

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 10, 2012

ASURE SOFTWARE, INC.

(Exact name of registrant as specified in charter)

Delaware

(State or other jurisdiction of incorporation or organization)

0-20008

(Commission File No.)

74-2415696

(IRS Employer Identification No.)

110 Wild Basin Rd., Austin, Texas 78746

(Address of principal executive offices)

512-437-2700

(Registrant's telephone number, including area code)

N/A

(Former Name and Address)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Material Agreements

As previously reported on Form 8-K Current Report filed with the Securities And Exchange Commission on October 5, 2011, we entered into: (i) a Securities Purchase Agreement (the "9% Convertible Note Purchase Agreement") relating to the sale of \$1,500,000 aggregate principal amount of the Company's 9% subordinated convertible notes (the "Convertible Notes") and (ii) a Registration Rights Agreement pursuant to which the Company provided the holders of the Convertible Notes with certain rights with respect to the registration of the shares of the Company's Common Stock issuable upon conversion of the Convertible Notes.

On March 10, 2012, we amended and restated each of the Convertible Notes (the "A&R Convertible Notes") to among other things:

- Permit each holder of Convertible Notes to convert the outstanding principal balance due thereunder into shares of Common Stock of the Company at the conversion price originally set forth in the Convertible Notes (\$5.00 per share of Common Stock) on or before March 15, 2012,
- Provide to the holders of the Convertible Notes, as consideration for agreeing to the terms of the A&R Convertible Notes, a one time cash payment, in such amount as follows: (i) with respect to holders of Convertible Notes who do not elect to convert their A&R Convertible Note prior to March 16, 2012, an amount equal to 3% of the outstanding principal amount of their A&R Convertible Note and (B) with respect to holders of Convertible Notes who elect to convert their A&R Convertible Note prior to March 16, 2012 (the "Converted Holders"), an amount equal to 80% of the interest that such Holder would have received if such Holder had held the A&R Convertible Note to maturity.
- Remove the dilution protection provision which would have reset the conversion price below \$5.00 per share in the event that the Company made certain issuances of Common Stock at a price below \$5.00 per share of Common Stock.

On March 10, 2012, we amended and restated the Registration Rights Agreement (the "Amended and Restated Registration Rights Agreement"), to among other things:

- Obligate the Company to file a registration statement with the Securities and Exchange Commission with respect to the shares of Common Stock held by the Converted Holders, no later than July 31, 2012 and have such registration statement effective no later than August 31, 2012.
- Obligate the Company to pay monthly cash penalties to the Converted Holders equal to 5% of the principal amount of such Converted Holders' A&R Convertible Notes (as existing prior to the conversion) commencing on August 31, 2012 if the Company fails to register the underlying shares of Common Stock as agreed. Such penalties are capped at a maximum of 30% of the principal amount of such Converted Holders' A&R Convertible Notes.

As of the date hereof, as of the date hereof, the Company has received conversion elections and/or indication of intent to convert from holders representing \$1,150,000 of the total \$1,500,000 of principal amount of notes.

The above-referenced agreements (the "Transaction Agreements") have been included as exhibits to this Current Report to provide information regarding their respective terms and the terms of the related transactions. They are not intended to provide any other factual information regarding the Company. The representations, warranties and covenants contained in the Transaction Agreements were made only for purposes of such agreements and as of specific dates, were solely for the benefit of the parties to such agreements, and are subject to limitations agreed upon by the contracting parties, including being qualified, modified or limited by disclosures exchanged between the parties in connection with the execution thereof. The representations and warranties may have been made for the purposes of allocating contractual risk between the parties to the agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors are not third-party beneficiaries under the Transaction Agreements and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company or any of its subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Transaction Agreements, which subsequent information may or may not be fully reflected in the Company's public disclosures. Accordingly, the representations and warranties in the Transaction Agreements should not be viewed or relied upon as statements of actual facts or the actual state of affairs of the Company or any of their its subsidiaries or affiliates.

Item 2.02 Results of Operations and Financial Condition.

The Company has determined that the Convertible Notes, as originally executed, contain certain embedded derivative instruments related to the conversion feature and thus must be accounted for separately. The fair values of these instruments are re-measured each reporting period and interest income or expense is recorded for the change in fair value. The original value of the embedded derivatives as of September 30, 2011 was approximately \$274,000. However, at the end of the Company's most recent reporting period, December 31, 2011, the fair value of the embedded derivatives increased to approximately \$835,000. This change in fair value resulted in an additional non-cash expense of \$561,000 for the quarter ended December 31, 2011. The increase in the value of the embedded derivatives was primarily attributable to the increase in the price of the Company's common stock from \$3.27 on September 30, 2011 to \$6.37 on December 31, 2011. This non-cash charge of \$561,000 in the quarter ended December 31, 2011 put the company's ending owner's equity below the NASDAQ Capital Market's minimum threshold for maintenance of the Company's listing on this stock exchange. The Company will likely receive notice of deficiency from NASDAQ regarding a failure to meet its continued listing requirements, specifically the Stockholder's minimum equity of \$2,500,000 cited in the Equity Standard Listing rules 5550 (a) and 5550(b)(1), after the upcoming release of the company's 10-K for the year ending December 31, 2011. The resulting actions and effects outlined below will enable the Company to regain compliance with this threshold for its next reporting period for the three months ending March 31, 2012, prior to receiving any potential notice of deficiency from the NASDAQ Capital Market.

On March 10, 2012, we amended and restated each of the Convertible Notes (the "A&R Convertible Notes") and on March 10, 2012, we amended and restated the Registration Rights Agreement (the "Amended and Restated Registration Rights Agreement"). The details of the changes to both of these agreements are further explained in Item 1.01 above.

The changes made to the Convertible Notes and the Registration Rights Agreement, resulted in a change of accounting treatment of the derivatives. Effective on March 10, 2012, the derivatives will no longer be required to be accounted for on a separate basis. Therefore, the Company will no longer be required to re-measure the value of the derivatives after the amendment date and will write-off the fair value of the derivative after the amendment. The Company estimates that it will recognize approximately \$42,000 in additional non-cash expense to re-measure the A&R Convertible Notes and approximately \$220,000 in one time cash expense related to consideration expected to be paid to holders of the Convertible Notes for agreeing to the terms of the A&R Convertible Notes. These expenses will be offset by a one time non-cash gain of approximately \$672,000 associated with the writing-off of the derivative due to the adopted amendment.

In addition the Company has received conversion elections and/or indication of intent to convert from holders representing \$1,150,000 of the total \$1,500,000 of principal amount of notes. Assuming that holders representing \$1,150,000 elect to convert, these conversions would result in the company recognizing a one time non-cash charge of approximately \$1,898,000 and an equal increase in the Company's equity for the value of approximately 230,000 shares issued based on an estimated share price of \$8.25. This expense would be offset by a one time non-cash gain of \$970,000 related to the extinguishment of the debt owed to the holders upon conversion.

The estimated net effect of the above transactions on the Company's financial statements in the quarter ending March 31, 2012 is an increase in one time expenses of approximately \$518,000 and a net increase in shareholder's equity of approximately \$1,585,000. In the event that the estimates share price is not \$8.25 or holders representing an amount other than \$1,150,000 elect to convert, the non cash charges, non cash gains and impact on the Company's financial statement will be differ from that set forth above.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:

Statements in this Form 8-K regarding Asure's business which are not historical facts are "forward-looking statements" that involve risks and uncertainties. Such risks and uncertainties could cause actual results to differ from those contained in the forward-looking statements. In the event that the estimates share price is not \$8.25 or holders representing an amount other than \$1,150,000 elect to convert, the non cash charges, non cash gains and impact on the Company's financial statement will be differ from that set forth above.

In accordance with General Instruction B.2 of Form 8-K, the information contained in Item 2.02 in this Current Report on Form 8-K [and attached Exhibit 99.1] shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 3.02. Unregistered Sales of Equity Securities.

Pursuant to the 9% Convertible Note Purchase Agreement described in Item 1.01 above, we sold the Notes to a group of accredited purchasers for an aggregate purchase price of \$1,500,000. As of the date hereof, the Notes are convertible for up to 300,000 shares of our Common Stock. This offer and sale was made in reliance on the exemptions from registration provided by Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 of Regulation D in reliance, among other things, on the representations and warranties made by the Purchasers.

All of such securities offered and sold by us have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The information provided in this current report is not an offer to sell nor is it a solicitation of an offer for the purchase of any of our securities and is intended to comply with Rule 135c of the Securities Act.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit	Description
10.1	<u>Amended and Restated Registration Rights Agreement dated March 10, 2012.</u>
10.2	<u>Amendment Agreement with respect to the Amended and Restated 9% Convertible Promissory Notes.</u>

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 hereunto duly authorized.

ASURE SOFTWARE, INC.

Dated: March 12, 2012

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

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of March 10, 2012, by and among Asure Software, Inc., a Delaware corporation (the "Company") and the undersigned buyers (each, a "Holder").

WHEREAS:

A. On September 30, 2011, the Company and each of the Holders entered into a Registration Rights Agreement (the "Original Agreement") and the parties wish to amend and restate the Original Agreement pursuant to the terms and conditions set forth herein.

