) and Minimum Energy Performance/ Optimize Energy Performance (LEED EAp2/EAc1)

- Any HVAC equipment installed by the Tenant shall exceed the minimum efficiency requirements of the Current City of Austin Energy Code by 10%. VRF/VRV equipment, if used, shall meet ASHRAE 90.1-2010 (or later version) minimum efficiency requirements.
- All interior lighting within the Tenant Finish-out must show a reduced interior energy use to a level that is 15% below (minimum 15% savings) the requirements of the City of Austin Energy Code. Interior lighting power densities (LPD) (using the Space-By-Space Method) shall not exceed:
    a) Office: 0.60 W/ft^2
    b) Retail-Sales Area: 1.0 W/ft^2
    c) Conference/Meeting/Multipurpose Rooms: 0.8 W/ft^2
    d) Electrical/Mechanical Rooms: 0.7 W /ft^2
    e) Restrooms: 0.7 W/ft^2

V. FUNDAMENTAL REFRIGERANT MANAGEMENT (LEED EAp3)

- HVAC&R (heating, ventilating, air-conditioning, and refrigeration) systems shall not use any chlorofluorocarbon (CFC)-based refrigerants. If reusing existing base building HVAC equipment, comprehensive CFC phase-out conversion shall be completed prior to project completion.

VI. ENHANCED REFRIGERANT MANAGEMENT (LEED EAc4)

- HVAC&R (heating, ventilating, air-conditioning, and refrigeration) systems shall not use any refrigerants. If refrigerants are used, these shall be selected to meet LEED requirements.

VII. INDOOR WATER USE REDUCTION (AEGB Basic Requirement 6) and WATER USE REDUCTION (LEED WEp1/WEc3)

- Any water fixtures installed by the Tenant shall not exceed the following flush and flow rates:
    a) Water closets: 1.28 gallons per flush (gpf)
    b) Urinals: 0.125 gpf
    c) Lavatory faucets: 0.5 gallons per minute (gpm)
    d) Kitchen sink faucets: 1.6 gpm
    e) Commercial pre-rinse spray valves (food service applications): </=1.28 gpm; and
    f) Showerheads: 1.5 gpm.
- Any residential style dishwashers and ice machines shall be ENERGY STAR Certified (or meet an AEGB approved performance equivalent).

VIII. LOW-EMITTING MATERIALS (AEGB Basic Requirement 7/IEQ 7 and LEED IEQ c4.1-4.4)

Interior Paints and Coatings:

All paints, primers, and anti-corrosive coatings applied on-site to the interior of the building by the Tenant must not exceed the most current VOC limits of Green Seal Environmental Standard GS-11. All coatings applied on-site to the interior of the building by the Tenant must not exceed the most current VOC limits of South Coast Air Quality Management District (SCAQMD) Rule 1113.

Interior Sealants and Adhesives:
All sealants and adhesives applied on-site to the building interior must not exceed the most current VOC limits of South Coast Air Quality Management District (SCAQMD) Rule 1168. If a specialty product does not have a low VOC option, the project must complete a '*VOC Budget*' to account for use of any non-compliant products.

Flooring Systems:
All flooring systems (carpets, carpet pads/cushions, hard flooring, engineered wood flooring, laminate flooring), all concrete, tile, wood, bamboo, and cork floor finishes such as sealants and stains, and all flooring adhesives and grouts must meet their respective green building certifications and/or standards and/or VOC limits, as applicable.

Composite Wood and Agrifiber Products:
Any installed composite wood and agrifiber products must not contain any added formaldehyde resins or should meet respective ULEF (ultra-low-emitting formaldehyde) resin emissions requirements.

Insulation products:
All installed insulation must contain no added formaldehyde resins, including urea formaldehyde, phenol formaldehyde, and urea-extended phenol formaldehyde.

Ceiling and Wall Systems:
All gypsum board, acoustical ceiling systems, and wall coverings installed in the building interior must be tested and determined compliant in accordance with California Department of Public Health (CDPH) Standard Method v1.1-2010, using the applicable exposure scenario.

IX. STORAGE & COLLECTION OF RECYCLABLES (AEGB Basic Requirement 8 and LEED MRp1)
Tenant shall comply with the requirements of the Austin Resource Recovery Universal Recycling Ordinance (URO) (Austin Ordinance No. 20130425-007), regardless of size or type of project.

- Restaurants/Food-service Tenants Only: Tenants with a major food service component or commercial kitchen must provide separation, storage, and collection of kitchen scraps and other compostable materials.

X. CONSTRUCTION WASTE MANAGEMENT (CWM) (AEGB Basic Requirement 9/ MR 1 and LEED MRc2)
Tenant shall recycle and/or salvage at least 75% (by weight) of non-hazardous construction and demolition waste, excluding excavated soil, stone, and land clearing debris. Diverted material must include at least four material streams (i.e. concrete, metal, wood, gypsum wallboard, paper and cardboard, plastic). Tenant shall submit weight tickets for all of the waste recycled, salvaged, or sent to the landfill to the Landlord and maintain up-to-date documentation showing compliance with the target diversion.

XI. MINIMUM INDOOR AIR QUALITY PERFORMANCE (LEED IEQp1)
All current and future leased spaces shall meet the indoor air quality requirements as outlined in Sections 4 through 7 of the ASHRAE (American Society of Heating, Refrigerating, and Air-Conditioning Engineers) Standard 62.1-2007 Ventilation for Acceptable Indoor Air Quality (with errata but without addenda). All equipment shall be designed using the ASHRAE 62.1 ventilation rate procedure or applicable local code, whichever is more stringent.

XII. ENVIRONMENTAL TOBACCO SMOKE (ETS) CONTROL (LEED IEQp2)
All tenants shall adhere to the NO-SMOKING Policy inside the building and in any of the outdoor spaces that fall within the building grounds.

