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

**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended **September 30, 2018**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **0-20008**

**ASURE SOFTWARE, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**74-2415696**

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

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

**Austin, Texas**

(Address of Principal Executive Offices)

**78746**

(Zip Code)

**(512) 437-2700**

(Registrant's Telephone Number, including Area Code)

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of November 7, 2018, the registrant had outstanding 15,224,384 shares of its Common Stock, \$0.01 par value.

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TABLE OF CONTENTS

	<u>Page Number</u>
<b>PART I - FINANCIAL INFORMATION</b>	
<b>Item 1.</b> <a href="#">Financial Statements (Unaudited)</a>	
<a href="#">Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017</a>	3
<a href="#">Condensed Consolidated Statements of Comprehensive Loss for the Three and Nine Months ended September 30, 2018 and September 30, 2017</a>	4
<a href="#">Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and September 30, 2017</a>	5
<a href="#">Notes to Condensed Consolidated Financial Statements</a>	6
<b>Item 2.</b> <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	22
<b>Item 3.</b> <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	27
<b>Item 4.</b> <a href="#">Controls and Procedures</a>	27
<b>PART II - OTHER INFORMATION</b>	
<b>Item 1.</b> <a href="#">Legal Proceedings</a>	28
<b>Item 1A.</b> <a href="#">Risk Factors</a>	28
<b>Item 2.</b> <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	28
<b>Item 3.</b> <a href="#">Defaults upon Senior Securities</a>	28
<b>Item 5.</b> <a href="#">Other Information</a>	28
<b>Item 6.</b> <a href="#">Exhibits</a>	29
<a href="#">Signatures</a>	30

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASURE SOFTWARE, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Amounts in thousands)

	September 30, 2018 (unaudited)	December 31, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 19,194	\$ 27,792
Accounts receivable, net of allowance for doubtful accounts of \$706 and \$425 at September 30, 2018 and December 31, 2017, respectively	18,824	13,361
Inventory	1,265	509
Prepaid expenses and other current assets	4,518	2,588
<b>Total current assets before funds held for clients</b>	<b>43,801</b>	<b>44,250</b>
Funds held for clients	71,176	42,328
<b>Total current assets</b>	<b>114,977</b>	<b>86,578</b>
Property and equipment, net	7,830	5,217
Goodwill	107,557	77,348
Intangible assets, net	75,823	33,554
Other assets	3,453	614
<b>Total assets</b>	<b>\$ 309,640</b>	<b>\$ 203,311</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of notes payable	\$ 4,502	\$ 8,895
Accounts payable	4,025	1,912
Accrued compensation and benefits	2,551	2,477
Other accrued liabilities	2,246	862
Deferred revenue	12,110	13,078
<b>Total current liabilities before client fund obligations</b>	<b>25,434</b>	<b>27,224</b>
Client fund obligations	71,699	42,328
<b>Total current liabilities</b>	<b>97,133</b>	<b>69,552</b>
Long-term liabilities:		
Deferred revenue	998	1,125
Deferred tax liability	2,198	1,070
Notes payable, net of current portion and debt issuance cost	108,566	66,973
Other liabilities	953	817
<b>Total long-term liabilities</b>	<b>112,715</b>	<b>69,985</b>
<b>Total liabilities</b>	<b>209,848</b>	<b>139,537</b>
<b>Commitments</b>		
Stockholders' equity:		
Preferred stock, \$.01 par value; 1,500 shares authorized; none issued or outstanding	-	-
Common stock, \$.01 par value; 22,000 shares authorized; 15,609 and 12,876 shares issued, 15,224 and 12,492 shares outstanding at September 30, 2018 and December 31, 2017, respectively	156	129
Treasury stock at cost, 384 shares at September 30, 2018 and December 31, 2017	(5,017)	(5,017)
Additional paid-in capital	390,834	346,322
Accumulated deficit	(285,372)	(277,597)
Accumulated other comprehensive loss	(809)	(63)
<b>Total stockholders' equity</b>	<b>99,792</b>	<b>63,774</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 309,640</b>	<b>\$ 203,311</b>

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

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

	FOR THE THREE MONTHS ENDED September 30,		FOR THE NINE MONTHS ENDED September 30,	
	2018	2017	2018	2017
<b>Revenue:</b>				
Cloud	\$ 18,390	\$ 11,062	\$ 51,149	\$ 27,724
Hardware	1,457	1,003	3,612	3,651
Maintenance and support	1,264	1,777	3,985	4,325
Professional services	2,347	1,685	5,783	3,434
<b>Total revenue</b>	<b>23,458</b>	<b>15,527</b>	<b>64,529</b>	<b>39,134</b>
<b>Cost of sales</b>	<b>8,471</b>	<b>3,396</b>	<b>21,248</b>	<b>8,660</b>
<b>Gross profit</b>	<b>14,987</b>	<b>12,131</b>	<b>43,281</b>	<b>30,474</b>
<b>Operating expenses</b>				
Selling, general and administrative	11,052	9,459	33,394	25,286
Research and development	3,514	883	6,495	2,488
Amortization of intangible assets	2,447	1,341	6,038	3,230
<b>Total operating expenses</b>	<b>17,013</b>	<b>11,683</b>	<b>45,927</b>	<b>31,004</b>
<b>Income (Loss) from operations</b>	<b>(2,026)</b>	<b>448</b>	<b>(2,646)</b>	<b>(530)</b>
<b>Other income (loss)</b>				
Interest expense, net	(2,350)	(1,644)	(6,832)	(3,279)
Other income	489	-	489	-
<b>Total other loss, net</b>	<b>(1,861)</b>	<b>(1,644)</b>	<b>(6,343)</b>	<b>(3,279)</b>
<b>Income (loss) from operations before income taxes</b>	<b>(3,887)</b>	<b>(1,196)</b>	<b>(8,989)</b>	<b>(3,809)</b>
Income tax provision	303	(85)	(288)	(368)
<b>Net income (loss)</b>	<b>\$ (3,584)</b>	<b>\$ (1,281)</b>	<b>\$ (9,277)</b>	<b>\$ (4,177)</b>
<b>Other comprehensive income (loss)</b>				
Foreign currency gain (loss)	(211)	(6)	(645)	(63)
Unrealized net losses	(101)	-	(101)	-
<b>Comprehensive income (loss)</b>	<b>\$ (3,896)</b>	<b>\$ (1,287)</b>	<b>\$ (10,023)</b>	<b>\$ (4,240)</b>
<b>Basic and diluted net income (loss) per share</b>				
Basic	\$ (0.24)	\$ (0.10)	\$ (0.68)	\$ (0.40)
Diluted	\$ (0.24)	\$ (0.10)	\$ (0.68)	\$ (0.40)
<b>Weighted average basic and diluted shares</b>				
Basic	15,223,000	12,418,000	13,591,000	10,355,000
Diluted	15,223,000	12,418,000	13,591,000	10,355,000

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

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

	<b>FOR THE NINE MONTHS ENDED SEPTEMBER 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (9,277)	\$ (4,177)
Adjustments to reconcile net loss to net cash provided by (used in) operations:		
Depreciation and amortization	9,599	4,344
Provision for doubtful accounts	496	320
Share-based compensation	887	363
Release of contingent consideration	(489)	-
Changes in operating assets and liabilities:		
Accounts receivable	(6,587)	(4,450)
Inventory	(137)	(287)
Prepaid expenses and other assets	(2,250)	(471)
Accounts payable	850	(569)
Accrued expenses and other long-term obligations	678	881
Deferred revenue	168	1,963
<b>Net cash used in operating activities</b>	<b>(6,062)</b>	<b>(2,083)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions net of cash acquired	(66,366)	(45,472)
Purchases of property and equipment	(1,503)	(942)
Software capitalization costs	(2,536)	(804)
Net change in funds held for clients	16,617	8,867
<b>Net cash used in investing activities</b>	<b>(53,788)</b>	<b>(38,351)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	36,750	45,777
Payments on notes payable	(5,772)	(8,098)
Proceeds from revolving line of credit	4,540	-
Payments on revolving line of credit	(4,540)	-
Net proceeds from issuance of common stock	39,156	27,820
Debt issuance cost	(1,693)	(1,433)
Payments on capital leases	(124)	(131)
Net change in client fund obligations	(16,937)	(8,812)
<b>Net cash provided by financing activities</b>	<b>51,380</b>	<b>55,123</b>
<b>Effect of foreign exchange rates</b>	<b>(128)</b>	<b>8</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(8,598)</b>	<b>14,697</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>27,792</b>	<b>12,767</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 19,194</b>	<b>\$ 27,464</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for:		
Interest	\$ 5,605	\$ 2,180
Income taxes	101	23
Non-cash Investing and Financing Activities:		
Subordinated notes payable – acquisitions	7,592	8,165
Equity issued in connection with acquisitions	\$ 4,493	21,825

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

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

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

Asure Software, Inc., (“Asure”, the “Company”, “we” and “our”), a Delaware Corporation, is a leading provider of Human Capital Management (“HCM”) and Workplace Management, offering intuitive and innovative cloud-based solutions designed to help organizations of all sizes and complexities build companies of the future. Our cloud platforms enables clients worldwide to better manage their people and space in a mobile, digital, multi-generational, and global landscape. Asure’s offerings include a fully-integrated HCM platform, flexible benefits and compliance administration, Human Resources (“HR”) consulting, and time and labor management as well as a full suite of workspace management solutions for conference room scheduling, desk sharing programs, and real estate optimization. We develop, market, sell and support our offerings worldwide through our principal office in Austin, Texas and through additional offices in Alabama, Florida, Massachusetts, Michigan, Oregon, Vermont, Washington, and the United Kingdom. As a result of the 2018 acquisitions, we also have operations in California, Iowa, Tennessee, North Carolina, Georgia and New York.

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with the rules and regulations of the Securities and Exchange Commission and accordingly, they do not include all information and footnotes required under U.S. generally accepted accounting principles for complete financial statements. Certain reclassifications were made to conform to the current period presentation in the condensed consolidated balance sheets. These reclassifications include a reclassification to the long-term deferred tax liability.

In the opinion of management, these interim financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of our financial position as of September 30, 2018, the results of operations for the three and nine months ended September 30, 2018 and September 30, 2017, and our cash flows for the nine months ended September 30, 2018 and September 30, 2017.

These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in our annual report on Form 10-K for the fiscal year ended December 31, 2017. The results for the interim periods are not necessarily indicative of results for a full fiscal year.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash deposits and highly liquid investments with an original maturity of three months or less when purchased.

**INVESTMENTS AVAILABLE-FOR SALE**

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.

**LIQUIDITY**

In April 2018, 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 \$175,000 (which includes approximately \$60,000 of unsold securities that were previously registered on our currently effective registration statements). The shelf registration statement relating to these securities became effective on April 16, 2018. As of September 30, 2018, there is \$133,438 remaining available under the shelf registration statement.

In June 2018, we completed an underwritten public offering in which we sold an aggregate of 2,375,000 shares of our common stock at a public offering price of \$17.50 per share. We realized net proceeds of approximately \$38,910 after deducting underwriting discounts and estimated offering expenses.

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

As of September 30, 2018, our principal sources of liquidity consisted of \$19,194 of cash and cash equivalents, cash we expect to generate in the future from our business operations, \$5,000 available for borrowing under our revolving line of credit, and \$25,000 delayed draw term loan commitment with Wells Fargo Bank, National Association (“Wells Fargo”) discussed in Note 6 – Notes Payable. We believe that we have and/or will generate sufficient cash for our short- and long-term needs, including meeting the requirements of our term loan, and the related debt covenant requirements. We continue to seek reductions in our expenses as a percentage of revenue on an annual basis and thus may utilize our cash balances in the short-term to reduce long-term costs. We believe that we have and/or will generate sufficient cash for our operational needs, including any required debt payments, for at least the next twelve months from the issuance of these condensed consolidated financial statements. However, we may need to raise additional capital or incur additional indebtedness to grow our existing software operations and to seek additional strategic acquisitions in the near future.