B. In connection with the Securities Purchase Agreement by and between the Company and Holder dated even date herewith (the "Investment Agreement"), the Company has agreed, upon the terms and subject to the conditions set forth in the Investment Agreement, to issue and sell to Holders convertible subordinated promissory notes that are convertible into shares (the "Common Shares") of the Company's common stock, par value \$0.01 per share (the "Common Stock"). It is understood and agreed that pursuant to the terms of the Investment Agreement, each Holder at such Holder's sole election and determination has the ability to be a Non Early Electing Holder or an Early Electing Holder.

B. To induce the Holders to execute and deliver the Investment Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "1933 Act"), and applicable state securities laws.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each of the Holders hereby agree as follows:

1. Definitions.

Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Investment Agreement. As used in this Agreement, the following terms shall have the following meanings:

- a. "1933 Act" means the Securities Act of 1933, as amended.
- b. "1934 Act" means the Exchange Act of 1934, as amended.
- c. "Business Day" means any day other than Saturday, Sunday or any other day on which commercial banks in the City of New York are authorized or required by law to remain closed.
- d. "Closing" shall have the meaning ascribed to such term in the Investment Agreement.

e. "**Closing Date**" means the date of the Closing.

f. "**Early Electing Holder**" means a Holder who elects to convert all Notes held by such Holder pursuant to the Early Election.

g. "**Early Election**" means the conversion of a Note pursuant to Section 4(f) of such Holder's Note.

h. "**Effective Date**" means the date the Registration Statement is declared effective by the SEC.

i. "**Effectiveness Deadline**" means the date that is twelve months following the Closing Date, unless the Extension Condition is met, in which case such term shall mean eighteen months following the Closing Date.

j. "**Extension Condition**" will be met if the average reported weekly trading volume of Company's Common Stock is at least seventy five thousand shares of Common Stock during the four full calendar weeks immediately preceding the date that is nine months following the Closing Date. In the event that NASDAQ is not open for trading for any weekday (or portion thereof) during any week(s) of such measurement period, such week(s) trading volume will be grossed up to equitable account for such shortened trading week. Solely by way of example, if during week three of such measurement period, NASDAQ was open for trading for only four days and 60,000 shares of Common Stock were traded, the weekly volume for such week shall be grossed up to 60,000 + 15,000, or 75,000.

k. "**Filing Deadline**" means the date which is nine months following the Closing Date; provided however, unless the Extension Condition is met, in which case such term shall mean fifteen months following the Closing Date.

l. "**Holder**" means a Holder or any transferee or assignee thereof to whom a Holder assigns its rights under this Agreement and who agrees to become bound by the provisions of this Agreement in accordance with Section 9 and any transferee or assignee thereof to whom a transferee or assignee assigns its rights under this Agreement and who agrees to become bound by the provisions of this Agreement in accordance with Section 9.

m. "**Non Early Electing Holder**" means a holder who is not an Early Electing Holder.

n. "**Notes**" means the convertible secured promissory notes issued pursuant to the Investment Agreement.

o. "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

p. "**register**," "**registered**," and "**registration**" refer to a registration effected by preparing and filing one or more Registration Statements (as defined below) in compliance with the 1933 Act and pursuant to Rule 415 and the declaration or ordering of effectiveness of such Registration Statement(s) by the SEC.

q. "**Registrable Securities**" means the Common Stock issuable pursuant to the conversion of the Notes (as determined in the reasonable discretion of the Board of the Company exercised in good faith at the time based on available facts and circumstances).

r. "**Registration Statement**" means a registration statement or registration statements of the Company filed under the 1933 Act covering the Registrable Securities.

s. "**Required Holders**" means the holders of at least a majority of the Registrable Securities.

t. "**Required Registration Amount**" means the sum of (i) the number of Common Shares issued pursuant to the conversion of the Notes held by the applicable Holders and (ii) the number of shares of Common Stock issuable pursuant to the conversion of the then outstanding Notes held by the applicable Holders as of the trading day immediately preceding the applicable date of determination.

u. "**Rule 415**" means Rule 415 under the 1933 Act or any successor rule providing for offering securities on a continuous or delayed basis.

v. "**SEC**" means the United States Securities and Exchange Commission.

2. Registration.

a. Mandatory Registration: Additional Registrations.

(i) Non Early Electing Holders. With respect to the Registrable Securities held by each Non Early Electing Holder, the Company agrees, prior to the Filing Deadline, to file with the SEC a Registration Statement under the Act covering the resale of all of such Registrable Securities held by Non Early Electing Holders. The Registration Statement prepared pursuant hereto shall register for resale at least the number of shares of Common Stock equal to the Required Registration Amount determined as of the date the Registration Statement is initially filed with the SEC. The Company shall use its best efforts to have the Registration Statement declared effective by the SEC as soon as practicable, but in no event later than the Effectiveness Deadline. By 9:30 am on the Business Day following the Effective Date, the Company shall file with the SEC in accordance with Rule 424 under the 1933 Act, the final prospectus to be used in connection with sales pursuant to such Registration Statement.

(ii) Early Electing Holders. With respect to the Registrable Securities held by each Early Electing Holder, the Company agrees to file with the SEC a Registration Statement under the Act covering the resale of all of such Registrable Securities held by such Early Electing Holders prior to July 31, 2012. The Registration Statement prepared pursuant hereto shall register for resale at least the number of shares of Common Stock equal to the Required Registration Amount determined as of the date the Registration Statement is initially filed with the SEC.

(iii) Additional Registrations. The Company and Holder hereby acknowledge that in accordance with Rule 415, the Company may not be allowed to register all of the Registrable Securities in the Registration Statement. If this occurs, the Company, upon Holder's request, shall be required to file additional Registration Statements to include any of the Registrable Securities that were not registered in the Registration Statement, provided that such Registrable Securities can be registered at such time to comply with Rule 415. In addition, if any of the Registrable Securities have not been registered in the Registration Statement or additional Registration Statements, the Holder shall be provided with notice of the filing of a Registration Statement ten (10) days prior to such filing and given the opportunity to request the inclusion of any Registrable Securities that have not previously been registered in a Registration Statement, provided that such Registrable Securities can be registered at such time to comply with Rule 415. Notwithstanding the provisions contained herein, the Company shall not be required to file a registration statement pursuant to the terms of Section 2(a)(i) or 2(a)(ii) in the event that as of the Effectiveness Deadline, all Registrable Securities could be sold pursuant to Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's shares during a three-month period without registration.

b. Piggy Back Registration. If at any time following the issuance of the Closing Date there is not an effective registration statement covering all of the Note Shares and the Company shall determine to prepare and file with the SEC a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with the stock option or other employee benefit plans, then the Company shall send to the Holder a written notice of such determination and, if within fifteen days after the date of such notice, the Holder shall so request in writing, the Company shall use reasonable efforts (subject to market conditions) in such registration statement all or any part of the Note Shares Holder requests to be registered; provided that, the Company shall not be required to register any Note Shares pursuant to this Section 2(b) that are eligible for resale without restriction pursuant to Rule 144 promulgated under the Securities Act or that are the subject of a then effective registration statement. As a condition to registration pursuant to this Section 2(b), each Holder requesting such registration shall be required to enter into an underwriting agreement in customary form with an underwriter or underwriters selected by the Company, and then only in such quantity as the underwriters determine in their reasonable discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including those requested by stockholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities of the Holders, that the underwriters determine in their reasonable discretion will not jeopardize the success of the offering.

c. Allocation of Registrable Securities. The initial number of Registrable Securities included in any Registration Statement and any increase in the number of Registrable Securities included therein shall be allocated pro rata among the Holders according to the total amount of securities entitled to be included therein owned by each Holder or in such other proportions as shall mutually be agreed to by such Holders. In the event that any Holder sells or otherwise transfers any of the Registrable Securities, each transferee shall be allocated a pro rata portion of the then remaining number of Registrable Securities included in such Registration Statement for such transferor. In no event shall the Company include any securities other than Registrable Securities on any Registration Statement without the prior written consent of the Required Holders on the Closing Date.

d. Legal Counsel. Subject to Section 5 hereof, the Required Holders shall have the right to select one legal counsel to review and oversee any registration pursuant to this Section 2 ("**Legal Counsel**"), as designated by the Required Holders. The Company and Legal Counsel shall reasonably cooperate with each other in performing the Company's obligations under this Agreement.

e. Ineligibility for Form S-3. In the event that Form S-3 is not available for the registration of the resale of Registrable Securities hereunder, the Company shall (i) register the resale of the Registrable Securities on another appropriate form reasonably acceptable to the Required Holders and (ii) undertake to register the Registrable Securities on Form S-3 as soon as such form is available, provided that the Company shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement on Form S-3 covering the Registrable Securities has been declared effective by the SEC.

f. Sufficient Number of Shares Registered. In the event the number of shares available under a Registration Statement filed pursuant to Section 2(a)(i) or 2(a)(ii) is insufficient to cover all of the Registrable Securities required to be covered by such Registration Statement or any Holder's allocated portion of the Registrable Securities pursuant to Section 2(b), the Company shall amend the applicable Registration Statement, or file a new Registration Statement (on the short form available therefor, if applicable), or both, so as to cover at least the Required Registration Amount as of the trading day immediately preceding the date of the filing of such amendment or new Registration Statement, in each case, as soon as practicable, but in any event not later than fifteen (15) days after the necessity therefor arises. The Company shall use its best efforts to cause such amendment and/or new Registration Statement to become effective as soon as practicable following the filing thereof. For purposes of the foregoing provision, the number of shares available under a Registration Statement shall be deemed "insufficient to cover all of the Registrable Securities" if at any time the number of shares of Common Stock available for resale under the Registration Statement is less than the product determined by multiplying (i) the Required Registration Amount as of such time by (ii) 0.90. The calculation set forth in the foregoing sentence shall be made without regard to any limitations on the conversion of the Notes and such calculation shall assume that the Notes are then convertible for shares of Common Stock at the then prevailing Conversion Price (as defined in the Notes).

g. Effect of Failure to File and Obtain and Maintain Effectiveness of Registration Statement.