XIII. OUTDOOR AIR DELIVERY MONITORING (LEED IEQc1)
All densely occupied spaces (density at or above 25 people per 1,000 sf) shall be designed to have a wall-mounted CO_2 (carbon-dioxide) monitor. Air quality indicators can be just a simple flashing alarm/light or more sophisticated, depending on design team.

XIV. PROCESS WATER USE REDUCTION (AEGB Water Use Reduction 3)

- Any new Clothes washers must be ENERGY STAR Certified.
- If Tenant is a Restaurant/Food Service category, meet respective AEGB energy and water efficiency

requirements for all new commercial kitchen equipment, including commercial dishwashers, food steamers, combination ovens, and food waste disposers.

XV. INDOOR CHEMICAL AND POLLUTANT SOURCE CONTROL (AEGB IEQ 1 and LEED IEQc5)
Tenant shall identify and isolate pollution point sources, which shall include but not be limited to janitorial closets/rooms, chemical storage, laboratories, large copy rooms, and print shops. For these spaces, tenant spaces shall employ strategies like full-height deck-to-deck partitions, hard-lid ceilings, direct ventilation, negative space pressurization, permanent entryway systems (grates, grilles, walk-off mats with scheduled weekly maintenance), and MERV 13 filtration (in accordance with ASHRAE Standard 52.2), as and where applicable.

XVI. CONSTRUCTION INDOOR AIR QUALITY (IAQ) (AEGB IEQ 11 and LEED IEQc3)
Tenant shall prevent the introduction of potentially hazardous contaminants into the building during any construction-related activities so as to protect the comfort and well-being of construction workers and other building occupants. and implement a Construction Indoor Air Quality Management Plan that meets or exceeds the recommended control measures of the Sheet Metal and Air Conditioning National Contractor's Association (SMACNA) "IAQ Guidelines for Occupied Buildings Under Construction." The plan should include each of these key areas of IAQ protection: Scheduling, Source Control, HVAC Protection, Pathway Interruption, and Housekeeping. If permanently installed air handlers are used during construction, filtration media with a minimum MERV of 8 shall be used at each return grille. Replace all media filters immediately prior to occupancy.

XVII. MOISTURE PREVENTION (AEGB IEQ 8)
To protect the health and well-being of building occupants, and promote integrity and durability of the building's structure and envelope by avoiding moisture intrusion, Tenant shall not install vinyl wall coverings, FRP, FRV, or other vapor barriers on the interior side of any exterior walls, shall install effective building drainage plane systems, and design/verify building pressurization.

XVIII. GREEN HOUSEKEEPING/ GREEN CLEANING
If Tenant is responsible for housekeeping, Tenant shall develop and implement a housekeeping program supported by a green cleaning policy, or refer to and support/adopt/follow the landlord provided green cleaning practices/program.

XIX. INTEGRATED PEST MANAGEMENT (IPM)
If Tenant is responsible for pest management, Tenant shall develop and implement an integrated pest management policy, or refer to and support/adopt/follow the landlord provided integrated pest management practices/program.

EXHIBIT 21.1

LIST OF SUBSIDIARIES

Subsidiary	Location
Asure Consulting, Inc.	Washington
Asure Payroll Tax Management LLC	Delaware
Associated Data Services, Inc.	Alabama
Compass HRM, Inc.	Florida
Evolution Payroll Processing LLC	Delaware
iSystems Intermediate HoldCo, Inc.	Delaware
iSystems, LLC	Vermont
Mangrove Employer Services, Inc.	Florida
Asure Payroll Services, Inc.	Florida
Mangrove Software, Inc.	Florida
Payroll Maxx LLC	Colorado
PaySystems of America, Inc.	Tennessee
Savers Administrative Services, Inc.	North Carolina
Telepayroll, Inc.	California
USA Payrolls, Inc.	New York

EXHIBIT 23.1

Independent Registered Public Accounting Firm's Consent

We consent to the incorporation by reference in the Registration Statement of Asure Software, Inc. on Form S-3 (File No. 333-254138), Form S-4 (File No. 333-254140) and on Form S-8 (File Nos. 333-175186, 333-212312, 333-215097, 333-230967, 333-232754 and 333-249986) of our report dated March 14, 2022, with respect to our audits of the consolidated financial statements of Asure Software, Inc. as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020, which report is included in this Annual Report on Form 10-K of Asure Software, Inc. for the year ended December 31, 2021.

/s/ Marcum LLP

Marcum LLP
Costa Mesa, California
March 14, 2022

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, the undersigned, Patrick Goepel, certify, that:

1. I have reviewed this quarterly report on Form 10-Q of the Company (the "Report");

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

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

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

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

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

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation; and

(d) Disclosed in the Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the quarter ended December 31, 2021) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and to the Audit Committee of the Board of Directors:

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

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

Date: March 14, 2022

By: /s/ Patrick Goepel

Patrick Goepel
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PERIODIC REPORT

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, the undersigned, John Pence, certify, that:

1. I have reviewed this quarterly report on Form 10-Q of the Company (the "Report");

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

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

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

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

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

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation; and

(d) Disclosed in the Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the quarter ended December 31, 2021) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and to the Audit Committee of the Board of Directors:

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

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

Date: March 14, 2022

By: /s/ John Pence

John Pence
Chief Financial Officer and Principal Accounting Officer

EXHIBIT 32.1

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 December 31, 2021 (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: March 14, 2022 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.

EXHIBIT 32.2

CERTIFICATION OF PERIODIC REPORT

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, the undersigned, John Pence, 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 December 31, 2021 (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: March 14, 2022 By: /s/ John Pence

John Pence
Chief Financial Officer and Principal Accounting 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.