Management is focused on growing our existing product offering, as well as our customer base, to increase our recurring revenue. We have made and will continue to explore additional strategic acquisitions. We expect to fund any future acquisitions with equity, available cash, cash we expect to generate in the future from our business operations, funds under our credit facilities, and cash generated from the issuance of equity or debt securities.

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 will need to raise additional capital in the future. However, we cannot assure that we will be able to raise additional capital on acceptable terms, or at all.

In our evaluation of the Company’s ability to continue as a going concern in accordance with ASU 2014-15, we have considered factors such as the Company’s historical and forecasted results of operations and cash flows from operations. The Company recorded \$9,277 of net loss and \$6,062 of cash outflows from operations during the nine months ended September 30, 2018, which are indicators of substantial doubt regarding the Company’s ability to continue as a going concern. We believe that we have sufficient capital and liquidity to fund and cultivate the growth of our current and future operations for at least the next twelve months from the issuance of these condensed consolidated financial statements and to maintain compliance with the terms of our debt agreements and related covenants or to obtain compliance through debt repayments made with the available cash on hand or anticipated for receipt in the ordinary course of operations, which will mitigate such substantial doubt regarding the Company’s ability to continue as a going concern.

**RECENT ACCOUNTING PRONOUNCEMENTS**

**Recently Adopted Standards**

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 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. Results of reporting periods after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

We recorded a \$1,502 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.

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

The impact from the adoption of Topic 606 to our consolidated balance sheet and income statement as of and for the three and nine months ended September 30, 2018, are as follows:

	<b>September 30, 2018</b>	<b>Balance Using Previous Standard</b>	<b>Increase (Decrease)</b>
<b>Balance Sheet</b>			
<b>Assets</b>			
Prepaid expenses and other current assets	\$ 4,518	\$ 4,356	\$ (162)
<b>Total current assets before funds held for clients</b>	<b>43,801</b>	<b>43,639</b>	<b>(162)</b>
<b>Total current assets</b>	<b>114,977</b>	<b>114,815</b>	<b>(162)</b>
Other assets	3,453	713	2,740
<b>Total assets</b>	<b>\$ 309,640</b>	<b>\$ 306,738</b>	<b>\$ 2,578</b>
<b>Liabilities and stockholders' equity</b>			
Accumulated deficit	(285,372)	(282,470)	2,578
<b>Total stockholders' equity</b>	<b>99,792</b>	<b>96,890</b>	<b>2,578</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 309,640</b>	<b>\$ 306,738</b>	<b>\$ 2,578</b>
	<b>For the Three Months Ended September 30, 2018</b>	<b>Balance Using Previous Standard</b>	<b>Increase (Decrease)</b>
<b>Income Statement</b>			
<b>Operating expenses</b>			
Selling, general and administrative	11,052	10,738	(314)
<b>Total operating expenses</b>	<b>17,013</b>	<b>16,699</b>	<b>(314)</b>
<b>Gain (Loss) from operations</b>	<b>(2,026)</b>	<b>(1,712)</b>	<b>(314)</b>
<b>Loss from operations before income tax</b>	<b>(3,887)</b>	<b>(3,573)</b>	<b>(314)</b>
<b>Net Loss</b>	<b>\$ (3,584)</b>	<b>\$ (3,270)</b>	<b>\$ 314</b>
<b>Other comprehensive loss</b>	<b>\$ (3,896)</b>	<b>\$ (3,582)</b>	<b>\$ 314</b>
	<b>For the Nine Months Ended September 30, 2018</b>	<b>Balance Using Previous Standard</b>	<b>Increase (Decrease)</b>
<b>Income Statement</b>			
<b>Operating expenses</b>			
Selling, general and administrative	33,394	32,519	(875)
<b>Total operating expenses</b>	<b>45,927</b>	<b>45,052</b>	<b>(875)</b>
<b>Gain (Loss) from operations</b>	<b>(2,646)</b>	<b>1,771</b>	<b>(875)</b>
<b>Loss from operations before income tax</b>	<b>(8,989)</b>	<b>(8,114)</b>	<b>(875)</b>
<b>Net Loss</b>	<b>\$ (9,277)</b>	<b>\$ (8,402)</b>	<b>\$ (875)</b>
<b>Other comprehensive loss</b>	<b>\$ (10,023)</b>	<b>\$ (9,148)</b>	<b>\$ (875)</b>

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments" which eliminates the diversity in practice related to eight cash flow classification issues. This ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The adoption of this accounting standard did not have a material impact on our financial position, results of operations, cash flows, or presentation thereof.



**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash,” which requires the change in restricted cash or cash equivalents to be included with other changes in cash and cash equivalents in the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The adoption of this accounting standard did not have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business” (“ASU 2017-01”). ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017. The adoption of this accounting standard did not have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

In May 2017, the FASB issued ASU 2017-09, “Compensation – Stock Compensation (Topic 718) Scope of Modification Accounting,” which clarifies when to account for a change in the terms or conditions of a share-based payment award as a modification. ASU 2017-09 requires modification accounting only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. ASU 2017-09 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of this accounting standard did not have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

**Standards Yet To Be Adopted**

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)”. The core principle of the standard is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in its statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. We will be required to adopt the new standard in the first quarter of 2019. While we are currently evaluating the impact ASU 2016-02 will have on our consolidated financial statements, we expect the adoption will result in a material increase in the assets and liabilities recorded on our Condensed Consolidated Balance Sheets and additional qualitative and quantitative disclosures.

In February 2018, the FASB issued ASU No. 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income”, which provides entities the option to reclassify tax effects stranded in accumulated other comprehensive income as a result of the 2017 Tax Cuts and Jobs Act (“the Tax Act”) to retained earnings. The guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. We do not expect the adoption of this accounting standard to have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

**REVENUE RECOGNITION**

On January 1, 2018, we adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results of reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. There was no impact to revenue as a result of applying Topic 606 for the three and nine months ended September 30, 2018.

Our revenue consist 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.

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

SaaS arrangements and time-based software subscriptions typically have an initial term ranging from one to three years and are renewable on an annual basis. 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 Cloud 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 (typically time clocks, LCD panels, sensors and other peripheral devices) 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 (“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 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 Maintenance and support revenue 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 Cloud, 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.

#### **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 September 30, 2018, we were not party to any pending legal proceedings.

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

During the three months ended September 30, 2018, \$4,217 of Funds Held for Clients were invested in short-term available-for-sale securities consisting of government and commercial bonds, including mortgage backed securities. There were no investments in securities during the first six months of 2018 and the three and nine months ended September 30, 2017. At September 30, 2018, we also had \$10,000 in money market funds, classified as cash equivalents.

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

Investments classified as short-term available-for-sale as of September 30, 2018 consisted of the following:

<b>As of September 30, 2018</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains <sup>(1)</sup></b>	<b>Gross Unrealized Losses <sup>(1)</sup></b>	<b>Aggregate Estimated Fair Value</b>
Corporate debt securities <sup>(2)</sup>	\$ 4,318	\$ 14	\$ (115)	\$ 4,217

- (1) Unrealized gains and losses on available-for-sale securities are included as a component of comprehensive loss. At September 30, 2018, there were 27 securities in an unrealized gain position and there were 29 securities in an unrealized loss position. These unrealized losses were less than \$25,000 individually and \$115,000 in the aggregate. These securities have not been in a continuous unrealized gain or loss position for more than 12 months. The Company does not intend to sell these investments and it is not more likely than not that the Company will be required to sell these investments before recovery of their amortized cost basis, which may be at maturity. The Company reviews its investments to identify and evaluate investments that have an indication of 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 the Company's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.
- (2) At September 30, 2018, none of these securities were classified as cash and cash equivalents on the Company's balance sheet and none of these securities were scheduled to mature outside of one year.

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

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

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

At September 30, 2018, we had \$10,000 in money market funds, classified as cash equivalents. Short-term available-for-sale securities consist of government and commercial bonds, including mortgage backed securities, and are classified as Funds Held for Clients on the accompanying condensed consolidated balance sheet.

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

The following table presents the fair value hierarchy for our financial assets measured at fair value on a recurring basis as of September 30, 2018 and December 31, 2017, respectively:

Description	Total Carrying Value at September 30, 2018	Fair Value Measure at September 30, 2018		
		Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Cash and cash equivalents	\$ 19,194	\$ 19,194	\$ -	\$ -
Short-term available-for-sale securities- Funds Held for Clients	4,217	-	4,217	-
<b>Total</b>	<b>\$ 23,411</b>	<b>\$ 19,194</b>	<b>\$ 4,217</b>	<b>\$ -</b>

Description	Total Carrying Value at December 31, 2017	Fair Value Measure at December 31, 2017		
		Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Cash and cash equivalents	\$ 27,792	\$ 27,792	\$ -	\$ -
<b>Total</b>	<b>\$ 27,792</b>	<b>\$ 27,792</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE 4 – ACQUISITIONS**

**2018 Acquisitions**

In January 2018, we acquired all of the outstanding shares of common stock of Pay Systems of America, Inc. (“Pay Systems”), a provider of HR, payroll and employee benefits services. The aggregate consideration for the shares consisted of (i) \$19,194 in cash and (ii) a subordinated promissory note (the “Pay Systems Note”) in the principal amount of \$1,572, subject to adjustment. We funded the cash payment with cash on hand. The Pay Systems Note bears interest at an annual rate of 2.0% and is payable in two installments – one-half, plus accrued interest, on July 1, 2018 and the remaining principal balance and accrued interest on January 1, 2019.

In January 2018, we also completed the acquisitions of two other companies that are current resellers of our leading Human Resource Information System platform. We funded these two acquisitions with cash on hand, subordinated promissory notes and shares of Asure common stock.

In April 2018, we acquired all of the assets of a provider of outsourced HR, consulting, and professional services around payroll and employee benefits; and we acquired all of the share capital of a provider of a sensor-based solution that allows organizations across the world to streamline operations, create efficiencies, enhance productivity, and analyze employee engagement. We funded these acquisitions with cash (using borrowed funds under our Second Restated Credit Agreement) and subordinated promissory notes.

In April 2018, we also purchased a portfolio of customer accounts and the related contracts for payroll processing services (known as Evolution Payroll) from Wells Fargo for an aggregate purchase price of \$10,450. The aggregate purchase price consisted of (i) \$10,000 in cash and (ii) a subordinated promissory note (the “Evolution Payroll Note”) in the principal amount of \$450. The Evolution Payroll Note bears interest at an annual rate of 2.0%, and the unpaid principal and all accrued interest under the Evolution Payroll Note is payable on April 9, 2020. To finance this transaction, we borrowed approximately \$10,000 under our Second Restated Credit Agreement.

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

In July 2018, we acquired all of the capital stock of USA Payroll, Inc. and assets of its affiliates (“USA Payroll”), a payroll processing company based in Rochester, New York and a licensee of our Evolution software. The aggregate purchase price consisted of (i) \$18,561 in cash; (ii) a subordinated promissory note (the “USA Payroll Notes”) in the principal amount of \$3,263; and (iii) 225,089 unregistered shares of our common stock valued at \$3,600 based on a volume-weighted average of the closing prices of our common stock during a 90-day period. We funded the cash payment with cash on hand. The USA Payroll Notes bear interest at an annual rate of 3.0%. Interest payments are due on July 1, 2019, July 1, 2020 and accrued interest and principal is due on July 1, 2021.