(i) Additional Interest. If a Registration Statement covering all of the Non Early Electing Holders' Registrable Securities required to be covered thereby and required to be filed by the Company pursuant to this Agreement is (a) not filed on or before the Filing Deadline other than due to the determination by the underwriter not to file in its sole discretion based on adverse market conditions ("**Filing Failure**"), or (b) not declared effective by the SEC on or before the respective Effectiveness Deadline for any reason other than due to the determination by the underwriter not to make the registration statement effective in its sole discretion based on adverse market conditions (an "**Effectiveness Failure**") then, the Notes shall be entitled to additional interest as provided in the Notes as partial relief for the damages to any holder by reason of any such delay in or reduction of its ability to sell the underlying shares of Common Stock (which remedy shall not be exclusive of any other remedies available at law or in equity).

(ii) Non Early Electing Holders. In addition to the penalties described in Section 2(g)(i) above, upon either a Filing Failure or an Effectiveness Failure, the Company shall pay to each Non Early Electing Holder, an amount in cash equal to one half percent (.5%) of the aggregate Subscription Amount (as such term is defined in the Investment Agreement) of such Non Early Electing Holder's Registrable Securities included in such Registration Statement on the following dates: (i) the day of a Filing Failure and on every thirtieth day (pro rated for periods totaling less than thirty days) thereafter until such Filing Failure is cured and (ii) the day of an Effectiveness Failure and on every thirtieth day (pro rated for periods totaling less than thirty days) thereafter until such Effectiveness Failure is cured. For the avoidance of doubt the Non Early Electing Holder shall not be entitled to any penalty amounts under Sections 2(g)(iii). Notwithstanding anything herein or in the Investment Agreement to the contrary in no event shall the aggregate amount of penalty amounts paid by the Company under this Section 2(g)(i) exceed, in the aggregate, with respect to any particular Non Early Electing Holder ten percent (10%) of the aggregate Purchase Price attributable to such Non Early Electing Holder.

(iii) Early Electing Holders. In the event that a Registration Statement covering all of the Early Electing Holders' Registrable Securities required to be covered thereby and required to be filed by the Company pursuant to this Agreement is: (a) not filed on or before July 31, 2012 other than due to the determination by the underwriter not to file in its sole discretion based on adverse market conditions, or (b) not declared effective by the SEC on or before August 31, 2012 for any reason other than due to the determination by the underwriter not to make the registration statement effective in its sole discretion based on adverse market conditions (each an "**EEH Failure**"), then the Company shall pay to each Early Electing Holder, an amount in cash equal to five percent (5%) of the aggregate Subscription Amount of such Early Electing Holder's Registrable Securities on the last day of each month following the month in which such EECH Failure first occurred until such time as such EEH Failure is cured. For the avoidance of doubt the Early Electing Holder shall not be entitled to: (i) duplicate cash amounts in any month as a result of the occurrence of both EEH Failure events (under Sections 2(g)(iii)(a) and 2(g)(iii)(b)), (ii) any penalty amounts under Sections 2(g)(ii) or (ii) any additional interest under the Note as described in Section 2(g)(i) (because the Note shall have already been converted and terminated prior to the date of any potential EEH Failure). Notwithstanding anything herein or in the Investment Agreement to the contrary in no event shall the aggregate amount of penalty amounts paid by the Company under this Section 2(g)(iii) exceed, in the aggregate, with respect to any particular Early Electing Holder thirty percent (30%) of the aggregate Purchase Price attributable to such Early Electing Holder.

(iv) Maintenance Failure. If, on any day after the applicable, Effective Date, sales of all of the Registrable Securities required to be included on such Registration Statement that have not already been sold by Holders pursuant to the Registration Statement cannot be made (other than during an Allowable Grace Period (as defined in Section 3(r)) pursuant to such Registration Statement or otherwise (including, without limitation, because of a failure to keep such Registration Statement effective, to disclose such information as is necessary for sales to be made pursuant to such Registration Statement, to register a sufficient number of shares of Common Stock or to maintain the listing of the shares of Common Stock) (a "**Maintenance Failure**") then, as partial relief for the damages to any holder by reason of any such delay in or reduction of its ability to sell the underlying shares of Common Stock (which remedy shall not be exclusive of any other remedies available at law or in equity), the Company shall pay to each Holder of Registrable Securities who has not already sold all of its shares of Common Stock relating to such Registration Statement an amount in cash equal to one-half of one percent (.5%) of the aggregate Subscription Amount (as such term is defined in the Investment Agreement) of such Holder's Registrable Securities included in such Registration Statement that have not already been sold pursuant to the Registration Statement on the initial day of a Maintenance Failure and on every thirtieth day (pro rated for periods totaling less than thirty days) thereafter until such Maintenance Failure is cured. The payments to which a holder shall be entitled pursuant to this Section 2(f) are referred to herein as "**Registration Delay Payments**." In the event the Company fails to make Registration Delay Payments in a timely manner, such Registration Delay Payments shall bear interest at the rate of one and one-half percent (1.5%) per month (prorated for partial months) until paid in full. Notwithstanding anything herein or in the Investment Agreement to the contrary in no event shall the aggregate amount of Registration Delay Payments exceed, in the aggregate, ten percent (10%) of the aggregate Purchase Price.

3. Related Obligations.

At such time as the Company is obligated to file a Registration Statement with the SEC pursuant to Section 2, the Company will use its best efforts to effect the registration of the Registrable Securities in accordance with the intended method of disposition thereof and, pursuant thereto, the Company shall have the following obligations:

a. The Company shall submit to the SEC, within two (2) Business Days after the Company learns that no review of a particular Registration Statement will be made by the staff of the SEC or that the staff has no further comments on a particular Registration Statement, as the case may be, a request for acceleration of effectiveness of such Registration Statement to a time and date not later than 48 hours after the submission of such request. The Company shall keep each Registration Statement effective pursuant to Rule 415 at all times until the earlier of (i) the date as of which the Holder may sell all of the Registrable Securities covered by such Registration Statement without restriction pursuant to Rule 144(k) (or any successor thereto) promulgated under the 1933 Act and is not otherwise prohibited by the SEC or any statute, rule, regulation or other applicable law from selling any such Registrable Securities pursuant to such Rule or (ii) the date on which the Holder shall have sold all of the Registrable Securities covered by such Registration Statement (the "**Registration Period**"). The Company shall use its best efforts to ensure that each Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein (in the case of prospectuses, in the light of the circumstances in which they were made) not misleading.

b. The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to a Registration Statement and the prospectus used in connection with such Registration Statement, which prospectus is to be filed pursuant to Rule 424 promulgated under the 1933 Act, as may be necessary to keep such Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the 1933 Act with respect to the disposition of all Registrable Securities of the Company covered by such Registration Statement until such time as all of such Registrable Securities shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in such Registration Statement. In the case of amendments and supplements to a Registration Statement which are required to be filed pursuant to this Agreement (including pursuant to this Section 3(b)) by reason of the Company filing a report on Form 10-Q, Form 10-K or any analogous report under the Securities Exchange Act of 1934, as amended (the "1934 Act"), the Company shall have incorporated such report by reference into such Registration Statement, if applicable, or shall file such amendments or supplements with the SEC on the same day on which the 1934 Act report is filed which created the requirement for the Company to amend or supplement such Registration Statement.

c. The Company shall (A) permit Legal Counsel to review and comment upon (i) a Registration Statement at least five (5) Business Days prior to its filing with the SEC and (ii) all amendments and supplements to all Registration Statements (except for Annual Reports on Form 10-K, and Reports on Form 10-Q and any similar or successor reports) within a reasonable number of days prior to their filing with the SEC, and (B) not file any Registration Statement or amendment or supplement thereto in a form to which Legal Counsel reasonably objects. The Company shall not submit a request for acceleration of the effectiveness of a Registration Statement or any amendment or supplement thereto without the prior approval of Legal Counsel, which consent shall not be unreasonably withheld. The Company shall furnish to Legal Counsel, without charge, (i) copies of any correspondence from the SEC or the staff of the SEC to the Company or its representatives relating to any Registration Statement, (ii) promptly after the same is prepared and filed with the SEC, one copy of any Registration Statement and any amendment(s) thereto, including financial statements and schedules, all documents incorporated therein by reference, if requested by the Holder, and all exhibits and (iii) upon the effectiveness of any Registration Statement, one copy of the prospectus included in such Registration Statement and all amendments and supplements thereto. The Company shall reasonably cooperate with Legal Counsel in performing the Company's obligations pursuant to this Section 3.

d. The Company shall furnish to the Holder, without charge, (i) promptly after the same is prepared and filed with the SEC, at least one copy of such Registration Statement and any amendment(s) thereto, including financial statements and schedules, all documents incorporated therein by reference, if requested by the Holder, all exhibits and each preliminary prospectus, (ii) upon the effectiveness of any Registration Statement, ten (10) copies of the prospectus included in such Registration Statement and all amendments and supplements thereto (or such other number of copies as the Holder may reasonably request) and (iii) such other documents, including copies of any preliminary or final prospectus, as the Holder may reasonably request from time to time in order to facilitate the disposition of the Registrable Securities owned by the Holder.

e. The Company shall use its best efforts to (i) register and qualify, unless an exemption from registration and qualification applies, the resale by Holder of the Registrable Securities covered by a Registration Statement under such other securities or "blue sky" laws of all applicable jurisdictions in the United States, (ii) prepare and file in those jurisdictions, such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (x) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(e), (y) subject itself to general taxation in any such jurisdiction, or (z) file a general consent to service of process in any such jurisdiction. The Company shall promptly notify Legal Counsel and Holder of the receipt by the Company of any notification with respect to the suspension of the registration or qualification of any of the Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threatening of any proceeding for such purpose.

f. The Company shall notify Legal Counsel and Holder in writing of the happening of any event, as promptly as practicable after becoming aware of such event, as a result of which the prospectus included in a Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (provided that in no event shall such notice contain any material, nonpublic information), and, subject to Section 3(r), promptly prepare a supplement or amendment to such Registration Statement to correct such untrue statement or omission, and deliver ten (10) copies of such supplement or amendment to Legal Counsel and Holder (or such other number of copies as Legal Counsel or Holder may reasonably request). The Company shall also promptly notify Legal Counsel and Holder in writing (i) when a prospectus or any prospectus supplement or post-effective amendment has been filed, and when a Registration Statement or any post-effective amendment has become effective (notification of such effectiveness shall be delivered to Legal Counsel and Holder by facsimile on the same day of such effectiveness and by overnight mail), (ii) of any request by the SEC for amendments or supplements to a Registration Statement or related prospectus or related information, and (iii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate.

g. The Company shall use its best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, or the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction and, if such an order or suspension is issued, to obtain the withdrawal of such order or suspension at the earliest possible moment and to notify Legal Counsel and Holder of the issuance of such order and the resolution thereof or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.

h. If the Holder is required under applicable securities laws to be described in the Registration Statement as an underwriter, at the reasonable request of the Holder, the Company shall furnish to Holder, on the date of the effectiveness of the Registration Statement and thereafter from time to time on such dates as the Holder may reasonably request (i) a letter, dated such date, from the Company's independent certified public accountants in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the Holder, and (ii) an opinion, dated as of such date, of counsel representing the Company for purposes of such Registration Statement, in form, scope and substance as is customarily given in an underwritten public offering, addressed to the Holder.

i. If the Holder is required under applicable securities laws to be described in the Registration Statement as an underwriter, then at the request of the Holder in connection with such Holder's due diligence requirements, the Company shall make available for inspection by (i) the Holder, (ii) Legal Counsel and (iii) one firm of accountants or other agents retained by the Holder (collectively, the "**Inspectors**"), all pertinent financial and other records, and pertinent corporate documents and properties of the Company (collectively, the "**Records**"), as shall be reasonably deemed necessary by each Inspector, and cause the Company's officers, directors and employees to supply all information which any Inspector may reasonably request; provided, however, that each Inspector shall agree to hold in strict confidence and shall not make any disclosure (except to the Holder) or use of any Record or other information which the Company determines in good faith to be confidential, and of which determination the Inspectors are so notified, unless (a) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement or is otherwise required under the 1933 Act, (b) the release of such Records is ordered pursuant to a final, non-appealable subpoena or order from a court or government body of competent jurisdiction, or (c) the information in such Records has been made generally available to the public other than by disclosure in violation of this or any other agreement of which the Inspector has knowledge. The Holder agrees that it shall, upon learning that disclosure of such Records is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential. Nothing herein (or in any other confidentiality agreement between the Company and the Holder) shall be deemed to limit the Holder's ability to sell Registrable Securities in a manner which is otherwise consistent with applicable laws and regulations.

j. The Company shall hold in confidence and not make any disclosure of information concerning the Holder provided to the Company unless (i) disclosure of such information is necessary to comply with federal or state securities laws, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, (iii) the release of such information is ordered pursuant to a subpoena or other final, non-appealable order from a court or governmental body of competent jurisdiction, or (iv) such information has been made generally available to the public other than by disclosure in violation of this Agreement or any other agreement. The Company agrees that it shall, upon learning that disclosure of such information concerning the Holder is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt written notice to the Holder and allow such Holder, at the Holder's expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

k. The Company shall use its best efforts either to (i) cause all of the Registrable Securities covered by a Registration Statement to be listed on each securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange. The Company shall pay all fees and expenses in connection with satisfying its obligation under this Section 3(k).

l. The Company shall cooperate with the Holder and, to the extent applicable, facilitate the timely preparation and delivery of certificates (not bearing any restrictive legend) representing the Registrable Securities to be offered pursuant to a Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, as the Holders may reasonably request and registered in such names as the Holders may request.

m. If requested by the Holder, the Company shall (i) as soon as practicable incorporate in a prospectus supplement or post-effective amendment such information as the Holder reasonably requests to be included therein relating to the sale and distribution of Registrable Securities, including, without limitation, information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering; (ii) as soon as practicable make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment; and (iii) as soon as practicable, supplement or make amendments to any Registration Statement if reasonably requested by an Holder holding any Registrable Securities.

n. The Company shall use its best efforts to cause the Registrable Securities covered by a Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to consummate the disposition of such Registrable Securities.

o. The Company shall make generally available to its security holders as soon as practical, but not later than ninety (90) days after the close of the period covered thereby, an earnings statement (in form complying with, and in the manner provided by, the provisions of Rule 158 under the 1933 Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the effective date of a Registration Statement.

p. The Company shall otherwise use its best efforts to comply with all applicable rules and regulations of the SEC in connection with any registration hereunder.

q. Within two (2) Business Days after a Registration Statement which covers Registrable Securities is ordered effective by the SEC, the Company shall deliver, and shall cause legal counsel for the Company to deliver, to the transfer agent for such Registrable Securities (with copies to the Holders whose Registrable Securities are included in such Registration Statement) confirmation that such Registration Statement has been declared effective by the SEC in the form attached hereto as Exhibit A.

r. Notwithstanding anything to the contrary herein, at any time after the Effective Date, the Company may delay the disclosure of material, non-public information concerning the Company the disclosure of which at the time is not, in the good faith opinion of the Board of Directors of the Company and its counsel, in the best interest of the Company and, in the opinion of counsel to the Company, otherwise required (a "**Grace Period**"); provided, that the Company shall promptly (i) notify the Holder in writing of the existence of material, non-public information giving rise to a Grace Period (provided that in each notice the Company will not disclose the content of such material, non-public information to the Holder) and the date on which the Grace Period will begin, and (ii) notify the Holder in writing of the date on which the Grace Period ends; and, provided further, that no Grace Period shall exceed ninety (90) consecutive days and during any three hundred sixty five (365) day period such Grace Periods shall not exceed an aggregate of one hundred eighty (180) days and the first day of any Grace Period must be at least two (2) trading days after the last day of any prior Grace Period (each, an "**Allowable Grace Period**"). For purposes of determining the length of a Grace Period above, the Grace Period shall begin on and include the date the Holder receives the notice referred to in clause (i) and shall end on and include the later of the date the Holder receives the notice referred to in clause (ii) and the date referred to in such notice. The provisions of Section 3(g) hereof shall not be applicable during the period of any Allowable Grace Period. Upon expiration of the Grace Period, the Company shall again be bound by the first sentence of Section 3(f) with respect to the information giving rise thereto unless such material, non-public information is no longer applicable. Notwithstanding anything to the contrary, the Company shall cause its transfer agent to deliver unlegended shares of Common Stock to a transferee of the Holder in accordance with the terms of the Investment Agreement in connection with any sale of Registrable Securities with respect to which the Holder has entered into a contract for sale, and delivered a copy of the prospectus included as part of the applicable Registration Statement (unless an exemption from such prospectus delivery requirements exists), prior to the Holder's receipt of the notice of a Grace Period and for which the Holder has not yet settled.

4. Obligations of the Holder.

a. At least five (5) Business Days prior to the first anticipated filing date of a Registration Statement, the Company shall notify the Holder in writing of the information the Company requires from such Holder if such Holder elects to have any of such Holder's Registrable Securities included in such Registration Statement. It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of the Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the effectiveness of the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request.

b. The Holder, by such Holder's acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of any Registration Statement hereunder, unless such Holder has notified the Company in writing of such Holder's election to exclude all of such Holder's Registrable Securities from such Registration Statement.

c. The Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(g) or the first sentence of 3(f), such Holder will immediately discontinue disposition of Registrable Securities pursuant to any Registration Statement(s) covering such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(g) or the first sentence of 3(f) or receipt of notice that no supplement or amendment is required. Notwithstanding anything to the contrary, the Company shall cause its transfer agent to deliver unlegended shares of Common Stock to a transferee of the Holder in accordance with the terms of the Investment Agreement in connection with any sale of Registrable Securities with respect to which the Holder has entered into a contract for sale prior to the Holder's receipt of a notice from the Company of the happening of any event of the kind described in Section 3(g) or the first sentence of 3(f) and for which the Holder has not yet settled.

d. The Holder covenants and agrees that it will comply with the prospectus delivery requirements of the 1933 Act as applicable to it or an exemption therefrom in connection with sales of Registrable Securities pursuant to the Registration Statement.