Except for the purchase of Pay Systems Evolution Payroll portfolio and USA Payroll, the 2018 acquisitions, individually, were not material to our results of operations, financial position, or cash flows. We have treated the purchase of the Evolution Payroll portfolio as an acquisition of assets, rather than as an acquisition of a business.

*Purchase Price Allocation*

Following is the purchase price allocation for the 2018 business acquisitions. We based the preliminary fair value estimate for the assets acquired and liabilities assumed for these acquisitions upon preliminary calculations and valuations. Our estimates and assumptions for these acquisitions are subject to change as we obtain additional information for our estimates during the respective measurement periods (up to one year from the acquisition date). The primary areas of those preliminary estimates that we have not yet finalized relate to certain tangible assets and liabilities acquired, and income and non-income based taxes.

We recorded the transactions, with the exception of the Evolution Payroll portfolio purchase, using the acquisition method of accounting and recognized assets and liabilities assumed at their fair value as of the dates of acquisitions. The \$36,960 of intangible assets subject to amortization consist of \$32,200 allocated to Customer Relationships, \$2,100 for Developed Technology, \$2,330 for Trade Names, and \$330 for Noncompete Agreements. To value the Trade Names, we employed the relief from royalty method under the market approach. For the Noncompete Agreements, we employed a form of the income approach which analyzes the Company’s profitability with these assets in place, in contrast to the Company’s profitability without them. For the Customer Relationships and Developed Technology, we employed a form of the excess earnings method, which is a form of the income approach. The discount rate used in valuing these assets ranged from 13.0% to 33.0%, which reflects the risk associated with the intangible assets related to the other assets and the overall business operations to us. We estimated the fair values of the Trade Names using the relief from royalty method based upon a 1.0% royalty rate.

We believe significant synergies are expected to arise from these strategic acquisitions. 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 deductible for tax purposes.

<b>Assets Acquired</b>	<b>Pay Systems</b>	<b>USA Payroll</b>	<b>Others</b>	<b>Total</b>
Cash & cash equivalents	\$ 767	\$ 470	\$ 600	\$ 1,837
Accounts receivable	54	114	2,609	2,777
Fixed assets	121	94	39	254
Inventory	-	-	657	657
Other assets	49	13	1,014	1,076
Funds held for clients	10,976	20,439	14,050	45,465
Goodwill	8,871	12,388	10,373	31,632
Intangibles	7,240	14,280	15,440	36,960
<b>Total assets acquired</b>	<b>\$ 28,078</b>	<b>\$ 47,798</b>	<b>\$ 44,782</b>	<b>\$ 120,658</b>
<b>Liabilities assumed</b>				
Accounts payable	113	39	1,170	1,322
Accrued other liabilities	951	393	2,983	4,327
Deferred revenue	-	-	355	355
Client fund obligations	11,820	20,439	14,050	46,309
<b>Total liabilities assumed</b>	<b>12,884</b>	<b>20,871</b>	<b>18,558</b>	<b>52,313</b>
<b>Net assets acquired</b>	<b>\$ 15,194</b>	<b>\$ 26,927</b>	<b>\$ 26,224</b>	<b>\$ 68,345</b>

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

The following is a reconciliation of the purchase price to the fair value of net assets acquired at the date of acquisition:

	<b>Pay Systems</b>	<b>USA Payroll</b>	<b>Others</b>	<b>Total</b>
Purchase price	\$ 15,724	\$ 27,450	\$ 27,950	\$ 71,124
Working capital adjustment	(469)	66	210	(193)
Adjustment to fair value of contingent liability	-	-	(1,761)	(1,761)
Adjustment to fair value of Asure's stock	-	(299)	(104)	(403)
Debt discount	(61)	(290)	(71)	(422)
<b>Fair value of net assets acquired</b>	<b>\$ 15,194</b>	<b>\$ 26,927</b>	<b>\$ 26,224</b>	<b>\$ 68,345</b>

The purchase of the Evolution Payroll portfolio has been accounted for as an asset acquisition under the acquisition method of accounting. The amendments in ASU 2017-01 provide a screen to determine when a set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set of assets and activities is not a business. Since the acquisition was determined to be an asset acquisition, the total value of the purchase consideration is allocated to the asset acquired. Management assessed the fair value of the promissory note and cash consideration as of April 1, 2018, which was as follows:

	<b>Fair Value</b>
Cash	\$ 10,000
Promissory note	450
Debt discount	(46)
<b>Total</b>	<b>\$ 10,404</b>
Fair value of asset acquired, Customer Relationships	<b>\$ 10,404</b>

As an asset acquisition, we also capitalized approximately \$40 of total costs incurred to complete the acquisition consisting of legal fees of approximately \$30 and accounting fees of approximately \$10. The total intangible asset of \$10,444 is recorded in our consolidated balance sheet within Intangible Assets- Customer Relationships, and is being amortized over its estimated useful life of eight years.

Transaction costs incurred for the 2018 business acquisitions were \$1,000 and \$3,301 in the three and nine months ended September 30, 2018, respectively, and were expensed as incurred and included in selling, general and administrative expenses.

#### *Contingent consideration*

In connection with the acquisition of all of the assets of a provider of outsourced human resources, consulting, and professional services in April 2018, we recorded contingent consideration based upon the expected achievement of certain milestone goals. We will record any changes to the fair value of contingent consideration due to changes in assumptions used in preparing the valuation model in selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income (Loss).

Contingent consideration is valued using a multi-scenario discounted cash flow method. The assumptions used in preparing the discounted cash flow method include estimates for outcomes if milestone goals are achieved and the probability of achieving each outcome. Management estimates probabilities and then applies them to management's conservative case forecast, most likely case forecast and optimistic case forecast with the various scenarios. The Company retained a third party expert to assist in determining the value of the contingent consideration as of April 1, 2018.

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

As of April 1, 2018, the third party expert determined the value of the contingent consideration for the acquisition was \$489. The valuation of the contingent consideration was based on a Monte Carlo simulation model for fiscal 2017 to 2019. Management provided revenue projections (an unobservable input) of \$3,075 for fiscal 2018 (partial year), and \$4,408 for fiscal 2019, respectively. Based on current projections, we released the liability for the contingent consideration as of September 30, 2018, and recorded \$489 of Other Income in the accompanying condensed consolidated statement of operations.

**Unaudited Pro Forma Financial Information**

The following unaudited summary of pro forma combined results of operations for the three and nine months ended September 30, 2018 and September 30, 2017 gives effect to our 2017 and 2018 business and asset acquisitions as if we had completed them on January 1, 2017. This pro forma summary does not reflect any operating efficiencies, cost savings or revenue enhancements that we may achieve by combining operations. In addition, we have not reflected certain non-recurring expenses, such as legal expenses and other transactions expenses for the first 12 months after the acquisition, in the pro forma summary. We present this pro forma summary for informational purposes only and it is not necessarily indicative of what our actual results of operations would have been had the acquisitions taken place as of January 1, 2017, nor is it indicative of future consolidated results of operations.

	<b>FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018</b>	<b>FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017</b>
Revenue	\$ 23,458	\$ 27,163
Net income (loss)	\$ (2,584)	\$ (1,758)
Net income (loss) per common share:		
Basic and diluted	\$ (0.17)	\$ (0.14)
Weighted average shares outstanding:		
Basic and diluted	15,223	12,418
	<b>FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018</b>	<b>FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017</b>
Revenue	\$ 70,645	\$ 76,590
Net income (loss)	\$ (7,862)	\$ (5,408)
Net income (loss) per common share:		
Basic and diluted	\$ (0.58)	\$ (0.52)
Weighted average shares outstanding:		
Basic and diluted	\$ 13,591	\$ 10,355

**NOTE 5 – GOODWILL AND OTHER INTANGIBLE ASSETS**

We accounted for our historical acquisitions in accordance with ASC 805, *Business Combinations*. We recorded the amount exceeding the fair value of net assets acquired at the date of acquisition as goodwill. We recorded intangible assets apart from goodwill if the assets had contractual or other legal rights or if the assets could be separated and sold, transferred, licensed, rented or exchanged. Our goodwill relates to acquisitions from 2011 through 2018.

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

In accordance with ASC 350, *Intangibles-Goodwill and Other*, we review and evaluate our long-lived assets, including intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that we may not recover their net book value. 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 has been no impairment of goodwill for the periods presented. We amortize intangible assets not considered to have an indefinite useful life using the straight-line method over their estimated period of benefit, which generally ranges 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. We have not identified any impairments of finite-lived intangible assets during any of the periods presented.

The following table summarizes the changes in our goodwill:

Balance at December 31, 2017	\$ 77,348
Goodwill recognized upon acquisitions	31,632
Adjustments to Goodwill associated with acquisitions	(1,490)
Foreign exchange adjustment to goodwill	67
Balance at September 30, 2018	<u>\$ 107,557</u>

The gross carrying amount and accumulated amortization of our intangible assets as of September 30, 2018 and December 31, 2017 are as follows:

Intangible Assets	Weighted Average Amortization Period (in Years)	September 30, 2018		
		Gross	Accumulated Amortization	Net
Developed Technology	6.0	\$ 14,849	\$ (6,513)	\$ 8,336
Customer Relationships	7.4	81,030	(18,252)	62,778
Reseller Relationships	7.0	853	(853)	-
Trade Names	9.9	5,199	(1,142)	4,057
Noncompete	5.1	1,022	(370)	652
	<u>7.3</u>	<u>\$ 102,953</u>	<u>\$ (27,130)</u>	<u>\$ 75,823</u>

  

Intangible Assets	Weighted Average Amortization Period (in Years)	December 31, 2017		
		Gross	Accumulated Amortization	Net
Developed Technology	6.7	\$ 11,925	\$ (5,010)	\$ 6,915
Customer Relationships	9.5	37,096	(13,142)	23,954
Reseller Relationships	7.0	853	(761)	92
Trade Names	10.4	2,915	(884)	2,031
Noncompete Agreements	6.1	692	(130)	562
	<u>8.8</u>	<u>\$ 53,481</u>	<u>\$ (19,927)</u>	<u>\$ 33,554</u>

We record amortization expenses using the straight-line method over the estimated useful lives of the intangible assets, as noted above. Amortization expenses for the three months ended September 30, 2018 and 2017 were \$2,447 and \$1,341, respectively, included in Operating Expenses. Amortization expenses recorded in Cost of Sales were \$437 and \$106 for the three months ended September 30, 2018 and 2017, respectively. Amortization expenses for the nine months ended September 30, 2018 and 2017 were \$6,038 and \$3,230 included in Operating Expenses, and \$1,171 and \$319, respectively, included in Cost of Sales.



**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

The following table summarizes the future estimated amortization expense relating to our intangible assets as of September 30, 2018:

<b>Calendar Years</b>	
2018 (October to December)	\$ 2,838
2019	10,835
2020	9,999
2021	9,533
2022	9,207
2023	8,009
Thereafter	24,417
<b>Total</b>	<b>\$ 74,838</b>
Developed Technology not yet in service	985
<b>Net Intangible Assets</b>	<b>\$ 75,823</b>

**NOTE 6 – NOTES PAYABLE**

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

<b>Notes Payable</b>	<b>Maturity</b>	<b>Stated Interest Rate</b>	<b>Balance as of September 30, 2018</b>	<b>Balance as of December 31, 2017</b>
Subordinated Notes Payable- acquisitions	10/1/2019 –	2.00% - 3.50%	12,164	9,847
Term Loan – Wells Fargo Syndicate Partner	5/25/2022	10.55%	52,238	34,125
Term Loan - Wells Fargo	5/25/2022	5.55%	52,238	34,125
<b>Total Notes Payable</b>			<b>\$ 116,640</b>	<b>\$ 78,097</b>
Short-term notes payable			\$ 5,374	\$ 8,895
Long-term notes payable			\$ 111,266	\$ 69,202

On January 1, 2016, we adopted ASU 2015-03 for debt issuance costs on our term loan, on a retrospective basis. The impact of adopting ASU 2015-03 was the classification of all deferred financing costs as a deduction to corresponding debt in addition to the reclassification of deferred financing costs in other current and long-term assets to short and long-term notes payable. The following table summarizes the debt issuance costs as of the dates indicated:

<b>Notes Payable</b>	<b>Gross Notes Payable at September 30, 2018</b>	<b>Debt Issuance Costs and Debt Discount</b>	<b>Net Notes Payable at September 30, 2018</b>
Notes payable, current portion	\$ 5,374	\$ (872)	\$ 4,502
Notes payable, net of current portion	111,266	(2,700)	108,566
<b>Total Notes Payable</b>	<b>\$ 116,640</b>	<b>\$ (3,572)</b>	<b>\$ 113,068</b>

<b>Notes Payable</b>	<b>Gross Notes Payable at December 31, 2017</b>	<b>Debt Issuance Costs and Debt Discount</b>	<b>Net Notes Payable at December 31, 2017</b>
Notes payable, current portion	\$ 8,895	\$ -	\$ 8,895
Notes payable, net of current portion	69,202	(2,229)	66,973
<b>Total Notes Payable</b>	<b>\$ 78,097</b>	<b>\$ (2,229)</b>	<b>\$ 75,868</b>

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

The following table summarizes the future principal payments related to our outstanding debt:

Year Ended	Gross Amount
December 31, 2018 (October to December)	\$ 633
December 31, 2019	6,026
December 31, 2020	5,197
December 31, 2021	8,151
December 31, 2022	96,633
<b>Gross Notes Payable</b>	<b>\$ 116,640</b>

*Term Loan - Wells Fargo*

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

*Second Amended and Restated Credit Agreement*

In March 2018, we entered into a second amended and restated credit agreement (the “Second Restated Credit Agreement”) with Wells Fargo, and the lenders that are parties thereto, amending and restating the terms of the Amended and Restated Credit Agreement dated as of May 2017.

The Second Restated Credit Agreement provides for a total of \$175,000 in available financing consisting of (a) \$105,000 in the aggregate principal amount of term loans, an increase of approximately \$36,750; (b) a \$5,000 line of credit, (c) a \$25,000 delayed draw term loan commitment for the financing of permitted acquisitions, which is a new financing option for us; and (d) a \$40,000 accordion, an increase of \$30,000. The accordion allows us to increase the amount of financing we receive from our lenders at our option. Financing under the delayed draw term loan commitment and accordion are subject to certain conditions as described in the Second Restated Credit Agreement.

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

Leverage Ratio	First Out Revolver Base Rate Margin	First Out Revolver LIBOR Rate Margin	First Out TL Base Rate Margin	First Out TL LIBOR Rate Margin	Last Out Base Rate Margin	Last Out LIBOR Rate Margin
≤ 3.25:1	4.25 percentage points	5.25 percentage points	1.75 percentage points	2.75 percentage points	6.75 percentage points	7.75 percentage points
> 3.25:1	4.75 percentage points	5.75 percentage points	2.25 percentage points	3.25 percentage points	7.25 percentage points	8.25 percentage points

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

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

- \$263 beginning on June 30, 2018 and the last day of each fiscal quarter thereafter up to March 31, 2020, plus an additional amount equal to 0.25% of the principal amount of all delayed draw term loans;
- \$656 beginning on June 30, 2020 and the last day of each fiscal quarter thereafter up to March 31, 2021, plus an additional amount equal to 0.625% of the principal amount of all delayed draw term loans; and
- \$1,313 beginning on June 30, 2021 and the last day of each fiscal quarter thereafter, plus an additional amount equal to 1.25% of the principal amount of all delayed draw term loans.

The outstanding principal balance and all accrued and unpaid interest on the term and revolving loans is due on May 25, 2022.

The Second Restated Credit Agreement also:

- amends our leverage ratio covenant to increase the maximum ratio to 6.50:1 at March 31, 2018 and June 30, 2018, 6.00:1 at September 30, 2018 and December 31, 2018 and then stepping down each quarter-end thereafter;
- amends our fixed charge coverage ratio to be not less than 1.25:1 at March 31, 2018 and each quarter-end thereafter; and
- removes the TTM recurring revenue covenant.

As of September 30, 2018 and December 31, 2017, \$0 was outstanding and \$5,000 was available for borrowing under the revolver.

As of September 30, 2018, we were in compliance with all covenants and all payments remain current. We expect to be in compliance or be able to obtain compliance through debt repayments with available cash on hand or cash we expect to generate from the ordinary course of operations over the next twelve months.

**NOTE 7 – Contracts with Customers**

***Receivables***

Receivables from contracts with customers, net of allowance for doubtful accounts of \$706, were \$15,878 at September 30, 2018. Receivables from contracts with customers, net of allowance for doubtful accounts of \$425, were \$12,032 at December 31, 2017.

***Deferred Commissions***

Deferred commissions costs from contracts with customers were \$3,371 and \$636 at September 30, 2018 and December 31, 2017, respectively. The amount of amortization recognized in the period was \$251.

***Deferred Revenue***

Revenue of \$2,483 was recognized during the three months ended September 30, 2018 that was included in the deferred revenue balance at the beginning of the period.

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

As of September 30, 2018, approximately \$54,651 of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 51% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

**NOTE 8 – SHARE BASED COMPENSATION**

In May 2018, our stockholders approved the Asure Software, Inc. 2018 Incentive Award Plan (the “2018 Plan”). The 2018 Plan supersedes and replaces in its entirety the 2009 Equity Plan (the “2009 Plan”), and no further awards will be granted under the 2009 Plan; however, the terms and conditions of the 2009 Plan will continue to govern any outstanding awards granted thereunder.

The number of shares available for issuance under the 2018 Plan is equal to the sum of (i) 750,000 shares, and (ii) any shares subject to issued and outstanding awards under the 2009 Plan as of the effective date of the 2018 Plan that expire, are cancelled or otherwise terminate following the effective date of the 2018 Plan. We have 1,568,398 options granted and outstanding and 224,589 shares available for grant pursuant to the 2018 Plan as of September 30, 2018.

Share based compensation for our stock option plans for the three months ended September 30, 2018 and September 30, 2017 were \$363 and \$138, respectively, and \$887 and \$363 for the nine months ended September 30, 2018 and 2017, respectively. We issued 2,000 shares of common stock related to exercises of stock options for the three months ended September 30, 2018 and 51,000 for the three months ended September 30, 2017, respectively.

**NOTE 9 – OTHER COMPREHENSIVE LOSS**

Comprehensive income (loss) represents a measure of all changes in equity that result from recognized transactions and other economic events other than those resulting from investments by and distributions to shareholders. Our other comprehensive income (loss) includes foreign currency translation adjustments.

The following table presents the changes in each component of accumulated other comprehensive income (loss), net of tax:

	Foreign Currency Items	Accumulated Other Comprehensive Loss Items
Beginning balance, December 31, 2017	\$ (63)	\$ (63)
Other comprehensive loss before reclassifications	(746)	(746)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—
Net current-period other comprehensive loss	(746)	(746)
Ending balance, September 30, 2018	<u>\$ (809)</u>	<u>\$ (809)</u>

The following table presents the tax benefit (expense) allocated to each component of other comprehensive income (loss):

	Three Months Ended September 30, 2018		
	Before Tax	Tax Benefit	Net of Tax
Foreign currency translation adjustments	\$ (211)	\$ —	\$ (211)
Unrealized net losses	(101)	—	(101)
Other comprehensive loss	<u>\$ (312)</u>	<u>\$ —</u>	<u>\$ (312)</u>
	Nine Months Ended September 30, 2018		
	Before Tax	Tax Benefit	Net of Tax
Foreign currency translation adjustments	\$ (645)	\$ —	\$ (645)
Unrealized net losses	(101)	—	(101)
Other comprehensive loss	<u>\$ (746)</u>	<u>\$ —</u>	<u>\$ (746)</u>

**ASURE SOFTWARE, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)  
(Amounts in thousands, except share and per share data unless otherwise noted)

**NOTE 10 – NET LOSS PER SHARE**

We compute net loss per share based on the weighted average number of common shares outstanding for the period. Diluted net loss per share reflects the maximum dilution that would have resulted from incremental common shares issuable upon the exercise of stock options. We compute the number of common share equivalents, which includes stock options, using the treasury stock method. We have excluded stock options to acquire 1,568,000 shares for the three and nine months ended September 30, 2018, and 904,000 shares for the nine months ended September 30, 2017 from the computation of the dilutive stock options because the effect of including the stock options would have been anti-dilutive.

The following table sets forth the computation of basic and diluted net income (loss) per common share for the three and nine months ended September 30, 2018 and September 30, 2017:

	<b>For the Three Months Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net income (loss)	\$ (3,584)	\$ (1,281)	\$ (9,277)	\$ (4,177)
Weighted-average shares of common stock outstanding	15,223,000	12,418,000	13,591,000	10,355,000
Dilutive effect of employee stock options	-	-	-	-
Weighted average shares for diluted net income (loss) per share	15,223,000	12,418,000	13,591,000	10,355,000
<b>Basic net income (loss) per share</b>	<b>\$ (0.24)</b>	<b>\$ (0.10)</b>	<b>\$ (0.68)</b>	<b>\$ (0.40)</b>
<b>Diluted net income (loss) per share</b>	<b>\$ (0.24)</b>	<b>\$ (0.10)</b>	<b>\$ (0.68)</b>	<b>\$ (0.40)</b>

**NOTE 11 – SUBSEQUENT EVENTS**

The Company evaluated subsequent events through the date of the filing of this Quarterly Report on Form 10-Q with the SEC, to ensure that this filing includes appropriate disclosure of events both recognized in the condensed consolidated financial statements as of September 30, 2018, and events which occurred subsequent to September 30, 2018 but were not recognized in the condensed consolidated financial statements. The Company has determined that there were no subsequent events which required recognition, adjustment to or disclosure in the financial statements.

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

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Report represent forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results of operations, levels of activity, economic performance, financial condition or achievements to be materially different from future results of operations, levels of activity, economic performance, financial condition or achievements as expressed or implied by such forward-looking statements. Asure has attempted to identify these forward-looking statements with the words "believes," "estimates," "plans," "expects," "anticipates," "may," "could" and other similar expressions. Although these forward-looking statements reflect management's current plans and expectations, which we believe are reasonable as of the filing date of this report, they inherently are subject to certain risks and uncertainties. These risks and uncertainties include — but are not limited to — adverse changes in the economy, financial markets, and credit markets; delays or reductions in information technology spending; the development of the market for cloud based workplace applications; product development; market acceptance of new products and product improvements; our ability to retain or increase our customer base; security breaches; errors, disruptions or delays in our services; privacy concerns and laws; changes in our sales cycle; competition, including pricing pressures, entry of new competitors, and new technologies; intellectual property enforcement and litigation; our ability to obtain additional capital; our ability to hire, retain and motivate employees; our ability to manage our growth; our ability to realize benefits from acquisitions; the level of our indebtedness; changes in sales may not be immediately reflected in our operating results due to our subscription model; changes in laws and regulations; changes in the Internet infrastructure; disruptions in computing and communication infrastructure; and changes in accounting standards. Asure is under no obligation to update any of the forward-looking statements after the date of this Form 10-Q to conform such statements to actual results.

### OVERVIEW

The following review of Asure's financial position as of September 30, 2018 and December 31, 2017 and the results of operations and cash flows for the three and nine months ended September 30, 2018 and September 30, 2017 should be read in conjunction with our 2017 Annual Report on Form 10-K filed with the Securities and Exchange Commission. Asure's internet website address is <http://www.asuresoftware.com>. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the investor relations page of our internet website free of charge as soon as reasonably practicable after they are electronically filed, or furnished to, the Securities and Exchange Commission. Asure's internet website and the information contained therein or connected thereto is not incorporated into this Quarterly Report on Form 10-Q.

Asure is a leading provider of Human Capital Management ("HCM") and Workplace Management, offering intuitive and innovative cloud-based solutions designed to help organizations of all sizes and complexities build companies of the future. Our cloud platforms enables clients worldwide to better manage their people and space in a mobile, digital, multi-generational, and global landscape. Asure's offerings include a fully-integrated HCM platform, flexible benefits and compliance administration, HR consulting, and time and labor management as well as a full suite of Agile Workplace solutions for conference room scheduling, desk sharing programs, and real estate optimization.

Asure's platform vision is to help clients proactively manage costs associated with their three most expensive assets, real estate, labor and technology, while creating an employee experience that fosters efficiency, productivity and engagement.

The Asure product strategy is driven by three primary trends in the market: mobilization, globalization and technology. Asure offers four product lines: AsureSpace™, AsureForce®, AsureHCM and AsureEvolution. AsureHCM and AsureEvolution are our Mid-market and SMB/Channel HCM platforms respectively, which include AsureBenefits and AsureConsulting. AsureSpace™ Agile Workplace solutions enable organizations to optimize their real estate investment and create a digital workplace that empowers mobile and virtual employees, while streamlining internal operations. AsureForce® Time and Labor Management helps organizations optimize their workforce while controlling labor administration costs and activities.

For all of the Asure product lines, support and professional services are key elements of our value proposition and overall solution. In addition to state-of-the-art hosting platforms and regular software upgrades and releases, Asure gives our clients easy access to our skilled support team. Our services and support representatives are knowledgeable not just in the Asure solution, but also in their respective industries and provide advice and guidance on best practices and change management strategies. From installation to training and post-live support, our professional services team delivers a proficient customer experience on a global scale.

[Table of Contents](#)

Our sales and marketing strategy targets a wide range of audiences, from small and medium-sized businesses to enterprise organizations throughout the United States, Europe and Asia/Pacific. Our unique blend of products allow us to compete in every industry, and we generate sales and opportunities through our direct sales team and our channel partners.

**RESULTS OF OPERATIONS**

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2018	2017	2018	2017
<b>Revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Gross margin	63.9	78.1	67.1	77.9
Selling, general and administrative	47.1	60.9	51.8	64.6
Research and development	15.0	5.7	10.1	6.4
Amortization of intangible assets	10.4	8.6	9.4	8.3
Total operating expenses	72.5	75.2	71.2	79.2
Other loss, net	(7.9)	(10.6)	(9.8)	(8.4)
Net income (loss)	(15.3)	(8.3)	(14.4)	(10.7)

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 (Amounts in thousands)**

**Revenue**

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

Revenue	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		Increase (Decrease)	%
	2018	2017		
Cloud	\$ 18,390	\$ 11,062	\$ 7,328	66.2
Hardware	1,457	1,003	454	45.3
Maintenance and support	1,264	1,777	(513)	(28.9)
Professional services	2,347	1,685	662	39.3
Total revenue	\$ 23,458	\$ 15,527	\$ 7,931	51.1

Revenue	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		Increase (Decrease)	%
	2018	2017		
Cloud	\$ 51,149	\$ 27,724	\$ 23,425	84.5
Hardware	3,612	3,651	(39)	(1.1)
Maintenance and support	3,985	4,325	(340)	(7.9)
Professional services	5,783	3,434	2,349	68.4
Total revenue	\$ 64,529	\$ 39,134	\$ 25,395	64.9

Total revenue represents our consolidated revenue, including sales of our scheduling software, time and attendance and human resource software, as well as complementary hardware devices to enhance our software products. Most product groupings include cloud revenue, hardware revenue, maintenance and support revenue, as well as installation and services and other professional services revenue. Revenue mix varies by product.

Revenue for the three months ended September 30, 2018 was \$23,458, an increase of \$7,931, or 51.1%, from the \$15,527 reported for the three months ended September 30, 2017. The largest increase was in cloud revenue, which increased \$7,328, or 66.2% from the third quarter of 2017. Cloud revenue increased primarily due to our 2017 and 2018 acquisitions and our continued emphasis on selling integrated cloud based solutions. Hardware and professional services revenue also increased as compared to the three months ended September 30, 2017, due to increased demand of our cloud based services.

## [Table of Contents](#)

Revenue for the nine months ended September 30, 2018 were \$64,259, an increase of \$25,395, or 64.9%, from the \$39,134 reported for the nine months ended September 30, 2017. This increase was primarily due to an increase in cloud and professional services revenue. Cloud revenue increased \$23,425, or 84.5%, primarily as a result of the cloud revenue recognized by the 2017 and 2018 acquisitions and our continued emphasis on selling integrated cloud based solutions. Professional services revenue also increased as compared to the nine months ended September 30, 2017, due to an increase in consulting services revenue offset by slight reduction in hardware and maintenance and support revenue.

Although our total customer base is widely spread across industries, our sales are concentrated in certain industry sectors, including corporate education, healthcare, government, legal and non-profit. We continue to target small and medium sized businesses and divisions of larger enterprises in these same industries as prospective customers. Geographically, we sell our products worldwide, but sales are largely concentrated in the United States, Canada and Europe. Additionally, we have reseller partners in North America, UK, South Africa and Asia Pacific.

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

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

Consolidated gross profit for the three months ended September 30, 2018 was \$14,987, an increase of \$2,856, or 23.5%, from the \$12,131 reported for the three months ended September 30, 2017. Gross profit increased in line with the increase in revenue. However, due in part to a shift in product mix, inventory write-offs and amortization of capitalized software, gross margin as a percentage of revenue decreased to 63.9% from 78.1% for the three months ended September 30, 2018 and September 30, 2017, respectively. Consolidated gross margin for the nine months ended September 30, 2018 was \$43,281, an increase of \$12,807 or 42.0%, from the \$30,474 reported for the nine months ended September 30, 2017. Gross margins as a percentage of revenue were 67.1% and 77.9% for the nine months ended September 30, 2018 and 2017, respectively. HCM revenue, which typically has lower gross margins, represents a larger portion of our revenue mix, therefore, resulting in a decrease in the gross margin as a percentage of revenue.

### **Selling, General and Administrative Expenses**

Selling, general and administrative (“SG&A”) expenses for the three months ended September 30, 2018 were \$11,052, an increase of \$1,593, or 16.8%, from the \$9,459 reported for the three months ended September 30, 2017. SG&A expenses as a percentage of revenue were 47.1% and 60.9% for the three months ended September 30, 2018 and September 30, 2017, respectively.

SG&A expenses for the nine months ended September 30, 2018 were \$33,394, an increase of \$8,108, or 32.1%, from the \$25,286 reported for the nine months ended September 30, 2017. SG&A expenses as a percentage of revenue were 51.8% and 64.6% for the nine months ended September 30, 2018 and 2017, respectively.

SG&A expenses were higher in the three and nine months ended September 30, 2018 as compared to the same period in 2017 primarily due to the acquisitions and integration expenses related to the acquisitions in 2017 and 2018. We continue to evaluate any unnecessary expenses and any increases in SG&A designed to enhance future revenue growth.

### **Research and Development Expenses**

Research and development (“R&D”) expenses for the three months ended September 30, 2018 were \$3,514, an increase of \$2,631, or 298.0%, from the \$883 reported for the three months ended September 30, 2017. R&D expenses as a percentage of revenue were 15.0% and 5.7% for the three months ended September 30, 2018 and September 30, 2017, respectively.

R&D expenses for the nine months ended September 30, 2018 were \$6,495, an increase of \$4,007, or 161.1%, from the \$2,488 reported for the nine months ended September 30, 2017. R&D expenses as a percentage of revenue were 10.1% and 6.4% for the nine months ended September 30, 2018 and 2017, respectively.

We continue to enhance our products and technologies through organic improvements as well as through acquired intellectual property. We believe that our expanded investment in SaaS hosting, mobile and hardware technologies lays the ground work for broader market opportunities, and represents a key aspect of our competitive differentiation. Native mobile applications, reporting and analytics, expanded web service integration and other technologies are all part of our initiatives.



## [Table of Contents](#)

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 further improve our workforce management solutions.

### **Amortization of Intangible Assets**

Amortization expenses for the three months ended September 30, 2018 were \$2,447, an increase of \$1,106, or 82.5%, from the \$1,341 reported for the three months ended September 30, 2017. Amortization expenses as a percentage of revenue were 10.4% and 8.6% for the three months ended September 30, 2018 and 2017, respectively. Amortization expenses for the nine months ended September 30, 2018 were \$6,038, an increase of \$2,808, or 86.9% compared to \$3,230, reported for the nine months ended September 30, 2017. Amortization expenses as a percentage of revenue were 9.4% and 8.3% for the nine months ended September 30, 2018 and 2017, respectively. The increases are due to the amortization recorded on the intangibles acquired in the acquisitions during 2017 and 2018.

### **Other Income and Loss**

Other loss for the three months ended September 30, 2018 was \$1,861, an increase of \$217, or 13.2%, from the \$1,644 reported for the three months ended September 30, 2017. Other loss as a percentage of revenue was 7.9% and 10.6% for the three months ended September 30, 2018 and September 30, 2017, respectively. Other loss for the nine months ended September 30, 2018 was \$6,343, an increase of \$3,064, or 93.4%, from the \$3,279 reported for the nine months ended September 30, 2017. Other expense as a percentage of revenue was 9.8% and 8.4% for the nine months ended September 30, 2018 and 2017, respectively. Other loss for the three and nine months ended September 30, 2018 and 2017 are composed primarily of interest expense on notes payable. The increases over the same periods in 2017 are primarily due to the additional debt amount we incurred under our amended and restated credit agreement and a higher interest rate payable on a portion of such debt. In addition, in the three months ended September 30, 2018, we recorded \$489 of other income related to the release of contingent consideration.

### **Income Taxes**

Provision for income tax expense/(benefit) was \$(303) and \$85 for the three months ended September 30, 2018 and 2017, respectively, a decrease of \$388, or (456.5)%. Provision for income tax expense for the nine months ended September 30, 2018 was \$288, a decrease of \$80, or 21.7%, from the \$368 reported for the nine months ended September 30, 2017, respectively. The decrease in income tax expense over these periods is primarily due to the Company determining that indefinite lived goodwill would provide a source of income to realize indefinite lived deferred tax assets. The Company continues to analyze changes under the Tax Act and anticipates recording any additional resulting adjustment within the measurement period.

### **Net Income (Loss)**

We incurred a net loss of \$3,584, or \$(0.24) per share, during the three months ended September 30, 2018, compared to net loss of \$1,281, or \$(0.10) per share, during the three months ended September 30, 2017. Net loss as a percentage of total revenue was 15.3% and 8.3% for the three months ended September 30, 2018 and 2017, respectively.

We incurred a net loss of \$9,277, or \$(0.68) per share, during the nine months ended September 30, 2018, compared to a net loss of \$4,177, or \$(0.40) per share reported for the nine months ended September 30, 2017. Net loss as a percentage of total revenue was 14.4% for the nine months ended September 30, 2018 compared to net loss of 10.7% of total revenue for the nine months ended September 30, 2017.

We intend to continue to implement our corporate strategy for growing our software and services business by modestly investing in areas that directly generate revenue and positive cash flows for the Company. However, uncertainties and challenges remain and there can be no assurance that we can successfully grow our revenue or achieve profitability during the remainder of fiscal year 2018.

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

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Working capital	\$ 17,844	\$ 17,026
Cash and cash equivalents	19,194	27,792
	<b>For the Nine Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Net Cash used in operating activities	\$ (6,062)	\$ (2,083)
Net Cash used in investing activities	(53,788)	(38,351)
Net Cash provided by financing activities	51,380	55,123

**Working Capital.** We had working capital of \$17,844 at September 30, 2018, an increase of \$818 from working capital of \$17,026 at December 31, 2017. Working capital at September 30, 2018 and December 31, 2017 includes \$12,110 and \$13,078 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.

We attribute the increase in our working capital to the sale of 2,375,000 shares of common stock through our public offering in June 2018. We realized net proceeds of approximately \$39,156 after deducting underwriting discounts and estimated offering expenses. This is offset by the use of \$65,966 of cash to fund the acquisitions in 2018.

**Operating Activities.** Net cash used in operating activities was \$6,062 for the nine months ended September 30 2018. The \$6,062 of cash used in operating activities during the first nine months of 2018 was primarily driven by a net loss of \$9,277, an increase in accounts receivable of \$6,587 and an increase in other assets of \$2,250. This was offset by non-cash adjustments of \$10,493.

Net cash used in operating activities was \$2,083 for the nine months ended September 30, 2017. The \$2,083 of cash used in operating activities during the first nine months of 2017 was primarily driven by a net loss of \$4,177, an increase in accounts receivable of \$4,450, an increase in prepaids and other assets of \$471, and a decrease in accounts payable of \$569. This was offset by non-cash adjustments to net loss of \$5,027, an increase in deferred revenue of \$1,963, and an increase in accrued expenses and other long-term obligations of \$881.

**Investing Activities.** Net cash used in investing activities was \$53,788 and \$38,351 for the nine months ended September 30, 2018 and 2017, respectively. Cash used in investing activities for the nine months ended September 30, 2018 is primarily due to acquisitions in 2018. Cash used in investing for the nine months ended September 30, 2017 is primarily due to acquisitions in 2017, partially offset by an increase in funds held for clients.

**Financing Activities.** Net cash provided by financing activities of \$51,380 for the nine months ended September 30, 2018 was primarily due to an increase of \$41,290 in our indebtedness and net proceeds of approximately \$39,156 from the issuance of our common stock in an underwritten public offering we completed in June 2018, partially offset by payments on debt of \$10,312, and debt financing fees of \$1,693.

Net cash provided by financing activities was \$55,123 for the nine months ended September 30, 2017. We recognized net proceeds from the issuance of common stock of \$27,820 in an underwritten public offering in June 2017, as well as incurred \$45,777 of indebtedness in connection with the 2017 acquisitions. This was offset by payments on notes payable of \$8,098 and debt financing fees of \$1,433. In connection with the 2017 public offering, we issued 2,185,000 shares of common stock, including 285,000 shares of common stock pursuant to the exercise of the underwriters' over-allotment option, at the public offering price of \$13.50 per share.

**Sources of Liquidity.** As of September 30, 2018, Asure's principal sources of liquidity consisted of \$19,194 of cash and cash equivalents, cash we expect to generate in the future from our business operations, and \$5,000 available for borrowing under our revolving line of credit and \$25,000 delayed draw term loan commitment with Wells Fargo. We believe that we have and/or will generate sufficient cash for our operational needs, including any required debt payments, for at least the next twelve months. However, we may need to raise additional capital or incur additional indebtedness to grow our existing business operations and to seek additional strategic acquisitions in the near future.

## [Table of Contents](#)

Our management team is focused on growing our existing software operations and is seeking additional strategic acquisitions for the near future. At present, we plan to fund any future acquisition with equity, existing cash and cash equivalents, cash we expect to generate in the future from our business operations, funds under credit facilities, and cash generated from the issuance of equity or debt securities.

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 seek 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. Subject to the foregoing, management believes that we have sufficient capital and liquidity to fund and cultivate the growth of our current and future operations for at least the next twelve months and to maintain compliance with the terms of our debt agreements and related covenants or to obtain compliance through debt repayments made with our available cash on hand or anticipated for receipt in the ordinary course of operations.

Capital Resources. At September 30, 2018, we had \$104,476 outstanding under our Second Restated Credit Agreement with Wells Fargo and our Syndicate Partner. Under the line of credit at September 30, 2018, we have available funds of \$5,000, as well as \$25,000 on a delayed draw term loan. For further discussion regarding our Second Restated Credit Agreement, see Note 6 to the accompanying condensed consolidated financial statements.

### **OFF-BALANCE SHEET ARRANGEMENTS**

As of September 30, 2018, we did not have any off-balance sheet arrangements, as defined in the rules and regulations of the Securities and Exchange Commission.

### **CRITICAL ACCOUNTING POLICIES**

During the three months ended March 31, 2018, we adopted ASC Topic 606. Refer to Note 2 in Item 1 of this Form 10-Q for disclosure of the changes related to this adoption. There have been no additional material changes to our critical accounting policies as discussed in our 2017 Annual Report on Form 10-K.

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

There have been no material changes to our exposure from market risks from those disclosed in our 2017 Annual Report on Form 10-K.

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

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for us. Based on an evaluation under the supervision and with the participation of our management, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were effective as of as of September 30, 2018 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.

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

During the period ended September 30, 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Although we have been, and in the future may be, the defendant or plaintiff in various actions arising in the normal course of business, as of September 30, 2018, we were not party to any pending legal proceedings.

### ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K, filed with the Commission on March 16, 2018, and investors are encouraged to review such risk factors prior to making an investment in the Company.

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

On July 2, 2018, we issued 225,089 shares of our common stock in connection with our acquisition of USA Payrolls Inc. The issuance and sale of such shares of common stock were exempt from the registration requirements of the Securities Act of 1933 pursuant to Section 4(a)(2) thereof and Rule 506(b) of Regulation D thereunder.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

### ITEM 5. OTHER INFORMATION

#### *Amendments to Bylaws*

On November 8, 2018, our board of directors approved the amendment and restatement of our Bylaws. The amendments contained in the Bylaws delete (i) the requirement that the Chair of each board committee have a maximum term of 5 years and (ii) the requirement that, in order to be eligible for election as Chair of a board committee, candidates must have served on the board committee prior to the election.

The foregoing description of the amendments is qualified in its entirety by reference to the complete text of the Third Amended and Restated By-Laws, a copy of which is attached as Exhibit 3.1 and incorporated herein by reference.

#### *Election of Director*

On November 8, 2018, our board of directors elected Bradford S. Oberwager to serve as a director until the next annual meeting of stockholders or until his successor is duly elected and qualified, effective immediately. Mr. Oberwager will serve as Chair of our audit committee and serve as a member of our compensation committee and governance and nominating committee.

Mr. Oberwager does not have any family relationships with any of our executive officers or directors. There are no arrangements or understandings between Mr. Oberwager and any other person pursuant to which Mr. Oberwager was elected as a director. There are no related party transactions between Mr. Oberwager and our company.

Upon his election as a director, Mr. Oberwager was granted 4,000 restricted stock units and options to purchase 10,000 shares of our common stock. The restricted stock units vest in two equal installments of 2,000 restricted stock units: one on November 8, 2018 and the other on March 31, 2019. All of the options awarded to Mr. Oberwager vest in one installment on March 31, 2019. In addition, as a non-employee director, Mr. Oberwager will participate in our standard non-equity compensation plan for non-employee directors, under which he will be eligible to receive a base compensation of \$22,500 per year, plus applicable committee and attendance fees, for his service as a director. Mr. Oberwager will also be eligible to receive stock options or other equity awards as a non-employee director, as approved by our board upon the recommendation of the compensation committee.

[Table of Contents](#)

In addition, in connection with his election to our board, Mr. Oberwager will enter into our standard form of indemnification agreement, a copy of which was filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on December 21, 2017.

**Director Resignation**

On November 8, 2018, Matt Behrent resigned as a member of our board and all board committees for personal reasons, effective as of the effectiveness of Mr. Oberwager's election to our board. Mr. Behrent's resignation was not due to any disagreement with us on any matter relating to our operations, policies or practices.

**ITEM 6. EXHIBITS**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
3.1	<a href="#">Third Amendment and Restated Bylaws.</a>
31.1	<a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101	The following materials from Asure Software, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, formatted in XBRL (Extensible Business Reporting Language): (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Comprehensive Loss, (3) the Condensed Consolidated Statements of Cash Flows, and (4) Notes to Condensed Consolidated Financial Statements.

**SIGNATURES**

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

**ASURE SOFTWARE, INC.**

November 9, 2018

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

November 9, 2018

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

THIRD AMENDED AND RESTATED BYLAWS

OF

ASURE SOFTWARE, INC.

A DELAWARE CORPORATION

(As amended through November 8, 2018)

ARTICLE I  
OFFICES

The Corporation shall maintain a registered office in the State of Delaware as required by law. The Corporation may also have offices at other places, within and without the State of Delaware, as the Board of Directors may determine.

ARTICLE II  
STOCKHOLDERS

**Section 1. Place of Meetings.** Meetings of the stockholders shall be held at such times and places, within or without the State of Delaware, as may be fixed from time to time by the Board of Directors.

**Section 2. Annual Meetings.** The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such place, on such date and at such time as may from time to time be fixed by the Board of Directors, the Chairman of the Board or the President.

**Section 3. Special Meetings.** Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of the stockholders for any purpose or purposes may be called only by the Chairman of the Board or the Chief Executive Officer, or the Secretary of the Corporation at the request of the Board of Directors. A special meeting of the stockholders shall also be called by the Secretary of the Corporation upon the written request, stating the purpose of the meeting, of stockholders who together own of record ten (10) percent of the outstanding shares of each class of stock entitled to vote at such meeting. Special meetings of the stockholders may be held at such place, on such date and at such time as fixed by the appropriate person calling such special meeting of the stockholders. For a stockholder requested meeting, the request shall (i) be in writing, signed and dated by the stockholders who have delivered the written request for the special meeting, (ii) set forth the purpose of calling the special meeting. A maximum of 1 special meeting may be called in a single calendar year, unless thirteen months have passed since the last annual meeting was held, in which case a second special meeting may be called. Only such business as is specified in the notice of any special meeting of the stockholders shall come before such meeting.

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**Section 4. Notice of Meetings.** Written notice of all meetings of stockholders shall be mailed to or personally delivered to each stockholder entitled to vote thereat at least ten (10), but not more than sixty (60) days prior to the meeting. Notice of any special meeting shall state in general terms the purpose or purposes for which the meeting is to be held, and no other business shall be transacted except as stated in such notice. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting of which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

**Section 5. Quorum.** The holders of a majority of the issued and outstanding shares of the capital stock of the Corporation entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders; but, if there be less than a quorum, the holders of a majority of the shares so present or represented may adjourn the meeting from time to time, until a quorum shall be present, whereupon the meeting may be held, as adjourned, without further notice, except as required by law, and any business may be transacted that might have been transacted on the original date of the meeting.

**Section 6. List of Stockholders Entitled to Vote.** The officer or agent having charge of the stock transfer books of the Corporation shall make, at least ten (10) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, and showing the address of and the number of shares held by each stockholder. Such list shall be open to examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of ten (10) days prior to such meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any stockholder during the whole time of the meeting. The original stock transfer books shall be the only evidence as to who are the stockholders entitled to examine such list or the stock transfer books or to vote at any meeting of stockholders. Failure to comply with any requirements of this Section 6 shall not affect the validity of any action taken at such meeting.

**Section 7. Voting.** At all meetings of the stockholders every registered owner of shares entitled to vote may vote in person or by proxy and shall have one vote for each such share standing in his name on the books of the Corporation as of the record date for determining the stockholders entitled to vote at such meeting. Unless otherwise required by statute or the Certificate of Incorporation the election of directors shall be decided by a plurality of the votes cast at a meeting of the stockholders by the holders of stock entitled to vote in the election. Except as otherwise required by statute, by the Certificate of Incorporation or these Bylaws, any matters, other than the election of directors, coming before any meeting of the stockholders shall be decided by the vote of the holders of a majority of the shares of capital stock of the Corporation present in person or by proxy at such meeting and voting thereon, a quorum being present.



**Section 8. Presiding Officer.** The Chief Executive Officer shall preside at all meetings of the stockholders. In the absence of the Chief Executive Officer, the President shall act as chairman of the meeting. In the absence of the Chief Executive Officer and the President, the Board of Directors may appoint any other officer or person to act as chairman of any meeting.

**Section 9. Secretary of Meeting.** The Secretary or an Assistant Secretary of the Corporation shall act as secretary of all meetings of the stockholders; and, in their absence, the chairman of the meeting shall appoint a person to act as secretary of the meeting.

**Section 10. Stockholder Nomination of Director Candidates.**

(1) Only persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible to serve as Directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders (a) by or at the direction of the Board of Directors or (b) by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Bylaw.

(2) Nominations by stockholders shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is changed by more than 30 days from such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the date on which notice of the date of the meeting was mailed or public disclosure was made, and (b) in the case of a special meeting at which directors are to be elected, not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure was made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to the stockholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such stockholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such stockholder and also which are owned of record by such stockholder; and (c) as to the beneficial owner, if any, on whose behalf the nomination is made, (i) the name and address of such person and (ii) the class and number of shares of the Corporation which are beneficially owned by such person. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee.

(3) No person shall be eligible to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Bylaw. The Chairman of the meeting

shall, if the facts warrant, determine in good faith and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he or she should so reasonably determine, he shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

**Section 11. Notice of Stockholder Business.**

(1) At an annual meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who is a stockholder of record at the time of giving of the notice provided for in this Bylaw, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Bylaw.

(2) For business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph 1 of this Bylaw, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the meeting is changed by more than 30 days from such anniversary date, notice by the stockholder to be timely must be received no later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure was made. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made, (c) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder of record and by the beneficial owner, if any, on whose behalf the proposal is made and (d) any material interest of such stockholder of record and the beneficial owner, if any, on whose behalf the proposal is made in such business.

(3) Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Bylaw. The Chairman of the meeting shall, if the facts warrant, determine in good faith and declare to the meeting that business was not properly brought before the meeting and in accordance with the procedures prescribed by these Bylaws, and if he or she should so reasonably determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

## **Section 12. Regulation of Action by Written Consent.**

(1) **Action by Written Consent.** Any action which is required to be or may be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice to stockholders and without a vote if consents in writing, setting forth the action so taken, shall have been signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or to take such action at a meeting at which all shares entitled to vote thereon were present and voted.

(2) **Duration and Revocation of Consents.** In order that the Corporation's stockholders shall have an opportunity to receive and consider the information germane to an informed judgment as to whether to give a written consent, any corporate action to be taken by written consent shall not be effective until, and the stockholders of the Corporation shall be able to give or revoke written consents for, at least twenty (20) days from the date of the commencement of a solicitation (as such term is defined in Rule 14a-1(k) promulgated under the Securities Exchange Act of 1934, as amended) of consents, other than corporate action by written consent taken pursuant to solicitations of not more than ten (10) persons. For purposes of this subsection (2) and subsection (3) of this Section 12, a consent solicitation shall be deemed to have commenced when a proxy statement or information statement containing the information required by law is first furnished to the Corporation's stockholders.

Consents to corporate action shall be valid for a maximum of sixty (60) days after the date of the earliest dated consent delivered to the Corporation in the manner provided in Section 228(c) of the Delaware General Corporation Law. Consents may be revoked by written notice (i) to the Corporation, (ii) to the stockholder or stockholders soliciting consents or soliciting revocations in opposition to action by consent proposed by the Corporation (the "Soliciting Stockholders"), or (iii) to a proxy solicitor or other agent designated by the Corporation or the Soliciting Stockholders.

Notwithstanding the foregoing, if independent counsel to the Corporation delivers to the Corporation a written opinion stating, or a court of competent jurisdiction determines, that this subsection or subsection (3) of this Section 12, or any portion thereof, is illegal with respect to any corporate action to be taken by written consent for which a consent has theretofore been delivered to the Corporation, in the manner provided in Section 228(c) of the Delaware General Corporation Law, whether prior or subsequent to the date of the adoption of this subsection and subsection (3) of this Section 12, then this subsection or subsection (3) of this Section 12, or such portion thereof, as the case may be, shall after the date of such delivery of such opinion or such determination be null and void and of no effect with respect to any other corporate action to be taken by written consent.

(3) **Inspectors of Election; Procedures for Counting Consents.** Within three (3) business days after receipt of the earliest dated consent delivered to the Corporation in the manner provided in Section 228(c) of the Delaware General Corporation Law or the determination by the Board of Directors of the Corporation that the corporation should seek corporate action by written consent, as the case may be, the Secretary shall engage nationally recognized independent inspectors of elections for the purpose of performing a ministerial review of the validity of the

consents and revocations. The cost of retaining inspectors of election shall be borne by the Corporation.

Consents and revocations shall be delivered to the inspectors upon receipt by the Corporation, the Soliciting Stockholders or their proxy solicitors or other designated agents. As soon as consents and revocations are received, the inspectors shall review the consents and revocations and shall maintain a count of the number of valid and unrevoked consents. The inspectors shall keep such count confidential and shall not reveal the count to the Corporation, the Soliciting Stockholder or their representatives or any other entity. As soon as practicable after the earlier of (i) sixty (60) days after the date of the earliest dated consent delivered to the

Corporation in the manner provided in Section 228(c) of the Delaware General Corporation Law or (ii) a written request therefor by the Corporation or the Soliciting Stockholders (whichever is soliciting consents) (which request may be made no earlier than twenty (20) days after the commencement of the applicable solicitation of consents, except in the case of corporate action by written consent taken pursuant to solicitation of not more than ten (10) persons), notice of which request shall be given to the party opposing the solicitation of consents, if any, which request shall state that the Corporation or Soliciting Stockholders, as the case may be, have a good faith belief that the requisite number of valid and unrevoked consents to authorize or take the action specified in the consents has been received in accordance with these Bylaws, the inspectors shall issue a preliminary report to the corporation and the Soliciting Stockholders stating: (i) the number of valid consents; (ii) the number of valid revocations; (iii) the number of valid and unrevoked consents; (iv) the number of invalid consents; (v) the number of invalid revocations; (vi) whether, based on their preliminary count, the requisite number of valid and unrevoked consents has been obtained to authorize or take the action specified in the consents.

Unless the Corporation and the Soliciting Stockholders shall agree to a shorter or longer period, the Corporation and the Soliciting Stockholders shall have 48 hours to review the consents and revocations and to advise the inspectors and the opposing party in writing as to whether they intend to challenge the preliminary report of the inspectors. If no written notice of an intention to challenge the preliminary report is received within 48 hours after the inspectors' issuance of the preliminary report, the inspectors shall issue to the Corporation and the Soliciting Stockholders their final report containing the information from the inspectors' determination with respect to whether the requisite number of valid and unrevoked consents was obtained to authorize and take the action specified in the consents. If the Corporation or the Soliciting Stockholders issue written notice of an intention to challenge the inspectors' preliminary report within 48 hours after the issuance of that report, a challenge session shall be scheduled by the inspectors as promptly as practicable. A transcript of the challenge session shall be recorded by a certified court reporter. Following completion of the challenge session, the inspectors shall as promptly as practicable issue their final report to the Soliciting Stockholders and the Corporation, which report shall contain the information included in the preliminary report, plus all changes in the vote totals as a result of the challenge and a certification of whether the requisite number of valid and unrevoked consents was obtained to authorize or take the action specified in the consents. A copy of the final report of the inspectors shall be included in the book in which the proceedings of meetings of stockholders are recorded.

The Corporation shall give prompt notice to the stockholders of the results of any consent solicitation or the taking of the corporate action without a meeting and by less than unanimous written consent.

(4) Further Exceptions. The requirements of subsection 2 regarding the delayed effectiveness of corporate actions taken by written consent and the giving or revoking of written consents for at least 20 days, and the requirements of subsection 3 regarding the engagement of an independent inspector of elections and the consent review process, shall not apply to a consent solicitation conducted by the Corporation on behalf of the Board of Directors when the Corporation has not been advised, and otherwise has no reason to believe, that stockholders of the Corporation are seeking, or intend to seek, consents in opposition or in the alternative to, or revocations of consents granted with respect to, the Corporation's consent proposal on behalf of the Board of Directors.

### **ARTICLE III DIRECTORS**

**Section 1. Board of Directors.** The property, business and affairs of the Corporation shall be managed and controlled by the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things on its behalf as are not, by statute or the Certificate of Incorporation or these Bylaws, directed or required to be exercised or done by the stockholders.

**Section 2. Number; Tenure.** The Board of Directors shall consist of up to seven (7) directors. Directors need not be stockholders of the Corporation or residents of a particular state. Unless sooner removed by action of the stockholders, members of the Board of Directors shall hold office until the next annual meeting of stockholders and until their successors shall have been elected and qualified.

**Section 3. Vacancies.** Any vacancy in the Board of Directors occurring by reason of the death, resignation or disqualification of any director, the removal of any director from office for cause or without cause, an increase in the number of directors, or otherwise, may be filled by the stockholders at a special meeting called for that purpose or by the directors at any annual, regular or special meeting. Each director elected to fill a vacancy shall hold office for a term expiring at the next succeeding annual meeting of stockholders and until his successor is elected and has qualified or until his earlier displacement from office by resignation, removal or otherwise.

**Section 4. Resignation and Removal.** Any director may resign at any time by written notice to the Corporation. Any director or the entire board of directors may be removed, for cause or without cause, by the holders of a majority of the shares then entitled to vote at a special meeting called for that purpose.

**Section 5. Place of Meetings.** The Board of Directors may hold meetings within or without the State of Delaware.

**Section 6. Annual Meeting.** The annual meeting of the Board of Directors, of which no notice shall be necessary, shall be held immediately following the annual meeting of stockholders

or immediately following any adjournment thereof at which directors shall have been elected for the ensuing year, or at such other time and place as may be designated in a notice of meeting, for the purpose of the organization of the Board and the election or appointment of officers for the ensuing year, and for the transaction of such other business as may be brought before such meeting.

**Section 7. Regular Meetings.** Regular meetings of the Board of Directors, other than the annual meeting, shall be held at any place within or without the office of the Corporation, or solely by means of conference telephone or other communications equipment, as determined by the Board of Directors. At every regular meeting of the Directors, the Chairman of the Board, or if the Chairman is absent, a chairman of the meeting chosen by the majority of the directors present, shall preside over the meeting.

**Section 8. Special Meetings.** Special meetings of the Board of Directors may be called by the Chairman of the Board, and shall be called by the Secretary upon written request by a majority of the total number of directors. Notice shall be given of the time and place of each special meeting by mailing the same at least three (3) days before the meeting or by telephoning, emailing, telegraphing or delivering personally the same at least one (1) day before the meeting to each director. Except as otherwise specified in the notice thereof, or as required by law, the Certificate of Incorporation or these Bylaws, any and all business may be transacted at any special meeting.

**Section 9. Quorum; Voting.** A majority of the total number of directors then in office shall constitute a quorum for the transaction of business, but less than a quorum may adjourn any meeting from time to time until a quorum shall be present, whereupon the meeting may be held, as adjourned, without further notice. Except as otherwise required by statute, the Certificate of Incorporation or these Bylaws, all matters coming before any meeting of the Board of Directors shall be decided by the vote of a majority of the directors present at the meeting, a quorum being present.

**Section 10. Compensation.** Outside directors shall be entitled to receive compensation for their services and reimbursement for their expenses as directors or as members of any committee appointed by the Board, in such amounts and pursuant to such conditions as determined by the Board. No shareholder permitted or authorized to attend any directors' meeting shall be reimbursed for their expenses incurred in attending such directors' meetings, unless otherwise agreed by the Board. The foregoing shall not be construed as prohibiting the payment to any director of compensation for services rendered in any other capacity.

**Section 11. Advisory Directors.** The Board of Directors may from time to time elect one (1) or more Advisory Directors, which Advisory Directors shall hold office until the next Annual Meeting of the Board of Directors. Advisory Directors shall be given all notices of meetings of the Board of Directors as are given to directors in general, but shall not be counted in determining whether a quorum of the Board of Directors is present at a meeting. Advisory Directors shall have no voting rights.

**Section 12. Voting Shares of Other Corporations.** The Board of Directors of this Corporation shall have full power and authority on behalf of the Corporation, acting by or through a nominee of the Corporation or by proxy or proxies appointed by it, to vote, act and consent with

respect to any shares of stock of other corporations which this Corporation may own or as to which this Corporation otherwise has the right to vote, act or consent.

#### **ARTICLE IV COMMITTEES OF THE BOARD**

**Section 1. Designation.** The Board of Directors, by resolution passed by a majority of the whole Board, may designate from among its members such committees as the Board may determine, to have such powers and duties as shall from time to time be prescribed by the Board to the extent permitted by statute.

**Section 2. Quorum; Tenure.** A majority of the whole committee shall constitute a quorum for the transaction of business of any committee and may fix its rules of procedure. All actions by any committee shall be reported to the Board of Directors. The Board of Directors may discharge any committee or any members thereof either with or without cause at any time.

**Section 3.**

#### **ARTICLE V OFFICERS**

**Section 1. Officers; Compensation.** The officers of the Corporation shall be elected by the Board of Directors, and shall consist of a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice-Presidents, one or more of whom may be designated Executive or Senior Vice-President, a Secretary, a Treasurer, and such other officers, assistant officers and agents as the Board of Directors may from time to time designate. All officers shall hold office until their successors are elected and qualified, or until earlier displacement from office by resignation, removal or otherwise. Two (2) or more offices may be held by the same person. The salaries of the officers shall be determined by the Board of Directors, and may be altered by the Board from time to time except as otherwise provided by contract. All officers shall be entitled to be paid or reimbursed for all costs and expenditures incurred in the Corporation's business.

**Section 2. Vacancies.** Whenever any vacancies shall occur in any office by death, resignation, removal for or without cause, increase in the number of officers of the Corporation, or otherwise, the same shall be filled by the Board of Directors, and the officer so elected shall hold office until his successor is chosen and qualified.

**Section 3. Chairman.** The Chairman of the Board shall serve in such roll for a maximum term of 5 years, at which point a new Chairman must be elected by the Board of Directors.

**Section 4. Chief Executive Officer.** The Chief Executive Officer shall be the chief executive officer of the Corporation, shall preside at all meetings of the stockholders. He or she shall have general and active management of the business and affairs of the Corporation, and shall see to it that all resolutions and orders of the Board of Directors are carried into effect. He or she may sign, with the Secretary or any other proper officer of the Corporation thereunto authorized by the Board of Directors, certificates for shares of the Corporation. He or she may sign any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to

be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed and executed. He or she shall perform all duties as may be prescribed by the Board of Directors from time to time.

**Section 5. President.** The President may perform the usual and customary duties that pertain to such office (but no unusual or extraordinary duties or powers conferred by the Board of Directors upon the Chief Executive Officer) and under the direction and subject to the control of the Board of Directors, such other duties as may be assigned to him or her

**Section 6. Vice-Presidents.** Any Vice-President may perform the usual and customary duties that pertain to such office (but no unusual or extraordinary duties or powers conferred by the Board of Directors upon the President) and, under the direction and subject to the control of the Board of Directors, such other duties as may be assigned to him or her.

**Section 7. Secretary.** It shall be the duty of the Secretary to attend all meetings of the stockholders and Board of Directors and record correctly the proceedings had at such meetings in a book suitable for that purpose. It shall also be the duty of the Secretary to attest with his signature all stock certificates issued by the Corporation and to keep a stock ledger in which shall be correctly recorded all transactions pertaining to the capital stock of the Corporation. He or she may but is not required to attest with his signature all deeds, conveyances or other instruments requiring the seal of the Corporation. The person holding the office of Secretary shall also perform, under the direction and subject to the control of the Board of Directors, such other duties as may be assigned to him or her. The duties of the Secretary may also be performed by any Assistant Secretary.

**Section 8. Treasurer.** The Treasurer shall keep such moneys of the Corporation as may be entrusted to his or her keeping and account for the same. He shall be prepared at all times to give information as to the condition of the Corporation and shall make an annual report of the entire business and financial condition of the Corporation. The person holding the office of Treasurer shall also perform, under the direction and subject to the control of the Board of Directors, such other duties as may be assigned to him or her. The duties of the Treasurer may also be performed by any Assistant Treasurer.

**Section 9. Tenure; Removal.** The term of all officers shall be for one year, and until their respective successors are chosen and qualify. Any officer or agent shall be subject to removal for or without cause at any time by the affirmative vote of a majority of the whole Board of Directors. Vacancies in any office may be filled at any regular or special meeting of the Board.

## **ARTICLE VI CAPITAL STOCK**

**Section 1. Certificates.** Certificates for capital stock of the Corporation shall be in such form as the Board of Directors may from time to time prescribe and shall be signed by the Chief Executive Officer, the President or a Vice President and by the Secretary or an Assistant Secretary.



**Section 2. Stock Records.** The names and addresses of shareholders as they appear on the stock certificate records of the Corporation shall be the official list of shareholders of record of the Corporation for all purposes. The Corporation shall be entitled to treat the holder of record of any shares of the Corporation as the owner thereof for all purposes, and shall not be bound to recognize any equitable or other claim to, or interest in, such shares or any rights deriving from such shares, on the part of any other person, including (but without limitation) a purchaser, assignee or transferee, unless and until such other person becomes the holder of record of such shares, whether or not the Corporation shall have either actual or constructive notice of the interest of such other person.

**Section 3. Transfer.** Shares of capital stock of the Corporation shall be transferable on the books of the Corporation only by the holder of record thereof in person or by his duly authorized attorney, upon surrender and cancellation of certificates for a like number of shares, with an assignment or power of transfer endorsed thereon or delivered therewith, duly executed, and with such proof of the authenticity of the signature and of authority to transfer, and of payment of transfer taxes, as the Corporation or its officers may require.

**Section 4. Lost Certificates.** In case any certificate for the capital stock of the Corporation shall be lost, stolen or destroyed, the Corporation may require such proof of the fact and such indemnity to be given to it as shall be deemed necessary or advisable by it.

**Section 5. Record Date.** In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

## **ARTICLE VII COMMON STOCK OWNERSHIP**

**Section 1. Oversight.** The Nominating and Governance Committee will be responsible for monitoring compliance with these stock ownership guidelines.

**Section 2. Ownership Guidelines for Directors:**

- A. Independent directors are expected to acquire and hold during their service as a Director for the Corporation common stock equal in value to:
  - a. One year of Board compensation within two years of being appointed or elected to the Board.
  - b. Two years of Board compensation within five years of being appointed or elected to the Board.

- c. Three years of Board compensation within eight years of being appointed or elected to the Board.
- d. Four years of Board compensation within ten years of being appointed or elected to the Board.
- B. All ownership calculations shall be based off shares valued at the greater of the cost basis or market value as of the date the Board is to nominate Directors for inclusion in its proxy.
- C. Only common stock shall count towards meeting ownership requirements, and may be held directly, in trust, in joint accounts, and by immediate family members. Common stock held by entities in which a Director is a controlling or managing partner, member, shareholder or would otherwise be deemed a beneficial owner under applicable securities laws and who otherwise has shared or direct voting and dispositive power with respect to such common stock, will also count towards meeting the ownership requirements.
- D. To be included in the annual proxy as a director nominee and stand for re-election, a Director must satisfy the ownership requirements at the date they have been added to the proxy, and must maintain sufficient ownership from such date until after they have been elected.
- E. The use of derivatives or other structures to hedge share ownership is strictly prohibited.

**Section 3. Ownership Guidelines for the Chief Executive Officer:**

- A. The Chief Executive Officer is expected to acquire and hold during his or her term of service one year worth of annual base wage compensation.
- B. All ownership calculations shall be based off shares valued at the greater of the cost basis or market value.
- C. Only common stock shall count towards meeting ownership requirements, and may be held directly, in trust, in joint accounts, and by immediate family members.
- D. The use of derivatives or other structures to hedge share ownership is strictly prohibited.
- E. If ownership requirements are not met, the CEO shall not qualify to receive the annual bonus.

**ARTICLE VIII  
MISCELLANEOUS**

**Section 1. Fiscal Year.** The Board of Directors shall have power to fix, and from time to time change, the fiscal year of the Corporation.

**Section 2. Notices.** Notices to directors and stockholders shall be in writing and may be delivered personally or by mail. Notice by mail shall be deemed to be given at the time when deposited in the U.S. mail, postage prepaid, addressed to directors or stockholders at their respective addresses appearing on the books of the Corporation. Notice of a special meeting of the Board of Directors may be given in the manner provided for in Article III, Section 8, of these Bylaws. An affidavit of the secretary or an assistant secretary or of the transfer agent of the Corporation that the notice has been given, in the absence of fraud, shall be prima facie evidence of the facts stated therein.

**Section 3. Waiver of Notice.** Any notice required to be given under the provisions of these Bylaws or otherwise may be waived by the stockholder, director, member of any committee or officer to whom such notice is required to be given, before or after the meeting or other action of which notice was required to be given.

**ARTICLE IX  
AMENDMENT**

The Bylaws may be amended or repealed by the directors or by the stockholders, provided that, in the case of an amendment or repeal of the Bylaws by the stockholders, notice of the proposed alteration or repeal shall have been given in the notice of such meeting of stockholders.



**EXHIBIT 31.2**

**CERTIFICATION OF PERIODIC REPORT  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, the undersigned, Kelyn Brannon, 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 September 30, 2018) 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: November 9, 2018

By:

/s/ KELYN BRANNON

Kelyn Brannon

Chief Financial 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 September 30, 2018 (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: November 9, 2018

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, Kelyn Brannon, 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 September 30, 2018 (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: November 9, 2018

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