5. Expenses of Registration.

All reasonable expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, and fees and disbursements of counsel for the Company and one counsel for the Holders (such fees and disbursements of counsel for the Holders shall not exceed \$10,000) shall be paid by the Company.

6. Indemnification.

In the event any Registrable Securities are included in a Registration Statement under this Agreement:

a. To the fullest extent permitted by law, the Company will, and hereby does, indemnify, hold harmless and defend each Holder, the directors, officers, managers, members, partners, employees, agents, representatives of, and each Person, if any, who controls the Holder within the meaning of the 1933 Act or the 1934 Act (each, an "**Indemnified Person**"), against any losses, claims, damages, liabilities, judgments, fines, penalties, charges, costs, reasonable attorneys' fees, amounts paid in settlement or expenses, joint or several, (collectively, "**Claims**") incurred in investigating, preparing or defending any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing by or before any court or governmental, administrative or other regulatory agency, body or the SEC, whether pending or threatened, whether or not an indemnified party is or may be a party thereto ("**Indemnified Damages**"), to which any of them may become subject insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under the securities or other "blue sky" laws of any jurisdiction in which Registrable Securities are offered ("**Blue Sky Filing**"), or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements therein were made, not misleading, (iii) any violation or alleged violation by the Company of the 1933 Act, the 1934 Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities pursuant to a Registration Statement or (iv) any violation of this Agreement (the matters in the foregoing clauses (i) through (iv) being, collectively, "**Violations**"). Subject to Section 6(c), the Company shall reimburse the Indemnified Persons, promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): shall not apply to a Claim (a) arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by any Holder expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto or the omission or alleged omission in such written information to state a material fact required to be stated therein or necessary to make the statements therein not misleading, if such prospectus was timely made available by the Company pursuant to Section 3(d); (b) to the extent such Claim is based on a failure of the Holder to deliver or to cause to be delivered the prospectus made available by the Company, including a corrected prospectus, if such prospectus or corrected prospectus was timely made available by the Company pursuant to Section 3(d); (c) in which amounts are paid in settlement of any Claim and such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed; (d) in which a Holder fails to cease all offers and sales of Registrable Securities in accordance with Section 4(c) herein; and (e) arising out of or based upon a breach by any Holder of such Holder's obligations set forth herein. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9.

b. In connection with any Registration Statement in which the Holder is participating, such Holder agrees to severally and not jointly indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement and each Person, if any, who controls the Company within the meaning of the 1933 Act or the 1934 Act (each, an "**Indemnified Party**"), against any Claim or Indemnified Damages to which any of them may become subject, under the 1933 Act, the 1934 Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or are based upon any Violation, in each case to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for use in connection with such Registration Statement; and, subject to Section 6(c), such Holder will reimburse any legal or other expenses reasonably incurred by an Indemnified Party in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) and the agreement with respect to contribution contained in Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Holder, which consent shall not be unreasonably withheld or delayed. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Holders pursuant to Section 9.

c. Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action or proceeding (including any governmental action or proceeding) involving a Claim, such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly notified, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the fees and expenses of not more than one counsel for such Indemnified Person or Indemnified Party to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding. In the case of an Indemnified Person, legal counsel referred to in the immediately preceding sentence shall be selected by the Holder. The Indemnified Party or Indemnified Person shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or Claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party or Indemnified Person which relates to such action or Claim. The indemnifying party shall keep the Indemnified Party or Indemnified Person reasonably apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. No indemnifying party shall be liable for any settlement of any action, claim or proceeding effected without its prior written consent, provided, however, that the indemnifying party shall not unreasonably withhold, delay or condition its consent. No indemnifying party shall, without the prior written consent of the Indemnified Party or Indemnified Person, consent to entry of any judgment or enter into any settlement or other compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party or Indemnified Person of a release from all liability in respect to such Claim or litigation, and such settlement shall not include any admission as to fault on the part of the Indemnified Party. Following indemnification as provided for hereunder, the indemnifying party shall be subrogated to all rights of the Indemnified Party or Indemnified Person with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is prejudiced in its ability to defend such action.

d. The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or Indemnified Damages are incurred.

e. The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar right of the Indemnified Party or Indemnified Person against the indemnifying party or others, and (ii) any liabilities the indemnifying party may be subject to pursuant to the law.

7. Contribution.

To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however, that: (i) no Person involved in the sale of Registrable Securities which Person is guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) in connection with such sale shall be entitled to contribution from any Person involved in such sale of Registrable Securities who was not guilty of fraudulent misrepresentation; and (ii) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities pursuant to such Registration Statement.

8. Reports Under the 1934 Act.

With a view to making available to the Holder the benefits of Rule 144 promulgated under the 1933 Act or any other similar rule or regulation of the SEC that may at any time permit the Holders to sell securities of the Company to the public without registration ("**Rule 144**"), the Company agrees to:

- a. make and keep public information available, as those terms are understood and defined in Rule 144;

b. file with the SEC in a timely manner all reports and other documents required of the Company under the 1933 Act and the 1934 Act so long as the Company remains subject to such requirements and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and

c. furnish to the Holder so long as such Holder owns Registrable Securities, promptly upon request, (i) a written statement by the Company, if true, that it has complied with the reporting requirements of Rule 144, the 1933 Act and the 1934 Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit the Holders to sell such securities pursuant to Rule 144 without registration.

9. Assignment of Registration Rights.

The rights under this Agreement shall be automatically assignable by the Holder to any transferee of all or any portion of such Holder's Registrable Securities if: (i) the Holder agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment; (ii) the Company is, contemporaneous with such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned; (iii) immediately following such transfer or assignment the further disposition of such securities by the transferee or assignee is restricted under the 1933 Act and applicable state securities laws; (iv) at or before the time the Company receives the written notice contemplated by clause (ii) of this sentence the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein; and (v) such transfer shall have been made in accordance with the applicable requirements of the Investment Agreement..

10. Amendment of Registration Rights.

Provisions of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Required Holders. Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each Holder and the Company. No such amendment shall be effective to the extent that it applies to less than all of the holders of the Registrable Securities. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

11. Miscellaneous.

a. A Person is deemed to be a holder of Registrable Securities whenever such Person owns or is deemed to own of record such Registrable Securities.

b. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally, (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party), so long as such facsimile is followed by mail delivery of the same information contained in such facsimile, or (iii) one Business Day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses for such communications shall be:

If to Company:

Asure Software, Inc.
110 Wild Basin Road
Austin, TX 78746
Attn: Chief Financial Officer

with a copy to:

Becker Legal Group, LLC
99 Madison Avenue, Fifth Floor
New York, NY 10016
Attn: David Becker, Esq.

If to a Holder, to its address and facsimile number set forth on the Schedule of Holders attached hereto, with copies to such Holder's representatives as set forth on the Schedule of Holders, or to such other address and/or facsimile number and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, or (B) provided by a courier or overnight courier service shall be rebuttable evidence of personal service, or receipt from a nationally recognized overnight delivery service in accordance with clause (A) or (B) above, respectively.

c. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

d. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

e. This Agreement, the other Transaction Documents (as defined in the Investment Agreement) and the instruments referenced herein and therein constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof, including without limitation the Original Agreement. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein.

f. Subject to the requirements of Section 9, this Agreement shall inure to the benefit of and be binding upon the permitted successors and assigns of each of the parties hereto.

g. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

h. This Agreement may be executed in identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

i. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

j. All consents and other determinations required to be made by the Holder pursuant to this Agreement shall be made, unless otherwise specified in this Agreement, by the Required Holders.

k. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent and no rules of strict construction will be applied against any party.

l. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

m. The Company agrees that any document may be effectively served in connection with any action, suit or proceeding in the United States by service on its agent. Holder consents and agrees that the Company may, in its reasonable discretion, appoint a substitute agent for the receipt of service of process located within the United States with notice to the Secretary of State of Delaware, and that upon such appointment, the appointment of the then current agent may be revoked.

n. Currency. As used herein, "Dollar", "US Dollar" and "\$" each mean the lawful money of the United States.

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IN WITNESS WHEREOF, the Holder and the Company have caused their respective signature page to this Registration Rights Agreement to be duly executed as of the date first written above.

COMPANY:

ASURE SOFTWARE, INC.

By: _____
Name:
Title:

IN WITNESS WHEREOF, each Holder and the Company have caused their respective signature page to this Registration Rights Agreement to be duly executed as of the date first written above.

Holder:

By: _____
Name:
Title:

Amendment, dated March 10, 2012 (the "Amendment") by and between Asure Technology, Inc., ("Company") and each of the Holders executing signature pages hereto, representing the holders of at least fifty percent of the outstanding principal amount of the 9.0% Subordinated Convertible Promissory Notes (the "Notes"), issued pursuant to a Securities Purchase Agreement dated as of September 30, 2011 (the "Purchase Agreement") by the Company to the parties thereto. Any capitalized term used but not defined in this Amendment shall have the meaning given to such term in the Notes.

WHEREAS, the Company issued a series of Notes containing substantially identical terms and conditions pursuant to the Purchase Agreement in the aggregate principal amount of \$1,500,000.

WHEREAS, the Company and the holders of at least a majority of the outstanding principal amount of the Notes would like to amend the Notes to among other things to provide for: (i) an early conversion election and (ii) a one time cash payment equal to 3% of the principal amount to holders who elect not to exercise the early conversion election.

WHEREAS, the ability to convert early or receive an one time 3% of principal payment are intended to constitute partial consideration for the holders to enter into this Amendment and agree to the Amended and Restated Registration Rights Agreement dated on or about the date hereof by and between the Company and the holders set forth therein.

NOW, THEREFORE, pursuant to Section 8(j) of the Notes, the undersigned, representing the holders of at least fifty percent of the outstanding principal amount of the Notes, agree as follows:

1. Amendment and Restatement of the Notes. Effective as of the date hereof, each of the Notes are hereby amended and restated in their entirety in the form attached hereto as Exhibit A. Each holder of a Note and the Company agree to use their best efforts to tender each existing original Note to the Company within thirty (30) days of the date hereof for reissuance by the Company in the form attached hereto as Exhibit A. The Chief Financial Officer or another authorized officer of the Company designated by the Chief Financial Officer is hereby directed to reissue each outstanding Note in the form set forth on Exhibit A hereto upon receipt of an existing original Note after making appropriate insertions applicable to each Holder (e.g. name, address, principal amount, etc.). The failure of a holder to tender their original Note to the Company for reissuance shall NOT affect or otherwise alter in any way the fact that such Note shall be deemed for all purposes as amended and restated as of the date hereof.

2. Acknowledgment, Waiver and Consent.

- (a) Each of the undersigned holders represents and warrants that he/she has had the opportunity to review this Amendment with his/her legal counsel and financial advisors, understands the terms of this Amendment, and hereby waives any and all claims, damages or causes of action based upon or arising out of this Amendment.
- (b) Each holder of a Note who does not execute a counterparty signature page hereto, shall retain all rights under Section 8(j) of the Notes to demand acceleration and repayment of their Note (plus an additional 10% of the outstanding principal) by notifying the Company pursuant to the terms of the Note within thirty days of the date of this Amendment. Failure to provide such notice of election within the prescribed period shall constitute an irrevocable waiver of such acceleration right pursuant to the terms of Section 8(j) of the Note.

3 . No Other Amendments. The Notes, as amended and restated, will remain in full force and effect and, except as expressly provided herein, nothing in this Amendment will be construed as a waiver of any of the rights or obligations of the parties under the Notes.

4 . Conflicts in Terms. In the event of any conflict in terms between this Amendment and the Notes, the terms and conditions of this Amendment shall prevail.

5 . Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to any conflicts of laws principles there under).

6 . Descriptive Headings. Descriptive headings are for convenience only and will not control or affect the meaning or construction of any provisions of this Amendment.

7 . Counterparts. This Amendment may be executed in any number of identical counterparts, each of which will constitute an original but all of which when taken together will constitute but one instrument.

8 . Severability. In the event one or more of the provisions of this Amendment should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Amendment, and this Amendment shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date set forth above.

ASURE TECHNOLOGY, INC.

HOLDERS:

(Holder)

Name:

By: _____

Title:

Name: _____
Title: _____

Exhibit A

NEITHER THESE SECURITIES NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THESE SECURITIES AND THE SECURITIES ISSUABLE UPON CONVERSION OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The indebtedness evidenced by this instrument is subordinated to the prior payment in full of certain other debt of the Company as identified in the Security and Intercreditor Agreement (the "Senior Debt") pursuant to, and to the extent provided in, the Security and Intercreditor Agreement.

Original Issue Date: September 30, 2011

\$_[_____]

**9.0% SUBORDINATED CONVERTIBLE PROMISSORY NOTE
DUE THREE YEARS FROM ORIGINAL ISSUE DATE**

THIS 9.0% SUBORDINATED CONVERTIBLE PROMISSORY NOTE (this "Note") is one of a series of duly authorized and issued 9.0% Subordinated Convertible Promissory Notes of **Asure Software**, a Delaware corporation, having a principal place of business at 110 Wild Basin Road, Austin, TX 78746 (the "Company"), designated as its 9.0% Subordinated Convertible Promissory Notes due three years from the Original Issue Date (the "Notes").

FOR VALUE RECEIVED, the Company promises to pay to [_____] or its registered assigns (the "Holder"), the principal sum of \$[_____] on the date that is three years from the Original Issue Date set forth above or such earlier date as this Note is required or permitted to be repaid as provided hereunder (the "Maturity Date") (other than such amounts converted pursuant to Section 4 below) and to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Note ("Interest") in accordance with the provisions hereof. On the Maturity Date, the Holder, at its option, shall receive the amounts due under this Note in cash or Note Shares (as defined below). This Note is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Note: (a) capitalized terms not otherwise defined herein have the meanings given to such terms in the Purchase Agreement, and (b) the following terms shall have the following meanings:

“Bankruptcy Event” means any of the following events: (i) the Company or any Significant Subsidiary (as such term is defined in Rule 1.02(s) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Significant Subsidiary thereof; (ii) there is commenced against the Company or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement; (iii) the Company or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered; (iv) the Company or any Significant Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 days; (v) the Company or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors; (vi) the Company or any Significant Subsidiary thereof calls a meeting of substantially all of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or (vii) the Company or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

“Board” means the Board of Directors of the Company.

“Business Day” means any day except Saturday, Sunday and any day which shall be a federal legal holiday in the United States or a day on which banking institutions in the State of New York are authorized or required by law or other government action to close.

“Change of Control Transaction” means the occurrence after the date hereof of any of (i) an acquisition after the date hereof by an individual or legal entity or “group” (as described in Rule 13d5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company, or (ii) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth above in (i).

“Common Stock” means shares of the common stock of the Company, \$0.01 par value per share.

“Conversion Date” shall have the meaning set forth in Section 4(a) hereof.

“Conversion Price” shall have the meaning set forth in Section 4(b) hereof.

“Early Conversion Date” shall mean March 15, 2012.

“Event of Default” shall have the meaning set forth in Section 6 hereof.

“Excluded Securities” means (a) shares of Common Stock, options or warrants issued to employees, officers, directors or consultants of the Company under equity plans approved by the Board, (b) securities upon the exercise or exchange of or conversion of any securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, (c) a dividend of Common Stock payable to holders of Common Stock, and (d) securities with an aggregate fair market value (as determined as of the date of issuance in the good faith determination of the Board) not greater than \$250,000 that are issued pursuant to acquisitions or strategic transactions which the Board determines in good faith have business synergies and benefits in addition to the investment of funds.

“Fundamental Transaction” shall have the meaning set forth in Section 7 hereof.

“Net Operating Loss Rights Plan” shall mean the Company’s Amended and Restated Rights Plan dated on or about October 28, 2009.

“Original Issue Date” shall mean the date of the first issuance of this Note as provided on the cover page hereof, regardless of the number of transfers of this Note and regardless of the number of instruments which may be issued to evidence this Note.

“Person” means a corporation, an association, a partnership, an organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

“Purchase Agreement” means the Securities Purchase Agreement between the Holder and the Company, pursuant to which this Note is initially purchased, as amended, modified or supplemented from time to time in accordance with its terms.

“Registration Rights Agreement” means the Registration Rights Agreement between the Holder and the Company dated as of the date hereof.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Secured Parties” means any Federal, state or local governmental or quasi-governmental agencies or divisions and any lender or creditor holding a security interest under the Uniform Commercial Code in assets and other property of the Company.

“Senior Debt” shall have the meaning set forth above.

“Security and Intercreditor Agreement” means that certain Security and Intercreditor and Agreement dated on or about the Original Issue Date by and among the Company and the lenders identified therein.

“Transaction Documents” means this Agreement, the Purchase Agreement, the Security and Intercreditor Agreement, the Amended and Restated Registration Rights Agreement, and any other documents or agreements executed by the Holder in connection with the transactions contemplated hereby.

Section 2. Interest.

a) Payment of Interest. Interest shall accrue on the unpaid, aggregate unconverted and then outstanding principal amount of this Note commencing on the date hereof and continuing until repayment of this Note in full at a rate of Nine Percent (9.0%) per annum, with interest only payable in cash on each of March 31, June 30, September 30, and December 31, commencing December 31, 2011 (except that, if any such date is not a Business Day, then such payment shall be due on the next succeeding Business Day), and on each Conversion Date (as to that principal amount then being converted), in the number of shares of Common Stock equal to the aggregate unpaid and accrued interest divided by the Conversion Price.

b) Interest Calculations.

(i) Interest shall cease to accrue with respect to any principal amount converted, provided that the Company in fact delivers the Note Shares within the time period required by Section 4(c). Interest hereunder will be paid to the Person in whose name this Note is registered on the records of the Company regarding registration and transfers of Notes (the "Note Register").

(ii) From and after the occurrence and during the continuance of an Event of Default, the Interest Rate shall be increased to twelve percent (12%) per annum. In the event that such Event of Default is subsequently cured, the adjustment referred to in the preceding sentence shall cease to be effective as of the date of such cure; provided that the Interest as calculated and unpaid at such increased rate during the continuance of such Event of Default shall continue to apply to the extent relating to the days after the occurrence of such Event of Default through and including the date of cure of such Event of Default.

c) Prepayment. Other than: (i) on or prior to October 5, 2011 at the sole election of the Company (without penalty or interest) or (ii) as specifically permitted by the Holder or as provided in Section 4(d) hereof, the Company may not prepay any portion of the outstanding principal amount of this Note and accrued and unpaid Interest.

d) Additional Consideration for Holders Not Making an Early Conversion Election. In the event that this Note has not been converted into equity pursuant to the terms hereof (including but not limited to an Early Conversion Election pursuant to Section 4(f) hereof) on or before the Early Conversion Date, the Company will pay on or before March 19, 2012 to each Holder set forth in the Note Register as of the Early Conversion Date an amount equal to three percent (3%) of the then outstanding principal amount owing under this Note.

e) Additional Consideration for Holders Making an Early Conversion Election. In the event that this Note has been converted into equity pursuant to the terms of Section 4(f) hereof, the record Holder of this Note (as reflected in the Note Register immediately prior to the Early Conversion Election) shall be entitled to receive on or before March 19, 2012 an amount, in cash, equal to: (x) the accrued and unpaid interest from January 1, 2012 through the Early Conversion Date *plus* (y) (i) *.8 multiplied by* (ii) the aggregate interest such Early Electing Holder would have received from the Early Conversion Date through the Maturity Date if such Early Electing Holder had not made the Early Conversion Election. The payment obligation of the Company under this Section 2(e) shall survive the cancellation of this Note resulting from the Early Conversion Election.

Section 3. Registration of Transfers and Exchanges.

a) Different Denominations. This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration of transfer or exchange.

b) Investment Representations. This Note has been issued subject to certain investment representations of the original Holder set forth in the Purchase Agreement and may be transferred or exchanged only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations.

c) Reliance on Note Register. Prior to due presentment to the Company for transfer of this Note, the Company and any agent of the Company may treat the Person in whose name this Note is duly registered on the Note Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

Section 4. Conversion.

a) Voluntary Conversion. Subject to the Company Buy Out Option (as defined below) and the Early Conversion Election (as defined below), the Notes may be converted, beginning 12 months from the date of issuance, provided that the Holder provides notice to the Company of its intent to convert ("Notice of Conversion") at least 10 days prior to the date of conversion ("Conversion Date"). The Notice of Conversion, the form of which is provided in **Annex A**, must include the total number of shares of Common Stock of the Company that the Holder would be deemed to directly or beneficially own as of the Conversion Date. To effect conversions hereunder, the Holder shall not be required to physically surrender Notes to the Company unless the entire principal amount of this Note plus all accrued and unpaid interest thereon has been so converted. Conversions hereunder shall have the effect of lowering the outstanding principal amount of this Note in an amount equal to the applicable conversion. The Holder and the Company shall maintain records showing the principal amount converted and the date of such conversions. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note may be less than the amount stated on the face hereof. Conversion Notices shall be irrevocable, except as provided in Section 4.19 of the Purchase Agreement or as approved by the Board.

b) Conversion Price. The conversion price on any Conversion Date shall be \$5.00 per share, subject to adjustment as provided in Section 5 hereof (the "Conversion Price").

c) Mechanics of Conversion.

i. Note Shares Issuable Upon Conversion. Other than with respect to a conversion effectuated on account of an Early Conversion Election, the number of shares of Common Stock issuable upon a conversion ("Note Shares") hereunder shall be determined by the quotient obtained by dividing (x) the outstanding principal amount of this Note to be converted plus all accrued and unpaid interest thereon by (y) the Conversion Price. The calculation of the number of shares that the Holder shall receive upon an Early Conversion Election shall be calculated as provided in Section 4(f) hereof.

ii. Delivery of Certificate Upon Conversion. Not later than 7 Business Days after any Conversion Date, the Company will deliver to the Holder a certificate or certificates representing the number of shares of Note Shares or Early Conversion Shares (as the case may be) being acquired upon the conversion of this Note or a portion of this Note.

iii. Reservation of Certificates. Certificates for the Note Shares or Early Conversion Shares (as the case may be) on conversion of this Note shall be made without charge to the Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Note so converted and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

d) Company Buy Out Option. During the period following the Company's receipt of a Conversion Notice but prior to the Conversion Date (the "Conversion Notice Period"), the Company may elect, at the Board's sole discretion, to pre-pay any or all of the Notes (the "Company Buy Out Option") pursuant to the following limitations:

i. The Company Buy Out Option may only be exercised with respect to such Notes (or portion thereof) the conversion of which would result in the holder of such Note being deemed a 5% holder or is otherwise determined by the Board to be materially detrimental to the net operating loss carry forwards of the Company (the "Section 382 Excess Shares") for the purposes of Section 382 of the Internal Revenue Code ("Section 382").

ii. The Company Buy Out Option may only be exercised if the Company's Net Operating Loss Rights Plan (or a successor plan) remains in effect on the date of receipt by the Company of the Conversion Notice.

iii. To the extent that the Conversion Notice Period for different holders of Notes overlap, the Company will be required to either: (i) exercise the Company Buy Out Option to the fullest extent possible (subject the limitation set forth in (ii) above)) with respect to all such holders of Notes or (ii) exercise the Company Buy Out Option between such holders in the manner which in the Board's reasonable discretion maximizes the preservation of Net Operating Losses under Section 382.

iv. Holders subject to the Company Buy Out shall receive a payment in exchange for their Notes equal to the product of: (A) the number of Note Shares or Early Conversion Shares (as the case may be) that such Note is convertible into at such time, multiplied by (B) VWAP (as defined below), multiplied by (C) the Premium Rate (as defined below). "VWAP" shall mean the volume weighted average closing price for Asur during the twenty-day trading period beginning on the tenth day prior to the date that the Conversion Notice is received by the Company. "Premium Rate" shall mean 1.1 if the Conversion Notice is received by the Company prior to the date that is 90 days prior to the maturity date and 1.5 if the Conversion Notice is received by the Company within 90 days of the Maturity Date.

The Conversion Notice shall be deemed null and void with respect to any principal and associated interest that the Company exercises the Company Buy Out Option. For the avoidance of doubt, upon receipt by the Holder of such principal, interest and the amount set forth in subclause d(iv) above, the Holder shall no longer be entitled to any Note Shares or Early Conversion Shares (as the case may be) arising therefrom.

v. In the event that the Company does not exercise the Company Buy Out Option with respect to all of the Section 382 Excess Shares and as a result thereof, the Company agrees to take all action necessary to ensure that the Company's Net Operating Loss Right Plan will not be triggered on account of the issuance of such Section 382 Excess Shares. The Company hereby agrees to reimburse, indemnify and hold the Holder harmless against any and all costs, expenses or damages of any kind suffered or incurred by Holder as a result of a breach of such obligation by the Company, including without limitation: (i) damage and loss suffered by the Holder from dilution or otherwise with respect to all shares of Common Stock held or owned by Holder (whether Note Shares, Early Conversion Shares or otherwise acquired) and (ii) lost profit (e.g. appreciated value of Notes Shares), consequential, special and punitive damages and all attorney and collection fees.

e) Registration Rights. The Holder has been granted registration rights with respect to the shares of Common Stock issuable upon conversion of this Note as more fully set forth in the Registration Rights Agreement.

f) Early Conversion Election. The Holder may elect in its sole determination to convert all, but not less than all, of such Holder's entire outstanding balance owing under the Note into equity (an "Early Conversion Election") effective as of the Early Conversion Date by providing the Company with a properly completed Notice of Conversion in the form of Annex A hereto prior to the Early Conversion Date. Each Holder making a proper Early Conversion Election (each an "Early Electing Holder") shall be entitled to receive in full and complete satisfaction of the principal amount owed under this Note, as of the Early Conversion Date such number of shares (the "Early Conversion Shares") of Common Stock (rounded down to the nearest whole number) as is equal to the outstanding unpaid principal amount owed under this Note by \$5 (the Conversion Price). For the avoidance of doubt, all Early Electing Holders shall be deemed to have made the Early Conversion Election and received the Early Conversion Shares as of the Early Conversion Date even if such Early Electing Holder provided their Early Conversion Election to the Company prior to the Early Conversion Date.

Section 5. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Company, at any time while this Note is outstanding: (A) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company pursuant to this Note), (B) subdivide outstanding shares of Common Stock into a larger number of shares, (C) combine (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of shares of the Common Stock any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Dividends. In the event that the Company issues a dividend of: (i) cash, (ii) property or (iii) securities (other than Common Stock issued to holders of Common Stock) during the period of time that a Note is outstanding, and the Note is converted into Common Stock, the Holder shall receive in addition to shares of Common Stock, an amount in cash equal to the amount of dividends and distributions such Holder would have received had the Note been converted into Common Stock immediately prior to such distribution or dividend. In the event that there are dividends or distributions of non-cash assets, the value of such non-cash distributions or dividends shall be the fair market value of such dividends or distributions at the time such were made, as determined by the Board in good faith. With respect to any Note (or portion of any Note) that is repaid in cash (not converted), there shall be no additional payments made on account of such dividends or distributions.

c) Intentionally Omitted.

d) Notice to Holders.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any of this Section 5, the Company shall promptly mail to the Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Company shall declare a dividend (or any other distribution) on the Common Stock; (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock; (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company; then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Note, and shall cause to be mailed to the Holder at the Holder's last address appearing on the stock books of the Company, at least 10 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange, of Change of Control is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder is entitled to convert this Note during the 10-day period commencing the date of such notice to the effective date of the event triggering such notice.

e) Calculations. All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 5, the number of shares of Common Stock outstanding as of a given date shall be the sum of the aggregate number of issued and to be converted shares of Common Stock (excluding treasury shares, if any) outstanding.

Section 6. Events of Default.

a) “Event of Default”, wherever used herein, means any one of the following events (whatever the reason and whether it shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of (A) the principal of amount of this Note, or (B) interest on, or liquidated damages in respect of, this Note, in each case free of any claim of subordination, as and when the same shall become due and payable (whether on a Conversion Date or the Maturity Date or by acceleration or otherwise) which default, solely in the case of an interest payment or other default under clause (B) above, is not cured, within 30 Business Days;

ii. the Company shall fail to deliver certificates representing Note Shares or Early Conversion Shares (as the case may be) issuable upon a conversion or redemption hereunder that comply with the provisions hereof prior to the 30th Business Day after such shares are required to be delivered hereunder, or the Company shall provide written notice to the Holder, including by way of public announcement, at any time, of its intention not to comply with requests for conversion or redemption of this Note in accordance with the terms hereof;

iii. the Company shall fail to have available a sufficient number of authorized and unreserved shares of Common Stock to issue to the Holder upon a conversion hereunder and shall not have cured the above within 30 Business Days;

iv. the Company shall materially fail to observe or perform any other covenant, agreement or warranty contained in, or otherwise commit any breach of the Transaction Documents to which the Holder is a party, and such failure or breach shall not, if subject to the possibility of a cure by the Company, have been remedied within 30 calendar days after the date on which written notice of such failure or breach shall have been given; or

vi. there shall have occurred a Bankruptcy Event.

vii. the Company and/or any Subsidiary, individually or in the aggregate is in breach or violation of any agreement for monies owed or owing in an amount in excess of \$250,000, which breach or violation permits the other party thereto to declare a default or otherwise accelerate amounts due thereunder;

viii. a final judgment or judgments for the payment of money aggregating in excess of \$250,000 are rendered against the Company and/or any of its Subsidiaries and which judgments are not, within thirty (30) days after the entry thereof, paid, bonded, discharged or stayed pending appeal, or are not discharged within thirty (30) days after the expiration of such stay; provided, however, any judgment which is covered by insurance or an indemnity from a credit worthy party shall not be included in calculating the \$250,000 amount set forth above; and

ix. the Company fails to file reports on Form 10-Q and Form 10-K under the Securities Act of 1924, as amended (to extent the Company is so required).

b) Remedies Upon Event of Default. If any Event of Default occurs and is continuing for more than 30 days, the full principal amount of this Note, together with interest and other amounts owing in respect thereof, to the date of acceleration shall become, at the Holder's election, immediately due and payable in cash. When this Note shall have been paid in full in accordance herewith, the Holder shall promptly surrender this Note to or as directed by the Company. The Holder need not provide and the Company hereby waives any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such declaration may be rescinded and annulled by Holder at any time prior to payment hereunder and the Holder shall have all rights as a Note holder until such time, if any, as the full payment under this Section shall have been received by it. No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

Section 7. Fundamental Transactions.

a) For the purposes hereof, the term "Fundamental Transaction" shall mean the occurrence of any of the following events while the Note is outstanding, (A) the Company effects any merger or consolidation of the Company with or into another Person where the Company is not the surviving corporation, (B) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (C) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, (D) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property or (E) otherwise effects a Change in Control.

b) Upon the occurrence of a Fundamental Transaction pursuant to which the consideration provided to holders of Common Stock consists in whole or in material part of equity securities of the surviving entity (a "Equity Fundamental Transaction"), such surviving entity shall be required to assume the performance of this Note and the Note Shares shall consist of the equity securities provided in such Fundamental Transaction (pursuant to the same conversion ratio). Any cash consideration provided as part of such Equity Fundamental Transaction shall be treated as a cash dividend under Section 5(b) hereof. In addition, notwithstanding anything contained herein to the contrary, the Holder shall have the right to accelerate the repayment in cash of all outstanding principal and interest due hereunder during the thirty day period following the receipt of notice of such Equity Fundamental Transaction.

c) Upon the occurrence of a Fundamental Transaction pursuant to which the consideration provided to holders of Common Stock consists principally of cash, cash equivalents or debt securities (a "Cash Fundamental Transaction"), the Note shall accelerate and become due as of the date of such Fundamental Transaction and notwithstanding anything contained herein to the contrary, the Holder shall be entitled to an amount equal to the greater of: (A) the outstanding principal and accumulated and unpaid interest owing as of the date of the Cash Fundamental Transaction or (B) the amount of consideration that the Holder would have received had such Holder converted the Note into Equity immediately prior to the consummation of such Cash Fundamental Transaction.

d) The Board, acting in good faith, shall make the final and conclusive determination of whether a Fundamental Transaction is a Cash Fundamental Transaction or Equity Fundamental Transaction.

Section 8 Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered either personally, by facsimile or sent by a nationally recognized overnight courier service, addressed to the Company at the address set forth above, facsimile number (512) 437-2365, Attn: Chief Financial Officer or such other address or facsimile number as the Company may specify for such purposes by notice to the Holder delivered in accordance with this Section, with any fax delivery followed up by overnight delivery service. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile or sent by a nationally recognized overnight courier service addressed to the Holder at the facsimile telephone number or address of the Holder appearing on the books of the Company, or if no such facsimile telephone number or address appears, then at the principal place of business of the Holder, if any.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal and interest of this Note at the time, place, rate, and currency, herein prescribed. This Note is a direct debt obligation of the Company. This Note ranks pari passu with all other Notes now or hereafter issued pursuant to the Purchase Agreement.

c) Security Interest. This Note is a subordinated general obligation of the Company and, pursuant to the terms and conditions of the Security and Intercreditor Agreement, is specifically subordinate in all ways to any Senior Debt now or hereafter created, issued made or outstanding, to or held by any Secured Parties. The Holder specifically agrees to provide such additional documentation as any of such Secured Parties shall reasonably believe may be necessary to protect, defend or perfect such secured status.

d) Lost or Mutilated Note. If this Note shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note, or in lieu of or in substitution for a lost, stolen or destroyed Note, a new Note for the principal amount of this Note (as adjusted for any conversions) so mutilated, lost, stolen or destroyed but only upon receipt of evidence of such loss, theft or destruction of such Note, and of the ownership hereof, and indemnity, if requested, all reasonably satisfactory to the Company.

e) Governing Law. Any and all actions brought by the Company or Holder under this Note shall be brought in the state or federal courts located in the New York, NY. If either party shall commence an action to enforce any provisions of the Transaction Documents, then the prevailing party in such action shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such proceeding.

f) Waiver. Any waiver by the Company or the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of the Company or the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note. Any waiver must be in writing.

g) Severability. If any provision of this Note is invalid, illegal or unenforceable, the balance of this Note shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates applicable laws governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum permitted rate of interest.

h) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

i) Headings. The headings contained herein are for convenience only, do not constitute a part of this Note and shall not be deemed to limit or affect any of the provisions hereof.

j) Amendment; Dissenters Rights. This Note and the Transaction Documents may be modified or amended or provisions hereof waived with the written consent of the Company and the Holder(s) of a majority of the then outstanding principal amount of all of the Notes. In the event that any material term in this Note or any of the Transaction Documents is amended by such majority and the Holder objects to such amendment, notwithstanding anything contained herein to the contrary, the Holder shall have the right to accelerate the repayment of this Note and demand repayment of all outstanding principal and accumulated and unpaid interest owing at such time plus an additional payment equal to ten percent of the then outstanding principal. Such repayment right shall only be exercisable by the Holder during the thirty (30) day period following receipt of notice from the Company of such amendment.

IN WITNESS WHEREOF, the Company has caused this Amended and Restated 9.0% Subordinated Convertible Promissory Note to be duly executed by a duly authorized officer as of the date first above indicated.

ASURE SOFTWARE, INC.

By: _____
Name:
Title:

Acknowledged and Agreed by:

Holder: _____

By: _____
Name:
Title:

ANNEX A

NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the 9.0% Subordinated Convertible Promissory Note of **Asure Software, Inc.**, a Delaware corporation (the "Company"), due three years from the Original Issue Date thereof, into [_____] Common Stock, \$0.01 par value per share (the "Converted Shares"), of the Company according to the conditions hereof, as of the date written below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

Conversion calculations:

Date to Effect Conversion: _____

Early Conversion Election: Yes No (*circle as applicable if prior to the Early Conversion Date*)

Principal Amount of Note(s) to be converted: \$ _____

Convertible Shares issuable (not including Early Conversion Shares (*as applicable*)): _____

Early Conversion Shares (*as applicable*): _____

Interest Payment shares issuable: _____

Total shares issuable: _____

Total shares of Common Stock of the Company that Holder would be deemed to directly and beneficially own as of Conversion Date

Signature: _____

Name:

Address:

