

ASURE SOFTWARE INC
Form 10-K
March 31, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from _____ to _____

Commission file number: 0-20008

ASURE SOFTWARE, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State of other jurisdiction of
incorporation or organization)

74-2415696
(I.R.S. Employer
Identification No.)

110 Wild Basin Road, Suite 100
Austin, Texas
(Address of Principal Executive Offices)

78746
(Zip Code)

(512) 437-2700
(Registrant's Telephone Number, including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Common Stock, \$0.01 par value

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

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Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filings pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer, as defined in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the 2,502,136 shares of the registrant's Common Stock held by non-affiliates on June 30, 2010 was approximately \$5,767,423. For purposes of this computation all officers, directors and 5% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such officers, directors and beneficial owners are, in fact, affiliates of the registrant.

At March 25, 2011 there were 3,084,521 shares of the registrant's Common Stock, \$.01 par value, issued and outstanding.

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PART I

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

ITEM 1. BUSINESS

GENERAL

Asure Software, Inc. ("Asure" or the "Company") a Delaware corporation, is a provider of web-based workforce management solutions that enable organizations to manage their office environment as well as their human resource and payroll processes effectively and efficiently. The Company was incorporated in 1985 and has principal executive offices located at 110 Wild Basin Road, Austin, Texas 78746. The Company telephone number is (512) 437-2700 and the Company website is www.asuresoftware.com. The Company does not intend for information contained on its website to be part of this Annual Report on Form 10-K (the "Report"). Asure makes available free of charge, on or through its website, its annual report on Form 10-K, its quarterly reports on Form 10-Q, its current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after the Company electronically files such material or furnishes it to the Securities and Exchange Commission.

In September 2007, the Company announced its name change to "Asure Software" to reflect the Company's focus on its software business for its future growth. As a software and services provider, in October 2007, Asure purchased iSarla Inc., a Delaware corporation and application service provider that offers on-demand software solutions. As a result of the iEmployee acquisition, the Company currently offers two main product lines in its software and services business: NetSimplicity and iEmployee. Asure's NetSimplicity product line provides simple and affordable solutions to common office administration problems. NetSimplicity's flagship product, Meeting Room Manager, automates the entire facility scheduling process: reserving rooms, requesting equipment, ordering food, sending invitations, reporting on the meeting environment and more. Asure's iEmployee product line helps simplify the HR process and improves employee productivity by managing and communicating human resources, employee benefits and payroll information. iEmployee's web-based solutions include Time & Attendance, Timesheets, Human Resource Benefits, Expenses and others. Additional business information is contained elsewhere in this Report, including under Item 7 of Part II (Management's Discussion and Analysis of Financial Condition and Results of Operations).

Effective September 19, 2008, the Company transferred the listing of its common stock from the Nasdaq Global Market Exchange to the Nasdaq Capital Market Exchange. The Company's trading symbol continued to be "ASUR" and the trading of the Company's stock was unaffected by this change. As a result of this transfer, Asure was provided an additional 180 calendar days, or until February 2, 2009, to regain compliance with the minimum \$1.00 share bid price requirement pursuant to Nasdaq Marketplace Rule 4450(a)(5).

Due to the continued unprecedented market conditions, Nasdaq, on several occasions, further suspended the enforcement of its rules requiring a minimum \$1.00 share bid price for all Nasdaq-listed companies. Consequently, Asure's current compliance deadline had been extended until November 17, 2009. As a method of gaining the required \$1.00 share bid price, effective on December 28, 2009, Asure implemented a reverse stock split approved by Asure's stockholders at the December 17, 2009 Annual Meeting. Pursuant to the reverse stock split, every ten shares of issued and outstanding common stock of Asure, \$.01 par value per share were automatically converted to one issued and outstanding share of common stock without any change in the par value of such shares. Historical share data presented in these consolidated financial statements and notes thereto have been restated to reflect this reverse stock split. Accordingly, in January of 2010 Asure regained compliance with the \$1.00 share bid price requirement.

On January 29, 2009, Asure's Board announced its plan to take the Company private. Due to concerns including the loss of liquidity and reduced requirements for regular financial reporting and disclosure, a group of shareholders led

by Red Oak Fund, LP (“Red Oak”) opposed the Go-Private effort. As shareholder vote counts substantiated that a majority of shareholders also opposed the Go-Private effort, the Board canceled the special meeting and withdrew its proposal to go private. Subsequently, Red Oak nominated a slate of board directors, and such slate was elected to replace Asure’s prior Board during the Company’s annual shareholders’ meeting on August 28, 2009. In addition to a new board of directors, the Company is currently managed by a new Chief Executive Officer, who the new board of directors believes will be able to implement its strategy for growing the software business and achieving profitability and positive cash flows. However, uncertainties and challenges remain and there can be no assurances that Asure's current strategy will be successful.

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On November 24, 2009, the Board of Directors of the Company approved a change in the Company's fiscal year end from July 31 to December 31 of each year. This change to the calendar year reporting cycle began January 1, 2010. As a result of the change, the Company had a five month transition period from August 1, 2009 to December 31, 2009, the results of which will be included on Form 10-K for the fiscal year ended December 31, 2010.

PRODUCTS AND SERVICES

As Asure Software, Asure offers web-based workforce management solutions that enable organizations to manage their office environment as well as their human resource and payroll processes effectively and efficiently. The workforce management solutions include scheduling software, human resource and time and attendance software, complementary hardware devices to enhance its software products, software maintenance and support, installation and training and other professional services. The Company offers its workforce management solutions under two product lines: NetSimplicity and iEmployee.

The Company's NetSimplicity line of software products enable corporations, educational institutions, law firms and healthcare facilities, in the United States and worldwide, to more effectively manage shared office space, equipment, assets and resources. Now in its eighth major release, Meeting Room Manager has evolved into a scheduling solution that enables organizations to better manage their meeting environment by managing everything related to the meeting environment, including rooms, catering, A/V, equipment, setup and other resources and services. Meeting Room Manager has a number of interface options including a web-based Microsoft Outlook® or a LCD Panel interface. Meeting Room Manager is marketed both on an in-house installed, perpetual license basis, and on a hosted subscription, software-as-a-service ("SaaS") basis. The Company also offers complementary LCD panels as optional add-ons as a means to access its scheduling software and book rooms ad hoc via panel interfaces.

The Company's iEmployee suite of time and attendance and human resources software enables small to medium-sized businesses to transition to an online, self-service human resources process, thereby improving accuracy and reducing administrative costs. All iEmployee products are offered on a hosted subscription, SaaS basis, which saves customers the need to install software or maintain hardware and provides customers a quick and easy way to implement a fully-automated human resource information system solution. Additionally, iEmployee products are integrated with leading payroll and benefits providers, allowing customers to advance to online, self-service HR without significant switching costs. The Company's two primary iEmployee products are Time & Attendance and HR & Benefits.

iEmployee's Time & Attendance solution enables organizations to manage hourly time tracking, project time tracking and paid-time-off in one unified system, thus eliminating paper timekeeping hassles. It provides automated workflows to increase manager and employee productivity and automatically enforces company policies and business rules, eliminating costly time-reporting and calculation errors. In April 2010, the Company introduced the iEmployee TTG-400 Time Clock, a hardware time collection device that allows employers to capture employee time punches through a full range of biometric and card recognition options. The combination of Time & Attendance and TTG-400 Time Clock offers customers a comprehensive web and physical time clock time and attendance system that is affordable and easy to deploy.

iEmployee's HR & Benefits solution significantly reduces the HR administrative burden, eliminates paper and paper processing costs and simplifies compliance with regulatory statutes. Built on a foundation of effective self-service features that are easy to use, HR & Benefits can transform the human resource process from a focus heavily weighted on paperwork to a direct focus on the employees. Asure has minimized new development on this product, but still maintains and supports its existing customer base on HR & Benefits.

Support and professional services are another key element of Asure's software and services business. As an extension of its perpetual software product offerings, NetSimplicity offers its customers maintenance and support contracts that

provide ready access to qualified support staff, software patches and upgrades to the Company's software products, all without any additional cost to the customer. At the customer's request, the Company provides installation of and training on its products, add-on software customization, and other professional services.

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PRODUCT DEVELOPMENT

The technology industry is characterized by continuing improvements in technology, resulting in the frequent introduction of new products, short product life cycles, changes in customer needs and continual improvement in product performance characteristics. To be successful, Asure strives to be cost-effective and timely in enhancing its current software applications, developing new innovative software solutions that address the increasingly sophisticated and varied needs of an evolving range of customers, and anticipating technological advances and evolving industry standards and practices.

Asure Software's development teams are located in Warwick, Rhode Island and Mumbai, India, and are staffed with software developers, quality assurance engineers and support specialists who work closely with the Company's customers and the Company's sales and marketing teams to build products based on market requirements and customer feedback.

The Company's research and development strategy is to continue to enhance the functionality of its software products through new releases and new feature developments. Asure will also continue to evaluate opportunities for developing new software so that organizations may further streamline and automate the tasks associated with administering their businesses. The Company seeks to simultaneously allow organizations to improve their productivity while reducing the costs associated with those business tasks.

Despite the Company's best efforts, there can be no assurance that Asure will complete its existing and future development efforts or that its new and enhanced software products will adequately meet the requirements of the marketplace and achieve market acceptance. Additionally, Asure may experience difficulties that could delay or prevent the successful development or introduction of new or enhanced software products. In the case of acquiring new or complementary software products or technologies, the Company may not be able to integrate the acquisitions into its current product lines. Furthermore, despite extensive testing, errors may be found in the Company's new software products or releases after shipment, resulting in a diversion of development resources, increased service costs, loss of revenue and/or delay in market acceptance.

SALES AND DISTRIBUTION

Asure's software products and services are sold primarily through a direct web and telesales model, which enables the Company to sell its software solutions in an efficient, cost-effective manner. Prospective customer visits one of the Company's two product line websites, NetSimplicity or iEmployee, gathers the needed product information, and can optionally register for webcasts, product demonstrations, white papers and the like. At that point, the prospective customer provides contact information via the website and a sales representative follows up to provide further information and conclude the sale. In addition to this direct, inside sales model, the Company supplements these efforts with its partner programs described below. By working with these partners, the Company expands the reach of its direct sales force and gains access to key opportunities in major market segments worldwide. The Company has two distinct levels of partners in its Partner Program: Reseller Partners and Referral Partners.

Reseller Partners are companies that represent the Company in geographical areas outside the United States, as well as before the Federal government and with companies that offer complementary products to either the NetSimplicity product line or the iEmployee product line. Reseller Partners commit to a minimum level of business per year with the Company and receive a channel discount for that commitment. The Company's Reseller Partners outside the United States include Novera in Australia and Isyd in Germany, both of whom represent the NetSimplicity product line. The Company also has several Reseller Partners that represent NetSimplicity software in the Federal government space. Resellers of iEmployee include Oasis Outsourcing in the United States, a large provider of human resource outsourcing solutions. These Reseller Partners do not represent more than 10% of the Company's revenue.

Referral Partners provide the Company with the name and particular information about a customer and its needs as a sales lead. If the Company accepts the sales lead, registers it for a particular Referral Partner and subsequently makes a sale as a direct result of such a lead, the Company will pay the Referral Partner a sales lead referral fee. Currently, the Company has a number of Referral Partners including PolyVision Corp./Steelcase and e-Innovative Solutions for the NetSimplicity product line and several small firms for iEmployee's Time & Attendance product. These Referral Partners do not represent more than 10% of the Company's revenue.

The Company also has a "digital signage solutions" partner program, which enables it to resell digital signage hardware to complement Meeting Room Manager. Digital Signage hardware displays room reservation information from NetSimplicity and is used by customers to publish room booking information in public spaces. Partners in this program include four vendors: Advantech, Tablet Kiosk, the CRE Group and JANUS Digital Displays. NetSimplicity has experienced successful customer deployments with each vendor's hardware.

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COMPETITION

Asure's NetSimplicity line of scheduling software products has a competitive advantage in the marketplace by being able to automate business processes that are otherwise typically performed manually or with the assistance of general-purpose office software tools such as Microsoft Outlook®, Exchange® or Excel®. Meeting Room Manager competes with other scheduling software applications offered by companies such as PeopleCube, Dean Evans and Associates, and Emergingsoft. The principal competitive advantages of Meeting Room Manager with respect to these other products include Meeting Room Manager's broad product capabilities, Software-as-a-Service ("SaaS) delivery model, more customizable user interface, and price.

Asure's iEmployee line of time and attendance and human resource software has a competitive advantage in the marketplace by being able to serve organizations looking for specific point-solutions as well as organizations looking for an integrated suite of solutions. By being able to compete tactically with point-solutions and strategically with an integrated suite of solutions, iEmployee can serve the needs of a broad spectrum of companies. While iEmployee has the advantage of flexibility, ease-of-use, affordability and speed of delivery, the Company faces certain challenges with various types of competitors:

- Vendors with face-to-face sales contact. In this highly relationship-based sales process, vendors with a field-based sales team who meets and consults with prospects have an advantage. iEmployee does not have a field-based approach to sales but focuses instead on high-touch marketing campaigns and leveraging relationships with channel partners to build relationships with prospects.
- National payroll processors with loss-leader products. Large brand and market share vendors (like ADP, Inc.) can offer equivalent point solutions at little or no cost to prospects when in a competitive engagement because these loss leader products become inconsequential next to their core business offerings.
- Single application vendors. Vendors that offer similar point-solutions like Time & Attendance, Employee/Manager Self-Service, Paystubs, etc. can be perceived as better meeting an immediate and specific need.

Since the market for the Company's products and services is subject to rapid technological change and since there are relatively low barriers to entry in the workforce management software market, the Company may encounter new entrants or competition from vendors in some or all aspects of its two product lines. Competition from these potential market entrants may take many forms. Some of the Company's competitors, both current and future, may have greater financial, technical and marketing resources than the Company and therefore, may be able to respond quicker to new or emerging technologies and changes in customer requirements. As a result, they may compete more effectively on price and other terms. Additionally, those competitors may devote greater resources in developing products or in promoting and selling their products to achieve greater market acceptance. Asure is actively taking measures to effectively address its competitive challenges. However, there can be no assurance that the Company will be able to achieve or maintain a competitive advantage with respect to any of the competitive factors.

MARKETING

The Company's software and services business has a large roster of more than 3,500 domestic and international customers. The consistent growth of the customer base relies on the development and implementation of a comprehensive integrated marketing plan. Although the Company's customers include many Fortune 500 companies and that base continues to grow, the marketing plan is primarily aimed at reaching small and medium-sized businesses and divisions of enterprise organizations throughout the United States, Europe and Asia/Pacific. The integrated elements of Asure's marketing plan include a mix of demand generation, public relations and other corporate communications activities to ensure a consistent and accurate flow of information to and from prospects, customers and other key stakeholders. In terms of ongoing demand generation activities, the Company focuses its efforts primarily on search engine marketing including search engine optimization, pay per click advertising and social

media. Additional marketing strategies include outbound e-mail marketing, lead nurturing, targeted trade shows and industry focused print advertising.

TRADEMARKS

Due to the Company's use of the d/b/a Asure Software, the Company has registered the "Asure Software" trademark with the U.S. Patent and Trademark Office (the "USPTO"). As a result of the iEmployee acquisition in October 2007, the Company holds the "iEmployee" trademark.

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EMPLOYEES

As of February 28, 2011, the Company had a total of 56 employees, 19 of whom reside in India, in the following departments:

| FUNCTION | NUMBER OF EMPLOYEES |
|---------------------------------------------|---------------------|
| Research and development | 13 |
| Sales and marketing | 11 |
| Customer service and technical support | 21 |
| Finance, human resources and administration | 11 |
| Total | 56 |

The size and composition of Asure's workforce is continually evaluated and adjusted. The Company also occasionally hires contractors to support its sales and marketing, information technology and administrative functions. None of the Company's employees are represented by a collective bargaining agreement. Asure has not experienced any work stoppages and considers its relations with its employees to be good. Additionally, Asure augments its workforce capacity in both 'research and development' and 'sales and marketing' by contracting for services through third parties.

The future performance of the Company depends largely on its ability to continually and effectively attract, train, retain, motivate and manage highly qualified and experienced technical, sales, marketing and managerial personnel. Asure's future development and growth depend on the efforts of key management personnel and technical employees. Asure uses incentives, including competitive compensation and stock option plans to attract and retain well-qualified employees. However, there can be no assurance that the Company will continue to attract and retain personnel with the requisite capabilities and experience. The loss of one or more of Asure's key management or technical personnel could have a material and adverse effect on its business and operating results.

EXECUTIVE OFFICERS OF THE COMPANY

CHIEF EXECUTIVE OFFICER: Patrick Goepel, age 49, was elected to the Company's Board of Directors at its August 28, 2009 Annual Meeting of Shareholders. Mr. Goepel was subsequently appointed as Interim Chief Executive Officer on September 15, 2009 and became Chief Executive Officer of the Company as of January 1, 2010. Prior to his appointment, Mr. Goepel served as Chief Operating Officer of Patersons Global Payroll and oversaw its human relations function. Previously, he was the President and Chief Executive Officer of Fidelity Investment's Human Resource Services Division from 2006 to 2008, President and Chief Executive Officer of Advantec from 2005 - 2006 and Executive Vice President of Business Development and US Operations at Ceridian from 1994 - 2005. A former board member of iEmployee, Mr. Goepel currently serves on the board of directors of Allover Media, iiPay-Integrated International Payroll, and SafeguardWorld International.

CHIEF FINANCIAL OFFICER: David Scoglio, age 34, joined Asure Software as Vice President and Chief Financial Officer in January 2010. Before joining the team at Asure, Mr. Scoglio held a variety of positions at Fidelity Investments from 1998 to 2009, and most recently held the position of Senior Director of Finance with Fidelity's Human Resource Services division. David holds a Master's of Science in Finance from Boston College and a Bachelor of Science in Finance from Bentley University.

VICE PRESIDENT OF PRODUCTS, TECHNOLOGY, & SERVICES: Michael Galyen, age 43, joined Asure in February of 2009. Prior to joining Asure, Mr. Galyen served as Management Consultant for BakBone Software, Boundless Networks, Groom Energy and Novotus from 2008-2009. Previously he was Director of Product Management at Authoria, where he was responsible for defining and building the company's award-winning talent

management solutions from 2005-2008, Director of Product Management for Hire.com where he led product strategy for a SaaS suite of enterprise recruiting solutions from 2000-2005, and Director of Technology for the Bernard Hodes Group from 1994-2000.

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ITEM 1A. RISK FACTORS

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

ITEM 2. PROPERTIES

On April 28, 2010, Asure Software, Inc. (the “company”), entered into an Amendment to the Building Lease originally date January 6, 1998 (the “Lease”) between Asure Software and WB One & Two, LTD (“Landlord”). Pursuant to the terms of the amended Lease and related amendments, the Landlord agreed to reduce the square footage leased by the Company from 137,530 square feet to approximately 9,000 square feet. In addition, the current monthly rent of \$299 was reduced to \$20. In exchange for the rent and square footage reduction, the Company agreed to a onetime payment of \$1,500 and to forgo approximately \$159 of monthly subtenant income it received from the excess space under the current lease. Additionally, the Company forfeited its rights to any potential future net profits interest in the lease. The Company took a one time charge related to the lease modification of approximately \$1,200 in its second quarter of 2010.

Asure leases approximately 1,000 square feet of office space in Vancouver, British Columbia, Canada; approximately 5,000 square feet in Warwick, Rhode Island and approximately 2,000 square feet in Mumbai, India

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

ITEM 3. LEGAL PROCEEDINGS

Asure was the defendant or plaintiff in various actions that arose in the normal course of business. With the exception of the proceedings described below, none of the pending legal proceedings to which the Company is a party are material to the Company.

Litigation with Jenkens & Gilchrist, P.C.

On July 16, 2007, Jenkens & Gilchrist, P.C. (“Jenkins”), Asure’s former legal counsel, filed a complaint against Asure and Compressions Labs, Inc., in the District Court of Dallas County, Texas. In its complaint, Jenkins alleged a breach of contract and sought a declaratory judgment. Asure disputed Jenkins’ claims and also sought relief through the court system.

After Asure terminated Jenkins, the Company entered into a Resolution Agreement with Jenkins in December 2004. Under the Resolution Agreement, the Company believed Jenkins was entitled to \$1,400 for all fees and expenses related to certain settlements received from licensing the Company's intellectual property. Jenkins interpreted the Resolution Agreement on broader terms and initially believed it was entitled to \$2,800. As of July 31, 2007, Asure accrued \$2,100 for Jenkins’ contingency fees related to these settlements. The Company recorded the contingency fees as part of cost of sales on its Consolidated Statement of Operations for the year ended July 31, 2007 in order to properly match the expenses to the related licensing revenues. The \$2,100 accrual remained as part of Asure’s current liabilities through its prior fiscal year ending July 31, 2009.

On July 20, 2009, the trial with Jenkins commenced. As the result of the jury verdict in July 2009 to award Jenkins approximately \$4,600 in damages, attorney’s fees and interest, Asure entered into a settlement agreement with Jenkins, effective August 20, 2009. Under the settlement agreement, Asure agreed to pay Jenkins \$4,300 and the parties agreed to release all claims against each other. Based on the settlement amount, the Company accrued an additional

\$2,200 in July 2009 for a total amount accrued of \$4,300 as of July 31, 2009. Since the Company was no longer licensing its intellectual property and had no related licensing revenues in the year ended December 31, 2009, this additional \$2,200 expense was recorded as part of operating expenses on the Consolidated Statement of Operations for the three months ended September 30, 2009. Asure paid Jenkins \$4,300 on August 25, 2009 and the Company considers this litigation to be concluded.

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PART II

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

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

MARKET INFORMATION

The common stock of the Company is currently trading in the NASDAQ Capital Market System under the symbol "ASUR". The following table sets forth the high and low sales prices for the Company's common stock for each full quarter of 2010 and 2009:

| | FISCAL YEAR 2010 | | FISCAL YEAR 2009 | |
|-------------|---------------------|---------|---------------------|---------|
| | HIGH | LOW | HIGH | LOW |
| 1st Quarter | \$ 2.82 | \$ 2.19 | \$ 2.60 | \$ 1.20 |
| 2nd Quarter | \$ 2.81 | \$ 2.17 | \$ 2.70 | \$ 1.20 |
| 3rd Quarter | \$ 2.64 | \$ 2.11 | \$ 4.50 | \$ 1.40 |
| 4th Quarter | \$ 3.15 | \$ 2.21 | \$ 4.20 | \$ 2.00 |

DIVIDENDS

The Company has not paid cash dividends on its common stock during fiscal years 2010 and 2009, and presently intends to continue a policy of retaining earnings for reinvestment in its business, rather than paying cash dividends.

HOLDERS

As of March 21, 2011, there were approximately 799 stockholders of record of the Company's common stock.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

See "Equity Compensation Plan Information" under Item 12 of Part III of this Report (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters).

RECENT SALES OF UNREGISTERED SECURITIES

None.

ISSUER PURCHASES OF EQUITY SECURITIES

None.

ITEM 6. SELECTED FINANCIAL DATA

The Company is a smaller reporting company as defined by Rule 12-b-2 of the Exchange Act and is not required to provide the information required under this item.

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

Effective September 19, 2008, the Company transferred the listing of its common stock from the Nasdaq Global Market Exchange to the Nasdaq Capital Market Exchange. The Company's trading symbol continued to be "ASUR" and the trading of the Company's stock was unaffected by this change. As a result of this transfer, Asure was provided an additional 180 calendar days, or until February 2, 2009, to regain compliance with the minimum \$1.00 share bid price requirement pursuant to Nasdaq Marketplace Rule 4450(a)(5).

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Due to the continued unprecedented market conditions, Nasdaq, on several occasions, further suspended the enforcement of its rules requiring a minimum \$1.00 share bid price for all Nasdaq-listed companies. Consequently, Asure's current compliance deadline had been extended until November 17, 2009. To solve this issue, the company decided to initiate a reverse stock split to raise the bid price above \$1.00 per share.

Effective on December 28, 2009, we implemented a reverse stock split approved by Asure's stockholders at the December 17, 2009 Annual Meeting. Pursuant to the reverse stock split, every ten shares of issued and outstanding common stock of Asure, \$.01 par value per share were automatically converted to one issued and outstanding share of common stock without any change in the par value of such shares. Historical share data presented in these consolidated financial statements and notes thereto have been restated to reflect this reverse stock split.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Report represent forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results of operations, levels of activity, economic performance, financial condition or achievements to be materially different from future results of operations, levels of activity, economic performance, financial condition or achievements as expressed or implied by such forward-looking statements.

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

RESULTS OF OPERATIONS

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

| | Twelve Months Ended December 31, 2010 | | Twelve Months Ended December 31, 2009 (1) | | Twelve Months Ended July 31, 2009 | | Five Months Ended December 31, 2009 | |
|--------------------------------------|------------------------------------------------|---|----------------------------------------------------|---|-----------------------------------------|---|----------------------------------------------|---|
| Revenues | 100.0 | % | 100.0 | % | 100.0 | % | 100.0 | % |
| Gross Margin | 77.5 | | 78.8 | | 80.0 | | 77.2 | |
| SG&A | 56.7 | | 112.8 | | 125.2 | | 88.4 | |
| R&D | 14.4 | | 20.9 | | 22.6 | | 16.9 | |
| Loss on Lease Amendment | 12.0 | | - | | - | | - | |
| Litigation Settlement | - | | 22.5 | | 21.9 | | - | |
| Impairment of Assets | - | | 6.4 | | 6.3 | | - | |
| Amortization of Intangible Assets | 6.0 | | 6.1 | | 6.0 | | 6.2 | |
| Total Operating Expenses | 89.2 | | 168.7 | | 181.9 | | 111.6 | |
| Other Income, Net | 0.2 | | (0.8 |) | 3.9 | | (1.4 |) |
| Net Loss | -11.3 | % | -89.6 | % | -97.0 | % | -36.5 | % |

(1) For comparative purposes, the Company has included unaudited percentages for the twelve months ended December 31, 2009, which reflects the combining of audited results for the five months ended December 31, 2009 and

twelve months ended July 31, 2009 for the respective annual 2009 period.

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Overview

During the period ended December 31, 2010, the Company focused on its core software business through reducing unnecessary expenses and growing and maintaining its customer base and thus growing revenue. Outside of its core software business, Asure accomplished three major goals. First, on April 28, 2010, Asure Software, Inc. (the “Company”), entered into an Amendment to the Building Lease originally dated January 6, 1998 (the “Lease”) between Asure Software and WB One & Two, LTD (“Landlord”). Pursuant to the terms of the amended Lease and related amendments, the Landlord agreed to reduce the square footage leased by the Company from 137,530 square feet to approximately 9,000 square feet. In addition, the current monthly rent of \$299 was reduced to \$20. In exchange for the rent and square footage reduction, the Company agreed to a onetime payment of \$1,500 and to forgo approximately \$159 of monthly sub-tenant income it received from the excess space under the current lease. Additionally, the Company forfeited its rights to any potential future net profits interest in the lease. The Company took a one time charge related to the lease modification of approximately \$1,200 in its second quarter of 2010. This transaction saved the company approximately \$120 per month in excess real estate cash flow going forward. Secondly, Asure sold off the last active remnants of its intellectual property business. Thirdly, the Company ensured NASDAQ compliance through a reverse 10 for 1 stock split in November 2009.

On May 3, 2010, the Company and Ceridian Corporation (“Ceridian”), a reseller of the Company’s iEmployee products, entered into an agreement by which joint customers of the Company and Ceridian were given until July 31, 2010 to choose either to (i) contract directly with the Company to continue using our goods and services, or (ii) continue using Ceridian’s offerings that may not include the Company’s products and services. The Company was able to retain substantially all of the monthly revenue associated with the former Ceridian customers.

Under the continued guidance and direction of its new directors and Chief Executive Officer, Asure will continue to implement its corporate strategy for growing its software and services business. However, uncertainties and challenges remain and there can be no assurances that Asure can successfully grow its revenues or achieve profitability and positive cash flows during calendar year 2011.

Revenues

Consolidated revenues were \$10.0 million in fiscal year 2010 and \$9.8 million in fiscal year 2009. The increase was \$0.2 million, or 2.5%. Consolidated revenues represent the combined revenues of the Company and its subsidiaries, including sales of the Company’s scheduling software, time and attendance and human resource software, complementary hardware devices to enhance its software products, software maintenance and support services, installation and training services and other professional services.

During the year ended December 31, 2010, the \$0.2 million increase in total revenues is due primarily to increases in software subscriptions (SaaS or cloud-based) revenues, offset by decreases in software licenses revenues. Revenue related to Asure’s other products and services showed marginal increases year over year.

During fiscal year 2010, software subscription revenues increased by \$0.3 million. iEmployee’s time and attendance and human resource software, as well as the Company’s Meeting Room Manager On Demand software, are delivered to customers under the “SaaS” model, which is software as a service offered on a subscription basis. In recent times, this type of software subscription has become known as “cloud-based” software subscriptions in addition to being referred to as a “SaaS” model. When purchasing iEmployee’s time and attendance and human resource software or Meeting Room Manager On Demand, customers do not need to install or maintain the software on their own servers. Additionally, purchasing an annual subscription may not require as stringent approval requirements as purchasing a perpetual license. Thus, purchasing Meeting Room Manager on a subscription basis is becoming more appealing to customers as they try to meet operational goals while reducing capital expenditures. Increases were present in both of

Asure's product lines with NetSimplicity software subscription revenue increasing \$0.2 million, or 28% and iEmployee software subscription revenue increasing by \$0.1 million, or 3%. NetSimplicity software subscription increases were driven by new sales and the accretive nature of recurring subscription revenue. Increased sales drove the monthly base of NetSimplicity software subscription revenue up 41% at the end of 2010 compared to the run rate present in December 2009. Additionally, Asure implemented price increases in late 2010 which added an increase of \$30. iEmployee growth of \$0.1 million was driven by annual price increases related to both inflation and software releases adding new features and functionality.

During 2010, software license (NetSimplicity) revenues decreased by \$0.1 million. New and enhanced product features to Meeting Room Manager continued to be introduced to the market during 2010, however, the Company has ramped up efforts to focus its sales on the repetitive nature of its Meeting Room Manager On Demand software subscription product as an alternative to the one time nature of its perpetual, in-house software solution. These factors contributed to the decrease in NetSimplicity revenues of \$68. Additionally, in February 2009, Asure sold its Visual Asset Manager ("VAM") software product to E-Innovative Services Group ("EISG"), LLC in order to focus its NetSimplicity investment on Meeting Room Manager. Thus, VAM software license revenues decreased by \$69 in 2010. The decrease in overall Meeting Room Manager sales and the sale of the VAM software product led to the \$0.1 million decrease in the Company's software license revenues during 2010.

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All other revenue amounted to an increase of \$0.1 million over the prior year. Hardware, maintenance, and professional services (deployment) all posted marginal increases over the prior year of \$43, \$33 and \$17 respectively. Professional Services revenue in iEmployee declined year over year by \$55, which is directly related to lower new sales and related implementation fees at the time of initial sale. In NetSimplicity, Professional Services grew by \$72 year over year. Factors in this growth include the one-time nature of the perpetual software and related implementations, professional services associated with the rapidly growing Meeting Room Manager On Demand software subscriptions, new bundled Professional Services offerings and management's initiatives in 2010 to increase billable utilization of its Professional Services staff. NetSimplicity Hardware revenues grew by \$96 year over year while iEmployee hardware revenues declined by \$53. NetSimplicity Meeting Room Manager hardware revenue increased by \$0.1 million and was driven by Meeting Room Manager related product sales to both new customers and an aggressive management strategy to sell to its base of NetSimplicity in-house customers, as well as the introduction of new products, such as digital signage and alternative vendor solutions for its interactive LCD panels. Offsetting Meeting Room Manager hardware sales was the reduction of VAM hardware sales year over year of \$38 due to its sale in February. The decrease in iEmployee hardware was driven by an abnormally large sale to one customer in November of 2009 of \$79. Despite the decrease in software license sales during the year ended December 31, 2010, Asure does continue to sell additional licenses and its cumulative license base continues to grow. As a result, the Company's related maintenance base also continues to grow, albeit by only \$33 year over year. Additionally, Asure has proactively added an evergreen provision to its annual maintenance contracts in an effort to retain customers.

Although the Company's sales have been concentrated in certain industries, including corporate, education, healthcare, governmental, legal and non-profit, Asure's total customer base is widely spread across industries. Geographically, Asure sells its products worldwide, but sales are largely concentrated in the United States and Canada. Additionally, Asure has a distribution partner in Australia. For the year ended December 31, 2010, Asure continued to target small and medium businesses and divisions of enterprises in these same industries. As the overall workforce management solutions market continues to experience significant growth related to SaaS products, Asure will continue to focus on sales of its Meeting Room Manager On Demand and iEmployee SaaS products, including NetSimplicity's Meeting Room Manager On Demand as an alternative to its perpetual in-house software solution in 2011.

In addition to continuing to develop its workforce management solutions and release new software updates and enhancements, the Company is actively exploring other opportunities to acquire additional products or technologies to complement its current software and services. In 2010, Asure acquired an additional product from its Australian distribution partner. Sales of Net Simplicity's Social View product, available as a complementary product to both Meeting Room Manager On Demand and the perpetual in-house software solution, contributed \$57 in new bookings in 2010.

Gross Margin

Consolidated gross margins were \$7.8 million in fiscal year 2010 and \$7.7 million in fiscal year 2009. The increase was \$0.1 million, or 0.9%. Consolidated gross margin percentages were 77.5% for fiscal year 2010 and 78.8% for fiscal year 2009.

The cost of sales relates primarily to compensation and related consulting expenses, hardware expenses and the amortization of the Company's purchased software development costs. These expenses represented approximately 89.6% and 89.7% of the total cost of sales for the years ended December 31, 2010 and 2009, respectively. These expenses increased by \$160 year over year driven by higher use of third party consultants on professional services work.

During fiscal year 2011, Asure expects to continue proactively managing its cost of sales by maximizing efficiencies throughout the Company. Additionally, it will continue to see benefits driven by the outsourcing of software certain

software support functions in its fiscal 3rd quarter of 2010.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses were \$5.7 million in fiscal year 2010 and \$11.0 million in fiscal year 2009. The decrease was \$5.3 million, or 48.2%. SG&A expenses were 56.7% and 112.8% of total revenues for the years ended December 31, 2010 and 2009, respectively.

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The \$5.3 million decrease in SG&A expenses during the year ended December 31, 2010 is due to the following factors: decreases in legal and proxy expenses related to the Company's efforts to go private and to litigate against Jenkens & Gilchrist, P.C. ("Jenkins"), Asure's former legal counsel; the decrease in reserves related to its receivable from Wild Basin; the July 2009 reduction in force and related salary reductions, and related cost control and turnaround initiatives.

On January 29, 2009, Asure announced its plan to take the Company private. Due to concerns including the loss of liquidity and reduced requirements for regular financial reporting and disclosure, a group of shareholders led by Red Oak Fund, LP ("Red Oak") opposed the Go-Private effort. As shareholder vote counts indicated that a majority of shareholders were also opposed to the Go-Private effort, the Board canceled the special meeting and withdrew its proposal to go private. Subsequently, Red Oak nominated a slate of board directors, who were elected to replace Asure's prior Board during the Company's annual shareholder's meeting on August 28, 2009. As a result of these activities, Asure incurred significant legal expenses related to its efforts to privatize the Company, including the legal expenses required for the proxy contest related to its Board of Directors. Additionally, during fiscal year 2009, the Company prepared for its trial with Jenkins, which started on July 20, 2009 (also see "Litigation Settlement" discussion below). To litigate against Jenkins, the Company incurred additional significant legal expenses in the year ended December 31, 2009. The proxy contest and the Jenkins litigation have been concluded. The combined one time legal and proxy expenses incurred during the privatization and subsequent proxy fight, along with the Jenkins litigation amounted to \$2.1 million in the year ended December 31, 2009.

In accordance with the lease agreement for Asure's corporate offices in Austin, Texas, Wild Basin One & Two, Ltd. ("Wild Basin"), Asure's landlord, previously paid the Company certain net profit interest payments. However, during the year ended December 31, 2009, Wild Basin communicated to Asure that it needed to accumulate additional reserves, in excess of the reserves currently remitted as required by Wild Basin's loan agreement. Due to these additional reserves, Wild Basin was unable to remit any net profit interest payments to Asure. Accordingly, the Company recorded a 100% reserve against its receivable from Wild Basin, the related \$0.5 million expense was included in SG&A expenses for the year ended December 31, 2009.

Due to the unexpected significant legal expenses during the year ended December 31, 2009, Asure implemented a mandatory 10% pay reduction for all of its personnel on March 1, 2009. As Asure evaluated its ongoing expense structure it made these reductions permanent at the end of 2009. Additionally, Asure terminated approximately 25% of its workforce effective August 7, 2009. The net reduction in Compensation, Benefits, Commissions and Contract Labor expenses from 2009 to 2010 was \$1.5 million, driven by these actions. Related cost control initiatives including reducing marketing expenses, and insurance (directors and officers and other insurance) and audit fees. These expense reductions amounted to \$0.3 million, and \$0.3 million respectively. Throughout its operations, Asure continues to evaluate any unnecessary SG&A expenses and plans to further reduce expenses as appropriate.

No known significant related legal expenses are expected to be incurred in fiscal year 2011. Significant legal expenses may be incurred during prospective due diligence if the company were enter into a letter of intent for merger or acquisition related activity

Research and Development

Research and development ("R&D") expenses were \$1.4 million in fiscal year 2010 and \$2.0 million in fiscal year 2009. The decrease was \$0.6 million, or 29.2%. R&D expenses were 14.4% and 20.9% of total revenues for the years ended December 31, 2010 and 2009, respectively.

Approximately 93.1% of the \$0.6 million decrease resulted from headcount, consulting and contract labor expenses driven by both the 2009 reduction in force and related 10% pay reductions as well as the Q3 2010 outsourcing of

NetSimplicity development.

During the year ended December 31, 2010, Asure continued to improve and enhance its workforce management solutions – particularly its Time & Attendance software from the iEmployee product line and its Meeting Room Manager software from its NetSimplicity product line. During the year ended December 31, 2010 enhancements to the Time & Attendance included an additional application programming interface (“API”) delivered via webservices for time collection, which expands the software’s interoperability with various time clocks in addition to Asure’s Easy Touch Time Clock. Additionally, the Company implemented a new line of clocks that contains several forms of data collection including magnetic stripe, barcode, proximity and biometric readers. The expanded interoperability and new line of clocks expanded Time & Attendance’s capabilities to meet various customers’ requirements by increasing the customers’ choices when selecting hardware devices. Asure also added functionality to its Time & Attendance software by developing an automated calculation of the time off accruals and a new flexible pay schedule that allows customers to specify start and end dates and times for multiple different pay periods.

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Throughout the year ended December 31, 2010, Asure continued to develop Meeting Room Manager and released a few minor versions that enhanced the Microsoft Outlook Plug-in, Web and Interactive LCD interfaces, allowed assigned delegates the ability to schedule meetings on behalf of others, and provided more sophisticated conflict resolution options for scheduling recurring meetings via Microsoft Outlook®. Asure's R&D efforts related to its NetSimplicity product line culminated in August 2009 when the Company released Meeting Room Manager, Version 8.0. Under this next generation of the Company's room and resource scheduling solution, customers have the benefit of a bi-directional Outlook Plug-in. Meetings and resources scheduled through Microsoft Outlook are synchronized to the Web client, thus allowing users to create, manage and update information from the Web client, given the appropriate privileges. Customers can now delegate scheduling responsibilities to individuals without requiring access to Microsoft Outlook.

Asure's development efforts for future releases and enhancements are driven by feedback received from its existing and potential customers and by gauging marketing trends. Management believes it has the appropriate development team to design and further improve its workforce management solutions.

Loss on Lease Amendment

On April 28, 2010 the Company entered into an Amendment to its current building lease with Wild Basin. Pursuant to the terms of the amended Lease, the Landlord agreed to reduce the square footage leased by the Company from 137 thousand square feet to 9 thousand square feet for the lease's remaining three years. In addition, the monthly rent of \$299 was reduced to \$20 beginning April 1, 2010. In exchange for the rent and square footage reduction, the Company made a onetime payment of \$1,500 and agreed to forgo approximately \$159 of monthly sub-tenant income it received from the excess space under the prior lease. Additionally, the Company forfeited its rights to any potential future net profits interest in the lease. The \$1,203 loss consists of the following expenses; the \$1,500 lease termination fee, the write-off of \$186 of subtenant lease hold improvements and \$45 in transaction costs. These expenses were offset by the reversal of the following liabilities; \$254 of leasehold advance, \$235 of leasehold impairment and \$39 of other net liabilities.

Litigation Settlement

On July 16, 2007, Jenkens & Gilchrist, P.C. ("Jenkins"), Asure's former legal counsel, filed a complaint against Asure and Compressions Labs, Inc., in the District Court of Dallas County, Texas. In its complaint, Jenkins alleged a breach of contract and sought a declaratory judgment. Asure disputed Jenkins' claims and also sought relief through the court system.

After Asure terminated Jenkins, the Company entered into a Resolution Agreement with Jenkins in December 2004. Under the Resolution Agreement, the Company believed Jenkins was entitled to \$1,400 for all fees and expenses related to certain settlements received from licensing the Company's intellectual property. Jenkins interpreted the Resolution Agreement on broader terms and initially believed it was entitled to \$2,800. As of July 31, 2007, Asure accrued \$2,100 for Jenkins' contingency fees related to these settlements. The Company recorded the contingency fees as part of cost of sales on its Consolidated Statement of Operations for the year ended July 31, 2007 in order to properly match the expenses to the related licensing revenues. The \$2,100 accrual remained as part of Asure's current liabilities through its prior fiscal year ending July 31, 2009.

On July 20, 2009, the trial with Jenkins commenced. As the result of the jury verdict in July 2009 to award Jenkins approximately \$4,600 in damages, attorney's fees and interest, Asure entered into a settlement agreement with Jenkins, effective August 20, 2009. Under the settlement agreement, Asure agreed to pay Jenkins \$4,300 and the parties agreed to release all claims against each other. Based on the settlement amount, the Company accrued an additional \$2,200 in July 2009 for a total amount accrued of \$4,300 as of July 31, 2009. Since the Company was no longer

licensing its intellectual property and had no related licensing revenues in fiscal year 2009, this additional \$2,200 expense was recorded as part of operating expenses on the Consolidated Statement of Operations for the three months ended September 30, 2009. Asure paid Jenkens \$4,300 on August 25, 2009 and the Company considers this litigation to be concluded.

Impairment of assets

During the year ended December 31, 2009, the current rental market in Austin, Texas continued to show depressed leasing rates. Based on this factor and the uncertainty in collecting its net profit interest payments from Wild Basin, management analyzed the discounted cash flows related to its Wild Basin property lease and subleases over the remainder of the lease term. Although Asure continued to actively sublease the vacated space, the rates on the new subleases were less than originally anticipated due to the current market rates at that time. Management calculated the economic value of the lost sublease rental income and recorded an additional impairment charge of \$0.6 million to the Company's Consolidated Statement of Operations for the twelve months ended December 31, 2009.

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Amortization of intangible assets

Amortization expenses were \$0.6 million in fiscal year ended December 31, 2010 and 2009, respectively. Amortization expenses were 6.0% and 6.1% of total revenues for the fiscal years ended December 31, 2010 and 2009, respectively. Upon acquiring the iEmployee business in October 2007, Asure recorded several intangible assets, which are being amortized over their estimated useful lives. The amortization expenses during the years ended December 31, 2010 and 2009 relate entirely to these acquired intangible assets (see Note 5, in the accompanying financial statements).

Other Income and loss

Other Income was \$20 in fiscal year ended December 31, 2010 while the fiscal year ended December 31, 2009 had other losses of \$75. The increase was \$95, or 126.7%. Other Income was 0.2% and other loss 0.8% of total revenues for the years ended December 31, 2010 and 2009, respectively.

The increase in Other Income during the year ended December 31, 2010 was due primarily to Asure selling its 1,312,014 shares of Common Stock in VTEL for \$130. The gain was offset by decrease in Interest Income by \$48 in 2010 due primarily to decrease in Cash and Investments as compared to the year 2009.

Income Taxes

At December 31, 2010, the Company had federal net operating loss carryforwards of approximately \$152.6 million, R&D credit carryforwards of approximately \$4.6 million and alternative minimum tax credit carryforwards of approximately \$0.2 million. The net operating loss and R&D credit carryforwards will expire in varying amounts from 2011 through 2031, if not utilized. Minimum tax credit carryforwards carry forward indefinitely.

Utilization of the net operating losses and credit carryforwards may be subject to a substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses before utilization.

Due to the uncertainty surrounding the timing of realizing the benefits of its favorable tax attributes in future tax returns, the Company has placed a valuation allowance against its net deferred tax asset. Accordingly, no deferred tax benefits have been recorded for the tax years ended December 31, 2010 and 2009. During the year ended December 31, 2010, the valuation allowance decreased by approximately \$4.6 million due primarily to operations, including expirations of tax carryforwards. Approximately \$8 million of the valuation allowance relates to tax benefits for stock option deductions included in the net operating loss carryforward which, when realized, will be allocated directly to contributed capital to the extent the benefits exceed amounts attributable to book deferred compensation expense.

Undistributed earnings of the Company's foreign subsidiaries are considered permanently reinvested and, accordingly, no provision for U.S. federal or state income taxes has been provided thereon.

Net Loss

Net loss was \$1.1 million and \$8.8 million in fiscal years 2010 and 2009, respectively. The decrease in net loss was \$7.6 million, or 87.0%. Net loss as a percentage of total revenues was 11.3% and 89.6% for the years ended December 31, 2010 and 2009, respectively. The \$7.6 million decrease in net loss during the year ended December 31, 2010 was due primarily to the \$5.3 million decrease in Selling, General and Administrative expenses as well as significant one time items in 2009 including the \$2.2 million litigation settlement expenses and the lease impairment of \$0.6 million., offset by the \$1,200 loss on lease agreement during the year ended December 31, 2010.

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Liquidity and Capital Resources

| | For the year ended December 31, | |
|---------------------------------------------------|---------------------------------|---------|
| | 2010 | 2009 |
| | (in thousands) | |
| Working capital | \$ (320) | \$ 216 |
| Cash, cash equivalents and short-term investments | 1,070 | 2,263 |
| Cash (used in) operating activities | (939) | (9,663) |
| Cash (used in) provided by investing activities | (141) | 2,562 |
| Cash (used in) provided by financing activities | (158) | 45 |

Working capital was (\$320) at end of December 31, 2010, a decrease of \$536 from \$216 on December 31, 2009. This decrease was primarily due to a reduction in short-term investments used to fund the lease amendment payment of \$1.500, and losses from operations which was offset by a reduction of \$864 in current liabilities related to the lease amendment and reductions in accounts payables and other accrued liabilities. The Company believes that it can continue to generate positive cash flow and continue to increase its available working capital. Finally, although the Company's working capital (current assets less current liabilities) is negative, \$1.9 million of Asure's current liabilities is deferred revenue (primarily prepaid SaaS and Maintenance and Service contracts) and thus does not represent a significant cash liability in the near term. Excluding the \$1.955 million in deferred revenue, the Company's working capital would be \$1.635 million and the Company believes it has sufficient liquidity to maintain its operations.

Cash used in operating activities was \$939 in the year ending December 31, 2010 and was \$9.7 million in the year ending December 31, 2009. The \$937 of cash used in operating activities during fiscal year 2010 was due primarily to \$1.1 million in net loss which was driven by the one-time amendment to the Company's building lease with WB One & Two, Ltd. The \$9.7 million of cash used in operating activities during fiscal year ending December 31, 2009 was due primarily to \$8.8 million in net loss and payment of the Jenken's settlement of \$4.3 million.

Cash used in investing activities was \$141 for the year ending December 31, 2010 due to net purchases of property and equipment. Cash provided by investing activities was \$2,562 for the fiscal year ended December 31, 2009 due to sale of short term investments of \$2,781 offset by purchases of property and equipment of \$219. Asure's current operations are not capital intensive and management does not anticipate any significant capital expenditures during the next fiscal year in 2011.

The Company leases office space and equipment under non-cancelable operating leases that expire at various dates through 2013. Certain leases obligate Asure to pay property taxes, maintenance and insurance and include escalation clauses. Approximately \$540 or 72.3% of the Company's total operating lease obligations relate to its corporate office facility at Wild Basin in Austin, Texas. Asure may periodically make other commitments and thus become subject to other contractual obligations.

Cash used in financing activities was \$158 for the year ending December 31, 2010 related to the repurchase of treasury stock for \$110 and payments on capital leases of \$48. Cash provided for financing activities was \$45 for the year ended December 31, 2009 primarily related to the issuance of stock for \$175 offset by payments for Treasury Stock of \$92 and payments on capital leases of \$38. Management believes it currently has sufficient cash and short-term investments on hand to fund its operations during the next twelve months and beyond without needing to obtain long-term financing. Therefore, the Company does not anticipate that it will be affected by any credit shortage

in the current economic business environment.

Pursuant to Asure's stock repurchase plan, the Company is allowed to repurchase up to 300,000 shares (adjusted for the 10 to 1 reverse stock split) of the Company's common stock. During the year ended December 31, 2010 Asure repurchased 43,364 shares of common stock for \$110. In total, Asure has repurchased 256,107 shares for approximately \$5.0 million over the life of the plan. Management will periodically assess repurchasing additional shares, depending on the Company's cash position, market conditions and other factors.

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As of December 31, 2010, Asure's principal source of liquidity consisted of \$1,070 of current cash and cash equivalents as well as future cash generated from operations. The decline of cash and cash equivalents of \$1,193 for the fiscal year ended December 31, 2010 is due primarily to the lease amendment fee of \$1,500 recorded during the second quarter of 2010 which is further discussed in Note 9. The Company believes that it has and/or will generate sufficient cash for its short and long term needs. The Company is continuing to reduce expenses and thus may utilize its cash balances in the short-term to reduce long-term costs. The Company expects that it will be able to generate positive cash flows from operating activities in the next fiscal year as well.

Management is focused on growing its existing software operations and looking to make strategic acquisitions in the near future. In the short-term, any acquisitions will be funded with cash on the balance sheet, cash from operations, and cash or debt raised from outside sources as well as with equity.

There is no assurance that the Company will be able to grow its cash balances or limit its cash consumption and thus maintain sufficient cash balances, and it is possible that the Company's future business demands may lead to cash utilization at levels greater than recently experienced. Management believes that the Company has sufficient capital and liquidity to fund and cultivate the growth of its current and future operations for the next 12 months and thereafter. However, due to uncertainties related to the timing and costs of these efforts, Asure may need to raise additional capital in the future. Yet, there is no assurance that the Company will be able to raise additional capital if and when it is needed.

CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of Asure's wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. Preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year end and the reported amounts of revenues and expenses during the fiscal year. The more significant estimates made by management include the valuation allowance for the gross deferred tax asset, contingency legal reserves, lease impairment, useful lives of fixed assets, the determination of the fair value of its long-lived assets, and the fair value of assets acquired and liabilities assumed during the iEmployee acquisition. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the given circumstances. These estimates could be materially different under different conditions and assumptions. Additionally, the actual amounts could differ from the estimates made. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

Management believes the following represent Asure's critical accounting policies:

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. The Company recognizes software revenue in accordance with FASB ASC 985-605, Revenue Recognition – Multiple Element Arrangements (FASB ASC 985-605). The Company's revenues consists of software license, software subscription and service fees. Revenue from the software element is earned through the licensing or right to use the Company's software and from the sale of specific software

products. Service fee income is earned through the sale of maintenance and technical support, training and installation. Revenue from the sale of hardware devices is recognized upon shipment of the hardware. Asure also sells multiple elements within a single sale.

Since the Company currently offers software both as a perpetual license and as software as a service, revenue recognition varies based on which of these forms of software the customer purchases.

When the Company sells software licenses in a multiple element arrangement and vendor-specific objective evidence (“VSOE”) of fair value is available for the undelivered element, sales revenue is generally recognized on the date the product is shipped, using the residual method, with a portion of revenue recorded as deferred (unearned) due to the applicable undelivered elements. VSOE of fair value for the maintenance, training and installation services are based on the prices charged for the maintenance and services when sold separately. Undelivered elements for our multiple element arrangements with a customer are generally restricted to post contract support, training and install. The amount of revenue allocated to these undelivered elements is based on the VSOE of fair value for those undelivered elements. Deferred revenue due to undelivered elements is recognized ratably on a straight-line basis over the service period (typically one year) or when the service is completed. When VSOE of fair value is not available for the undelivered element of a multiple element arrangement, sales revenue is generally recognized ratably, on a straight-line basis over the service period of the undelivered element. The Company’s training and installation services are not essential to the functionality of the Company’s products as such services can be provided by a third party or the customers themselves.

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The Company also sells software subscriptions and may at times sell related setup, implementation and professional services in the same arrangement. Setup and implementation services typically occur at start of the software subscription period, while certain professional services may not occur until several months later depending on the nature of the services and the customer requirements. Prior to January 1, 2010, the Company recognized the total contract value of software subscriptions and related services ratably as a single unit of accounting over the contract term, beginning when the customer was able to utilize the software. Subsequent to the adoption of the updated FASB ASC 605, the Company accounts each of these elements as separate accounting units. We allocate the value of the arrangement to each unit of accounting based on vendor specific objective evidence of selling price, when it exists, third-party evidence of selling prices for like services or estimated selling price. Software subscription service revenues are recognized pro-rata over the life of the software subscription contract, while the related setup, implementation or professional services revenues are recognized upon completion. The result of the adoption is an immaterial acceleration of setup, implementation and professional service revenues related to software subscription transactions.

The Company does not recognize revenue for agreements with rights of return, refundable fees, cancellation rights or acceptance clauses until such rights of return, refund or cancellation have expired or acceptance has occurred. The Company's arrangements with resellers do not allow for any rights of return.

Deferred revenue includes amounts received from customers in excess of revenue recognized, and is comprised of deferred maintenance, service and other revenue. Deferred revenues are recognized in the Consolidated Statements of Operations when the service is completed and over the terms of the arrangements, primarily ranging from one to three years.

Impairment of Intangible Assets and Long-Lived Assets

In accordance with FASB ASC 350, Asure reviews and evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, including those noted above, the Company compares the assets' carrying amounts against the estimated undiscounted cash flows to be generated by those assets over their estimated useful lives. If the carrying amounts are greater than the undiscounted cash flows, the fair values of those assets are estimated by discounting the projected cash flows. Any excess of the carrying amounts over the fair values are recorded as impairments in that fiscal period.

On May 3, 2010, the Company and Ceridian Corporation ("Ceridian"), a reseller of the Company's iEmployee products, entered into an agreement by which joint customers of the Company and Ceridian were given until July 31, 2010 to choose either to (i) contract directly with the Company to continue using our goods and services, or (ii) continue using Ceridian's offerings that may not include the Company's products and services. Depending on the number of customers that contracted with Asure and the related pricing, the cash flows associated with the Ceridian customers may vary from historical levels. Thus the Company tested the Ceridian contract intangible asset for impairment in accordance with FASB ASC 350. The Company compared the asset's carrying amount against the estimated undiscounted cash flows to be generated from the customers that contracted with Asure over the estimated useful life of the intangible asset. The undiscounted cash flows from the intangible asset exceeded the carrying value of the intangible asset and thus no impairment was required.

Recent Accounting Pronouncements

In October 2009, the FASB updated FASB ASC 605, Revenue Recognition (FASB ASC 605) to address how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how the arrangement consideration should be measured and allocated to the separate units of accounting. This guidance

eliminates the residual method and replaces it with the “relative selling price” method when allocating revenue in a multiple deliverable arrangement. The selling price for each deliverable shall be determined using vendor specific objective evidence of selling price, if it exists, otherwise third-party evidence of selling price shall be used. If neither exists for a deliverable, the vendor shall use its best estimate of the selling price for that deliverable. After adoption, this guidance will also require expanded qualitative and quantitative disclosures. The updated FASB ASC 605 is effective for the Company’s revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company adopted the updated FASB ASC 605 on January 1, 2010 on a prospective basis for any new contracts entered into after the date of adoption. The adoptions of this ASC update did not have a material impact to its condensed consolidated statement of operations for the three and nine months ended September 30, 2010 and 2009. However, the Company cannot predict whether the impact of this update will have a material impact in future quarters due to potential changes in products and product mix. Prior to the adoption of the updated FASB ASC 605, the Company accounted for its software subscriptions and related setup, implementation and professional services as a single accounting unit. Thus all revenues associated with such an arrangement were recognized pro-rata over the life of the software subscription service contract. Subsequent to the adoption of the updated FASB ASC 605, the Company accounts for each of these elements as separate accounting units. Thus the software subscription service revenue is recognized pro-rata over the life of the software subscription contract, while the related setup and implementation revenues are recognized upon completion. The result of the adoption is an immaterial acceleration of setup and implementation revenues related to software subscriptions.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company as defined by Rule 12b-2 under the Exchange Act and is not required to provide the information required under this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this Item 8 are listed in Items 15 (1) and (2) of Part III of this Report (Exhibits, Financial Statement Schedules).

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports it files under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Such controls include those designed to ensure that information for disclosure is communicated to management, including the Chairman of the Board and the Chief Executive Officer ("CEO"), as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on our assessment we concluded that, as of December 31, 2010, our internal control over financial reporting is effective based on those criteria.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management's reporting in this annual report.

ITEM 9B. OTHER INFORMATION

None.

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PART III

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

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required under this item is incorporated by reference from the Company's definitive proxy statement relating to its annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days of the end of fiscal year 2009.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this item is incorporated by reference from the Company's definitive proxy statement relating to its annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days of the end of fiscal year 2009.

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

The information required under this item, with the exception of the table provided below, is incorporated by reference from the Company's definitive proxy statement relating to its annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days of the end of fiscal year 2010.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2010 with respect to the shares of the Company's common stock that may be issued under the Company's existing equity compensation plans.

| Plan Category | A | B | C |
|------------------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| | Number of Securities to be Issued upon Exercise of Outstanding Options | Weighted Average Exercise Price of Outstanding Options | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) |
| Equity Compensation Plans Approved by Stockholders (1) | 179,750 | \$ 3.063 | 28,400 |
| Equity Compensation Plans Not Approved by Stockholders (2) | -0- | N/A | -0- |
| Total | 179,750 | \$ 3.063 | 28,400 |

- (1) Consists of the 1996 Stock Option Plan and the 2009 Equity Plan.
- (2) All of the Company's equity compensation plans have been previously approved by the Company's stockholders.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required under this item is incorporated by reference from the Company's definitive proxy statement relating to its annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days of the end of fiscal year 2009.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required under this item is incorporated by reference from the Company's definitive proxy statement relating to its annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days of the end of fiscal year 2009.

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PART IV

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

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statements Schedules

(1) The following financial statements of the Company are filed as a part of this Report:

Report of Independent Registered Public Accounting Firm

Consolidated Financial Statements

Consolidated Balance Sheets as of December 31, 2010 and 2009

Consolidated Statements of Operations for the twelve months ended December 31, 2010 and July 31, 2009, and for five months ended December 31, 2009

Consolidated Statements of Changes in Stockholders' Equity for the twelve months ended December 31, 2010 and July 31, 2009, and for five months ended December 31, 2009

Consolidated Statements of Cash Flows for the twelve months ended December 31, 2010 and July 31, 2009, and for five months ended December 31, 2009

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

All schedules for which provision is made in the applicable account regulation of the Securities and Exchange Commission are either not required under the related instructions, are inapplicable or the required information is included elsewhere in the Consolidated Financial Statements and incorporated herein by reference.

(b) Exhibits

The exhibits filed in response to Item 601 of Regulations S-K are listed in the Index to the Exhibits.

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Index To Financial Statements and Financial Statement Schedules (Item 15(a)(1) of Part IV)

| | PAGE |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <u>Report of Independent Registered Public Accounting Firm</u> | F - 1 |
| Financial Statements: | |
| <u>Consolidated Balance Sheets as of December 31, 2010 and 2009</u> | F - 2 |
| <u>Consolidated Statements of Operations for the year ended December 31, 2010, the five months ended December 31, 2009, and the twelve months ended July 31, 2009</u> | F - 3 |
| <u>Consolidated Statements of Changes in Stockholders' Equity for the year ended December 31, 2010, the five months ended December 31, 2009, and the twelve months ended July 31, 2009</u> | F - 4 |
| <u>Consolidated Statements of Cash Flows for the year ended December 31, 2010, the five months ended December 31, 2009, and the twelve months ended July 31, 2009</u> | F - 5 |
| <u>Notes to the Consolidated Financial Statements</u> | F - 6 |

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Asure Software, Inc.

We have audited the accompanying consolidated balance sheets of Asure Software, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year ended December 31, 2010, the five months ended December 31, 2009, and the twelve months ended July 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Asure Software, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for the year ended December 31, 2010, the five months ended December 31, 2009, and the twelve months ended July 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Austin, Texas
March 31, 2011

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ASURE SOFTWARE, INC.

CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

| | December, 31 | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------|
| | 2010 | 2009 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$1,070 | \$2,263 |
| Accounts receivable, net of allowance for doubtful accounts of \$46 and \$34 at December 31, 2010 and 2009, respectively | 1,239 | 1,526 |
| Inventory | 25 | 49 |
| Notes receivable | 62 | - |
| Prepaid expenses and other current assets | 255 | 213 |
| Total current assets | 2,651 | 4,051 |
| Notes receivable | 60 | - |
| Property and equipment, net | 281 | 581 |
| Intangible assets, net | 2,844 | 3,623 |
| Total assets | \$5,836 | \$8,255 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$560 | \$1,039 |
| Accrued compensation and benefits | 95 | 79 |
| Lease impairment and advance | - | 562 |
| Other accrued liabilities | 361 | 411 |
| Deferred revenue | 1,955 | 1,744 |
| Total current liabilities | 2,971 | 3,835 |
| Long-term liabilities: | | |
| Deferred revenue | 116 | 134 |
| Lease impairment and advance | - | 196 |
| Other long-term obligations | 25 | 212 |
| Total long-term liabilities | 141 | 542 |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value; 1,500 shares authorized; none issued or outstanding | -- | -- |
| Common stock, \$.01 par value; 6,500 shares authorized; 3,341 and 3,341 shares issued, 3,085 and 3,128 shares outstanding at December 31, 2010 and 2009, respectively | 334 | 334 |
| Treasury stock at cost, 256 and 213 shares at December 31, 2010 and 2009, respectively | (5,017) | (4,907) |
| Additional paid-in capital | 270,978 | 270,925 |
| Accumulated deficit | (263,541) | (262,404) |
| Accumulated other comprehensive loss | (30) | (70) |
| Total stockholders' equity | 2,724 | 3,878 |
| | \$5,836 | \$8,255 |

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

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ASURE SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)

| | Twelve Months December 31, 2010 | Five Months December 31, 2009 | Twelve Months July 31, 2009 |
|--------------------------------------------------|------------------------------------------|-------------------------------------|-----------------------------------|
| Revenues | \$10,033 | \$4,000 | \$10,044 |
| Cost of sales | 2,259 | 914 | 2,021 |
| Gross Margin | 7,774 | 3,086 | 8,023 |
| Operating Expenses | | | |
| Selling, general and administrative | 5,693 | 3,537 | 12,558 |
| Research and development | 1,445 | 676 | 2,270 |
| Litigation settlement | - | - | 2,200 |
| Impairment of assets | - | - | 630 |
| Loss on lease agreement | 1,203 | - | - |
| Amortization of intangible assets | 598 | 249 | 597 |
| Total operating expenses | 8,939 | 4,462 | 18,255 |
| Loss From Operations | (1,165) | (1,376) | (10,232) |
| Other Income (Expenses) | | | |
| Interest income | 5 | 9 | 125 |
| Gain on sale of assets | 5 | - | 277 |
| Gain on Investments | 130 | - | - |
| Foreign currency translation (loss) gain | (54) | (46) | 38 |
| Interest expense and other | (66) | (19) | (53) |
| Total other income (loss) | 20 | (56) | 387 |
| Loss From Operations before Income Taxes | (1,145) | (1,432) | (9,845) |
| Benefit (provision) for income taxes | 8 | (25) | 112 |
| Net Loss | \$(1,137) | \$(1,457) | \$(9,733) |
| Basic and Diluted Loss Per Share | | | |
| Basic | \$(0.37) | \$(0.46) | \$(3.13) |
| Diluted | \$(0.37) | \$(0.46) | \$(3.13) |
| Weighted Average Basic and Diluted Shares | | | |
| Basic | 3,087 | 3,141 | 3,111 |
| Diluted | 3,087 | 3,141 | 3,111 |

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

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

| | Common Stock Outstanding | Common Stock Amount | Treasury Stock | Additional Paid-in Capital | Accumulated Deficit | Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|----------------------------------------------------------|--------------------------------|---------------------------|-------------------|----------------------------------|------------------------|--------------------------------------------|----------------------------------|
| BALANCE AT JULY 31, 2008 | 3,111 | \$ 329 | \$ (4,815) | \$ 270,657 | \$ (251,214) | \$ (37) | \$ 14,920 |
| Proceeds from stock issued under employee plans | 1 | - | | 3 | | | 3 |
| Issuance of restricted stock | | | | 67 | | | 67 |
| Stock compensation | | | | 11 | | | 11 |
| Net loss | | | | | (9,733) | | (9,733) |
| Other comprehensive (loss) | - | - | - | - | - | (64) | (64) |
| BALANCE AT JULY 31, 2009 | 3,112 | \$ 329 | \$ (4,815) | \$ 270,738 | \$ (260,947) | \$ (101) | \$ 5,204 |
| Issuance of stock | 50 | 5 | | 170 | | | 175 |
| Stock compensation | | | | 17 | | | 17 |
| Net loss | | | | | (1,457) | | (1,457) |
| Purchase of treasury stock | (34) | | (92) | - | | | (92) |
| Other comprehensive income | - | - | - | - | - | 31 | 31 |
| BALANCE AT DECEMBER 31, 2009 | 3,128 | \$ 334 | \$ (4,907) | \$ 270,925 | \$ (262,404) | \$ (70) | \$ 3,878 |
| Stock compensation | | | | 53 | | | 53 |
| Net loss | | | | | (1,137) | | (1,137) |
| Purchase of treasury stock | (43) | | (110) | | | | (110) |
| Other comprehensive income | - | - | - | - | - | 40 | 40 |
| BALANCE AT DECEMBER 31, 2010 | 3,085 | \$ 334 | \$ (5,017) | \$ 270,978 | \$ (263,541) | \$ (30) | \$ 2,724 |

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

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

| | Twelve Months December 31, 2010 | Five Months December 31, 2009 | Twelve Months July 31, 2009 |
|-------------------------------------------------------------------|------------------------------------------|-------------------------------------|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss | \$(1,137) | \$(1,457) | \$(9,733) |
| Adjustments to reconcile net loss to net cash used in operations: | | | |
| Depreciation and amortization | 1,016 | 452 | 1,239 |
| Amortization of leasehold advance and lease impairment | (758) | (391) | (373) |
| Provision for doubtful accounts | 13 | - | 54 |
| Share-based compensation | 53 | 17 | 78 |
| Gain on sale of assets | (23) | - | (32) |
| Impairment of assets | - | - | 630 |
| Loss on disposal of subtenant leasehold improvements | 199 | - | - |
| Notes receivable | (122) | - | - |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | 274 | (319) | 139 |
| Inventory | 24 | (46) | 71 |
| Prepaid expenses and other current assets | (42) | (70) | 142 |
| Accounts payable | (456) | (5,255) | 2,545 |
| Accrued expenses and other long-term obligations | (173) | (295) | 346 |
| Deferred revenue | 193 | (138) | 312 |
| Net cash used in operating activities | (939) | (7,502) | (4,582) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of short-term investments | - | - | (6,080) |
| Sales of short-term investments | - | 5,339 | 3,375 |
| Net purchases of property and equipment | (141) | (35) | (314) |
| Net cash (used in)/provided by investing activities | (141) | 5,304 | (3,019) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Net proceeds from issuance of stock | - | 175 | 2 |
| Payments on capital leases | (48) | (28) | (40) |
| Purchase of treasury stock | (110) | (92) | - |
| Net cash (used in)/from financing activities | (158) | 55 | (38) |
| Effect of translation exchange rates | 45 | 31 | (48) |
| Net decrease in cash and equivalents | (1,193) | (2,112) | (7,687) |
| Cash and equivalents at beginning of period | 2,263 | 4,375 | 12,062 |
| Cash and equivalents at end of period | \$1,070 | \$2,263 | \$4,375 |
| SUPPLEMENTAL INFORMATION: | | | |
| Issuance of note receivable for sale of VTEL common stock | 120 | | |

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

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ASURE SOFTWARE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 - THE COMPANY

Asure Software, Inc. ("Asure" or the "Company"), a Delaware corporation d/b/a Asure Software and incorporated in 1985, is a provider of web-based workforce management solutions that enable organizations to manage their office environment as well as their human resource and payroll processes effectively and efficiently.

In September 2007, the Company announced its name change to "Asure Software" to reflect the Company's focus on its software business for its future growth. In October 2007, Asure purchased iSarla Inc., a Delaware corporation and application service provider that offers on-demand software solutions that help simplify the human resource process and improve employee productivity by managing and communicating human resources, employee benefits and payroll information. Under the trade name "iEmployee," these web-based solutions include Time & Attendance, Timesheets, Human Resource Benefits, Expenses and others. Asure's software business also includes software products and services from its NetSimplicity product line, which provides simple and affordable solutions to common office administration problems. NetSimplicity's flagship product, Meeting Room Manager, automates the entire facility scheduling process: reserving rooms, requesting equipment, ordering food, sending invitations, reporting on the meeting environment and more.

Effective September 19, 2008, the Company transferred the listing of its common stock from the Nasdaq Global Market Exchange to the Nasdaq Capital Market Exchange. The Company's trading symbol continued to be "ASUR" and the trading of the Company's stock was unaffected by this change. As a result of this transfer, Asure was provided an additional 180 calendar days, or until February 2, 2009, to regain compliance with the minimum \$1.00 share bid price requirement pursuant to Nasdaq Marketplace Rule 4450(a)(5).

Due to the continued unprecedented market conditions, Nasdaq, on several occasions, further suspended the enforcement of its rules requiring a minimum \$1.00 share bid price for all Nasdaq-listed companies. Consequently, Asure's current compliance deadline had been extended until November 17, 2009. As a method of gaining the required \$1.00 share bid price, effective on December 28, 2009, Asure implemented a reverse stock split approved by Asure's stockholders at the December 17, 2009 Annual Meeting. Pursuant to the reverse stock split, every ten shares of issued and outstanding common stock of Asure, \$.01 par value per share were automatically converted to one issued and outstanding share of common stock without any change in the par value of such shares. Historical share data presented in these consolidated financial statements and notes thereto have been restated to reflect this reverse stock split.

On January 29, 2009, Asure's Board announced its plan to take the Company private. Due to concerns including the loss of liquidity and reduced requirements for regular financial reporting and disclosure, a group of shareholders led by Red Oak Fund, LP ("Red Oak") opposed the Go-Private effort. As shareholder vote counts indicated a majority of shareholders also opposed the Go-Private effort, the Board canceled the special meeting and withdrew its proposal to go private. Subsequently, Red Oak nominated a slate of board directors, who were elected to replace Asure's prior Board during the Company's annual shareholders' meeting on August 28, 2009. In addition to a new board of directors, the Company is currently managed by a new Chief Executive Officer, who the new board of directors believes will be able to implement its strategy for growing the software business and achieving profitability and positive cash flows. However, uncertainties and challenges remain and there can be no assurances that Asure's current strategy will be successful.

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On November 24, 2009, the Board of Directors of the Company approved a change in the Company's fiscal year end from July 31 to December 31 of each year. This change to the calendar year reporting cycle began January 1, 2010. As a result of the change, the Company had a five month transition period from August 1, 2009 to December 31, 2009, the results of which are included in this Form 10-K for the fiscal year ended December 31, 2010.

Effective December 17, 2009 the shareholders voted to approve an amendment to the Company's Restated Certificate of Incorporation to change the Company's name from Forgent Networks, Inc. to Asure Software, Inc

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ASURE SOFTWARE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Asure's consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. Certain reclassifications have been made to prior year's financial statement to conform to the current year presentation.

USE OF ESTIMATES

Preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year end and the reported amounts of revenues and expenses during the fiscal year. The more significant estimates made by management include the valuation allowance for the gross deferred tax assets, contingency legal reserves, lease impairment, useful lives of fixed assets, the determination of the fair value of its long-lived assets, and the fair value of assets acquired and liabilities assumed during the iEmployee acquisition. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the given circumstances. These estimates could be materially different under different conditions and assumptions. Additionally, the actual amounts could differ from the estimates made. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

LIQUIDITY

As of December 31, 2010, Asure's principal source of liquidity consisted of \$1,070 of current cash and cash equivalents as well as future cash generated from operations. The decline of cash and cash equivalents of \$1,193 for the fiscal year ended December 31, 2010 is due primarily to the lease amendment fee of \$1,500 recorded during the second quarter of 2010 which is further discussed in Note 9. The Company believes that it has and/or will generate sufficient cash for its short and long term needs. The Company is continuing to reduce expenses and thus may utilize its cash balances in the short-term to reduce long-term costs. The Company expects that it will be able to generate positive cash flows from operating activities in the next fiscal year as well.

Management is focused on growing its existing software operations and looking to make strategic acquisitions in the near future. In the short-term, any acquisitions will be funded with cash on the balance sheet, cash from operations, and cash or debt raised from outside sources as well as with equity.

There is no assurance that the Company will be able to grow its cash balances or limit its cash consumption and thus maintain sufficient cash balances, and it is possible that the Company's future business demands may lead to cash utilization at levels greater than recently experienced. Management believes that the Company has sufficient capital and liquidity to fund and cultivate the growth of its current and future operations for the next 12 months and

thereafter. However, due to uncertainties related to the timing and costs of these efforts, Asure may need to raise additional capital in the future. Yet, there is no assurance that the Company will be able to raise additional capital if and when it is needed.

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ASURE SOFTWARE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except per share data or otherwise noted)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and investments in highly liquid investments with an original maturity of three months or less when purchased. All other investments not considered to be cash equivalents, including highly liquid investments with maturities greater than three months, are separately classified as short-term investments.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash and cash equivalents, trade accounts receivable and accounts payable. The current carrying amounts of these financial instruments approximate their fair market values because of the short-term nature of these instruments.

CREDIT POLICY

The Company reviews potential customers' credit ratings to evaluate customers' ability to pay an obligation within the payment term, which is usually net thirty days. When payment is reasonably assured and no known barriers exist to legally enforce the payment, the Company extends credit to customers. An account is placed on "Credit Hold" if a placed order exceeds the credit limit and may be placed on "Credit Hold" sooner if circumstances warrant. The Company follows its credit policy consistently and constantly monitors all of its delinquent accounts for indications of uncollectibility.

CONCENTRATION OF CREDIT RISK

The Company grants credit to customers in the ordinary course of business. Concentrations of credit risk related to the Company's trade accounts receivable are limited due to the large number of customers, including third-party resellers, and their dispersion across several industries and geographic areas. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. The Company requires advanced payments or secured transactions when deemed necessary.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company maintains an allowance for doubtful accounts at an amount estimated to be sufficient to provide adequate protection against losses resulting from extending credit to the Company's customers. This allowance is based in the aggregate, on historical collection experience, age of receivables, and general economic conditions. The allowance for doubtful accounts also considers the need for specific customer reserves based on the customer's payment experience, credit-worthiness and age of receivable balances. Asure's bad debts have not been material and have been within management expectations. The allowances for doubtful accounts as of December 31, 2010 and 2009 are as follows:

| | WRITE-OFF |
|----------------------|-----------------------------------|
| BALANCE | OF |
| AT BEGINNING OF YEAR | UNCOLLECTIBLE ACCOUNTS RECEIVABLE |
| AT END OF YEAR | BALANCE |

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| | | | | |
|----------------------------------------|-------|----|-------|-------|
| Year ended December 31, 2010 | \$ 34 | 51 | (39) | \$ 46 |
| Year ended December 31, 2009 | 47 | 49 | (62) | 34 |
| Five months ended December 31, 2009 | 20 | 5 | 9 | 34 |

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ASURE SOFTWARE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except per share data or otherwise noted)

INVENTORY

Inventory is recorded at cost and includes purchased LCD panels and a full range of biometric and card recognition Clocks that are sold as part of the Company's workforce management solutions as well as its human resource and payroll processes to complement its NetSimplicity and iEmployee software products respectively. Due to the minimal level of inventory maintained and the quick turnover in inventory, reserves for excess and obsolescence is not considered necessary.

PROPERTY AND EQUIPMENT

Property and equipment, including software, furniture and equipment, are recorded at cost less accumulated depreciation. Internal support equipment is video teleconferencing equipment used internally for purposes such as sales and marketing demonstrations, Company meetings, testing, troubleshooting customer problems and engineering, and is recorded at manufactured cost, if the Company manufactured the asset or is recorded at cost, if purchased. Depreciation is recorded using the straight-line method over the estimated economic useful lives of the assets, which range from two to five years. Property and equipment also includes leasehold improvements and capital leases, which are recorded at cost less accumulated amortization. Amortization of leasehold improvements and capital leases is recorded using the straight-line method over the shorter of the lease term or over the life of the respective assets, as applicable. Gains or losses related to retirements or disposition of fixed assets are recognized in the period incurred. Repair and maintenance costs are expensed as incurred. The Company periodically reviews the estimated economic useful lives of its property and equipment and makes adjustments, if necessary, according to the latest information available.

IMPAIRMENT OF INTANGIBLE ASSETS AND LONG-LIVED ASSETS

In accordance with FASB ASC 350, Asure reviews and evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, including those noted above, the Company compares the assets' carrying amounts against the estimated undiscounted cash flows to be generated by those assets over their estimated useful lives. If the carrying amounts are greater than the undiscounted cash flows, the fair values of those assets are estimated by discounting the projected cash flows. Any excess of the carrying amounts over the fair values are recorded as impairments in that fiscal period.

USE OF ESTIMATES

Preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year end and the reported amounts of revenues and expenses during the fiscal year. The more significant estimates made by management include the valuation allowance for the gross deferred tax assets, contingency legal reserves, lease impairment, useful lives of fixed assets, the determination of the fair value of its long-lived assets, and the fair value of assets acquired and liabilities assumed during the iEmployee acquisition. The Company bases its estimates on

historical experience and on various other assumptions that are believed to be reasonable under the given circumstances. These estimates could be materially different under different conditions and assumptions. Additionally, the actual amounts could differ from the estimates made. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

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

REVENUE RECOGNITION

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. The Company recognizes software revenue in accordance with FASB ASC 985-605, Revenue Recognition – Multiple Element Arrangements (FASB ASC 985-605). The Company’s revenues consists of software license, software subscription and service fees. Revenue from the software element is earned through the licensing or right to use the Company’s software and from the sale of specific software products. Service fee income is earned through the sale of maintenance and technical support, training and installation. Revenue from the sale of hardware devices is recognized upon shipment of the hardware. Asure also sells multiple elements within a single sale.

Since the Company currently offers software both as a perpetual license and as software as a service, revenue recognition varies based on which of these forms of software the customer purchases.

When the Company sells software licenses in a multiple element arrangement and vendor-specific objective evidence (“VSOE”) of fair value is available for the undelivered element, sales revenue is generally recognized on the date the product is shipped, using the residual method, with a portion of revenue recorded as deferred (unearned) due to the applicable undelivered elements. VSOE of fair value for the maintenance, training and installation services are based on the prices charged for the maintenance and services when sold separately. Undelivered elements for our multiple element arrangements with a customer are generally restricted to post contract support, training and install. The amount of revenue allocated to these undelivered elements is based on the VSOE of fair value for those undelivered elements. Deferred revenue due to undelivered elements is recognized ratably on a straight-line basis over the service period (typically one year) or when the service is completed. When VSOE of fair value is not available for the undelivered element of a multiple element arrangement, sales revenue is generally recognized ratably, on a straight-line basis over the service period of the undelivered element. The Company’s training and installation services are not essential to the functionality of the Company’s products as such services can be provided by a third party or the customers themselves.

The Company also sells software subscriptions and may at times sell related setup, implementation and professional services in the same arrangement. Setup and implementation services typically occur at start of the software subscription period, while certain professional services may not occur several months later depending on the nature of the services and the customer requirements. Prior to January 1, 2010, the Company recognized the total contract value of software subscriptions and related services ratably as a single unit of accounting over the contract term, beginning when the customer was able to utilize the software. Subsequent to the adoption of the updated FASB ASC 605, the Company accounts each of these elements as separate accounting units for new contracts entered into beginning January 1, 2010. We allocate the value of the arrangement to each unit of accounting based on vendor specific objective evidence of selling price, when it exists, third-party evidence of selling prices for like services or estimated selling price. Software subscription service revenues are recognized pro-rata over the life of the software subscription contract, while the related setup, implementation or professional services revenues are recognized upon completion. The result of the adoption is an immaterial acceleration of setup, implementation and professional service revenues related to software subscription transactions.

The Company does not recognize revenue for agreements with rights of return, refundable fees, cancellation rights or acceptance clauses until such rights of return, refund or cancellation have expired or acceptance has occurred. The

Company's arrangements with resellers do not allow for any rights of return.

Deferred revenue includes amounts received from customers in excess of revenue recognized, and is comprised of deferred maintenance, service and other revenue. Deferred revenues are recognized in the Consolidated Statements of Operations when the service is completed and over the terms of the arrangements, primarily ranging from one to three years.

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ASURE SOFTWARE, INC.
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ADVERTISING COSTS

The Company expenses advertising costs as they are incurred. Advertising expenses were \$25 and \$42 for the fiscal years ended December 31, 2010 and July 31, 2009, respectively, and \$28 for the five months period ending December 31, 2009. These expenses are recorded as part of sales and marketing expenses on the Consolidated Statements of Operations.

LEASE OBLIGATIONS

ASURE recognizes its lease obligations with scheduled rent increases over the term of the lease on a straight-line basis. Accordingly, the total amount of base rentals over the term of the Company's leases is charged to expense on a straight-line method, with the amount of rental expense in excess of lease payments recorded as a deferred rent liability. As of December 31, 2010 and 2009, the Company had deferred rent liabilities of \$0 and \$25, respectively, all of which are classified as long-term liabilities. The Company also recognizes capital lease obligations and records the underlying assets and liabilities on its Consolidated Balance Sheets. As of December 31, 2010 and 2009, ASURE had \$73 and \$95 in capital lease obligations, respectively.

FOREIGN CURRENCY TRANSLATION

The financial statements of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Accordingly, the assets and liabilities of these foreign subsidiaries are translated at current exchange rates at each balance sheet date. Translation adjustments arising from the translation of net assets located outside of the United States into United States dollars are recorded in accumulated other comprehensive income (loss) as a separate component of stockholders' equity. Income and expenses from the foreign subsidiaries are translated using monthly average exchange rates. Net gains and losses resulting from foreign exchange transactions are included in other income and expenses and were not significant in fiscal years 2010 and 2009.

INCOME TAXES

The Company accounts for income taxes using the liability method under FASB ASC 740, "Accounting for Income Taxes," which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some component or all of the deferred tax assets will not be realized.

In June 2006, the FASB issued an accounting standard regarding uncertain tax positions now codified with FASB ASC 740. This standard clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This interpretation defines the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Additionally, this standard provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and transition. ASURE adopted this standard effective August 1, 2007. The adoption did not have a material effect on the Company's consolidated financial statements.

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ASURE SOFTWARE, INC.
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SHARE BASED COMPENSATION

In December 2004, the FASB issued an accounting standard now codified as ASC 718, Stock Compensation. This revised standard addresses the accounting for stock-based payment transactions in which a company receives employee services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. Under this standard, companies may not account for stock-based compensation transactions using the intrinsic-value method. Instead, companies are required to account for such transactions using a fair-value method and recognize the related expense in the Consolidated Statement of Operations.

The Company adopted Statement ASC 718 effective August 1, 2005, using the modified prospective application transition method. The modified prospective application method requires that companies recognize compensation expense on stock-based payment awards that are modified, repurchased or cancelled after the effective date. The fair value of each award granted from Asure's stock option plans are estimated at the date of grant using the Black-Scholes option pricing model. 15 and 188 stock options were granted during the year ended December 31, 2010 and 2009.

As of December 31, 2010, \$92 of unrecognized compensation costs related to non-vested option grants is expected to be recognized over the course of the following 3 years.

The Company issued no shares of common stock related to exercises of stock options granted from its Stock Option and Stock Purchase Plans for the years ended December 31, 2010 and 2009. The Company did not issue any shares of restricted common stock from its Restricted Stock Plan for the years ended December 31, 2010, the five months ended December 31, 2009 and the twelve months ended July 31, 2009.

COMPREHENSIVE LOSS

In accordance with the disclosure requirements of FASB ASC 220, Comprehensive Income, the Company's comprehensive loss is comprised of net loss, foreign currency translation adjustments and unrealized gains and losses on short-term investments held as available-for-sale securities. The following table presents the Company's comprehensive loss and its components for the year ended December 31, 2010, five months ended December 31, 2009 and twelve months ended July 31, 2009.

| | Twelve Months Ended December 31, 2010 | Five Months Ended December 31, 2009 | Twelve Months Ended July 31, 2009 |
|---------------------------------|------------------------------------------------|----------------------------------------------|-----------------------------------------|
| Net Loss | \$ (1,137) | \$ (1,457) | \$ (9,733) |
| Foreign Currency gain (loss) | 40 | 33 | (71) |
| Unrealized gain (loss) | - | (2) | 7 |
| Comprehensive Loss | \$ (1,097) | \$ (1,426) | \$ (9,797) |

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ASURE SOFTWARE, INC.
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RECENT ACCOUNTING PRONOUNCEMENTS

In October 2009, the FASB updated FASB ASC 605, Revenue Recognition (FASB ASC 605) to address how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how the arrangement consideration should be measured and allocated to the separate units of accounting. This guidance eliminates the residual method and replaces it with the “relative selling price” method when allocating revenue in a multiple deliverable arrangement. The selling price for each deliverable shall be determined using vendor specific objective evidence of selling price, if it exists, otherwise third-party evidence of selling price shall be used. If neither exists for a deliverable, the vendor shall use its best estimate of the selling price for that deliverable. After adoption, this guidance will also require expanded qualitative and quantitative disclosures. The updated FASB ASC 605 is effective for the Company’s revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company adopted the updated FASB ASC 605 on January 1, 2010 on a prospective basis for any new contracts entered into after the date of adoption. The adoptions of this ASC update did not have a material impact to its condensed consolidated statement of operations for the twelve months ended December 31, 2010. However, the Company cannot predict whether the impact of this update will have a material impact in future quarters due to potential changes in products and product mix. Prior to the adoption of the updated FASB ASC 605, the Company accounted for its software subscriptions and related setup, implementation and professional services as a single accounting unit. Thus all revenues associated with such an arrangement were recognized pro-rata over the life of the software subscription service contract. Subsequent to the adoption of the updated FASB ASC 605, the Company accounts for each of these elements as separate accounting units. Thus the software subscription service revenue is recognized pro-rata over the life of the software subscription contract, while the related setup and implementation revenues are recognized upon completion. The result of the adoption is an immaterial acceleration of setup and implementation revenues related to software subscriptions.

NOTE 3 – FAIR VALUE MEASUREMENTS

Effective August 1, 2008, Asure adopted ASC 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements. The adoption of FASB ASC 820 did not have a material impact to the Company’s consolidated financial statements.

Statement No. 157 establishes a three-tier fair value hierarchy, which is based on the reliability of the inputs used in measuring fair values. These tiers include:

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

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The following table presents the fair value hierarchy for the Company's financial assets (cash equivalents and short-term investments) measured at fair value on a recurring basis as of December 31, 2010 and December 31, 2009, respectively:

| Description | Total Carrying Value at December 31, 2010 | Fair Value Measure at December 31, 2010 | | |
|--------------------|-------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| | | Quoted Prices in Active Market (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money Market Funds | \$ 1,070 | \$ 1,070 | \$ - | \$ - |
| Total | \$ 1,070 | \$ 1,070 | \$ - | \$ - |

| Description | Total Carrying Value at December 31, 2009 | Fair Value Measure at December 31, 2009 | | |
|--------------------|-------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| | | Quoted Prices in Active Market (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money Market Funds | \$ 2,263 | \$ 2,263 | \$ - | \$ - |
| Total | \$ 2,263 | \$ 2,263 | \$ - | \$ - |

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ASURE SOFTWARE, INC.
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NOTE 5 - INTANGIBLE ASSETS

Asure accounted for its historical acquisitions in accordance with ASC 805, Business Combinations. The Company recorded the amount exceeding the fair value of net assets acquired at the date of acquisition as goodwill. The Company recorded intangible assets apart from goodwill if the assets had contractual or other legal rights or if the assets could be separated and sold, transferred, licensed, rented or exchanged. Asure's goodwill and intangible assets relate to its acquisition of iSarla Inc. and the iEmployee operations.

In accordance with FASB ASC 350, Intangibles-Goodwill and other, Asure reviews and evaluates its long-lived assets, including intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. Based on Asure's impairment test, no impairment was identified for the Company's intangible assets for the years ended December 31, 2010, five months ended December 31, 2009 and twelve months ended July 31, 2009. The Company's goodwill was fully impaired as of July 31, 2008.

On May 3, 2010, the Company and Ceridian Corporation ("Ceridian"), a reseller of the Company's iEmployee products, entered into an agreement by which joint customers of the Company and Ceridian were given until July 31, 2010 to choose either to (i) contract directly with the Company to continue using our goods and services, or (ii) continue using Ceridian's offerings that may not include the Company's products and services. Depending on the number of customers that contracted with Asure and the related pricing, the cash flows associated with the Ceridian customers may vary from historical levels. Thus the Company tested the Customer Relationships intangible asset for impairment in accordance with FASB ASC 350. The Company compared the asset's carrying amount against the estimated undiscounted cash flows to be generated from the customers that contracted with Asure over the estimated useful life of the intangible asset. The undiscounted cash flows from the intangible asset exceeded the carrying value of the intangible asset and thus no impairment was required.

As of December 31, 2010 and 2009, the gross carrying amount and accumulated amortization of the Company's intangible assets are as follows:

| Intangible Asset | Amortization Period (in Years) | December 31, 2010 | | |
|----------------------------|--------------------------------------|-------------------|-----------------------------|----------|
| | | Gross | Accumulated Amortization | Net |
| Developed Technology | 5 | \$ 915 | \$ (592) | \$ 323 |
| Customer Relationships | 8 | 4,015 | (1,624) | 2,391 |
| Trade Names | 5 | 288 | (187) | 101 |
| Covenant not-to-compete | 4 | 150 | (121) | 29 |
| | | \$ 5,368 | \$ (2,523) | \$ 2,844 |

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| Intangible Asset | Amortization Period (in Years) | Gross | December 31, 2009 Accumulated Amortization | Net |
|-------------------------|-----------------------------------|----------|--------------------------------------------------|----------|
| Developed Technology | 5 | \$ 915 | \$ (409) | \$ 506 |
| Customer Relationships | 8 | 4,015 | (1,123) | 2,892 |
| Trade Names | 5 | 288 | (129) | 159 |
| Covenant not-to-compete | 4 | 150 | (84) | 66 |
| | | \$ 5,368 | \$ (1,745) | \$ 3,623 |

Amortization expense is recorded using the straight-line method over the estimated economic useful lives of the intangible assets, as noted above. Amortization expenses were \$598, \$249 and \$597 for the fiscal year ended December 31, 2010, the five months ended December 31, 2009 and the twelve months ended July 31, 2009, included in Operating Expenses, respectively. Amortization expenses recorded in Cost of Goods Sold were \$183, \$76 and \$183 for the fiscal year ended December 31, 2010, the five months ended December 31, 2009 and the twelve months ended July 31, 2009, respectively. The following table summarizes the estimated amortization expense relating to the Company's intangible assets for the next five fiscal years as of December 31, 2010:

| Fiscal Years | |
|--------------|----------|
| 2011 | \$ 771 |
| 2012 | 686 |
| 2013 | 502 |
| 2014 | 502 |
| 2015 | 383 |
| | \$ 2,844 |

NOTE 7 - SALE OF ASSETS

In February 2009, Asure sold certain assets associated with its Visual Asset Manager ("VAM") software product to E-Innovative Services Group, LLC ("EISG"), the Company's key partner in providing a complete asset management solution to its customers. EISG agreed to pay Asure quarterly royalty payments equal to 20% of all net revenue generated by EISG's sales of the VAM products, or any products derived from any of the acquired assets, up to a total sum of \$1,000. EISG also agreed to assume all contractual obligations related to the Company's VAM maintenance and support agreements. By divesting its VAM software product and services, Asure can focus its investment on NetSimplicity's scheduling software, Meeting Room Manager, which the Company believes has the greater potential for the Company's future growth and profitability. Asure's iEmployee operations were not affected by this sale. As a result of the VAM sale, the Company recorded a gain of \$26 during the twelve months ended July 31, 2009, which is included in other income on the Consolidated Statement of Operations.

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NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment and related depreciable useful lives are composed of the following:

| | December 31, | |
|---------------------------------------------------------------|--------------|----------|
| | 2010 | 2009 |
| Software: 3 - 5 years | \$ 3,054 | \$ 3,084 |
| Furniture and equipment: 2-5 years | 2,905 | 2,876 |
| Internal support equipment: 2- 4 years | 696 | 696 |
| Capital leases: lease term or life of the asset | 205 | 178 |
| Leasehold improvements: lease term or life of the improvement | 2,116 | 2,516 |
| | 8,976 | 9,350 |
| Less accumulated depreciation | (8,695) | (8,769) |
| | \$ 281 | \$ 581 |

The amortization of the capital leases is recorded as depreciation expense on the Consolidated Statements of Operations. Depreciation and amortization expenses relating to property and equipment were approximately \$237, \$130 and \$459 for the years ended December 31, 2010, five months ended December 31, 2009 and twelve months ended July 31, 2009, respectively.

NOTE 9 – LEASE IMPAIRMENT

During the quarter ended June 30, 2009, Wild Basin One & Two, Ltd. (“Wild Basin”), Asure’s landlord, communicated to Asure that it needed to accumulate additional reserves, in excess of the reserves currently remitted as required by Wild Basin’s loan agreement. Due to these additional reserves, Wild Basin stated that it is unable to remit any net profit interest payments to the Company as stipulated under the terms of Asure’s lease agreement. Additionally, the then current rental market in Austin, Texas continued to show depressed leasing rates. Based on these factors, management analyzed the discounted cash flows related to its Wild Basin property lease and subleases over the remainder of the lease term. Although the Company continued to actively sublease the vacated space, the rates on the new subleases were less than originally anticipated due to the current market rates at that time. Management calculated the economic value of the lost sublease rental income and recorded an additional impairment charge of \$630 to the Company’s Consolidated Statement of Operations for the year ended July 31, 2009.

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On April 28, 2010 the Company entered into an Amendment to its current building lease with Wild Basin. Pursuant to the terms of the amended Lease, the Landlord agreed to reduce the square footage leased by the Company from 137 thousand square feet to 9 thousand square feet for the lease's remaining three years. In addition, the monthly rent of \$299 was reduced to \$20 beginning April 1, 2010. In exchange for the rent and square footage reduction, the Company made a one time payment of \$1,500 and agreed to forgo approximately \$159 of monthly sub-tenant income it received from the excess space under the prior lease, resulting in the Company recording a loss on lease agreement of 1,203 during the year ended December 31, 2010. Additionally, the Company forfeited its rights to any potential future net profits interest in the lease. The \$1,203 loss consists of the following expenses; the \$1,500 lease termination fee, the write-off of \$186 of subtenant lease hold improvements and \$45 in transaction costs. These expenses were offset by the reversal of the following liabilities; \$254 of leasehold advance, \$235 of leasehold impairment and \$39 of other net liabilities.

NOTE 10 - STOCKHOLDERS' EQUITY

SHARE REPURCHASE PROGRAM

Pursuant to Asure's stock repurchase plan, the Company is allowed to repurchase up to 300,000 shares (adjusted for the 10 to 1 reverse stock split) of the Company's common stock. During the year ended December 31, 2010 Asure repurchased 43,364 shares of common stock for \$110. In total, Asure has repurchased 256,107 shares for approximately \$5.0 million over the life of the plan. Management will periodically assess repurchasing additional shares, depending on the Company's cash position, market conditions and other factors.

STOCK AND STOCK OPTION PLANS

Asure has one active equity plan, the 2009 Equity Plan (the "2009 Plan"). The 2009 Plan provides for the issuance of non-qualified and incentive stock options to employees and consultants of the Company. Stock options are generally granted with exercise price greater than or equal to the fair market value at the time of grant and the options generally vest over three to four years and are exercisable for a period of five to ten years beginning with date of grant. The Company's 1996 Plan expired in April 2006, whereby the Company can no longer grant options under these plans. However, options previously granted remain outstanding. Total compensation expense recognized in the Consolidated Statements of Operations for stock based awards was \$53, \$17 and \$78 for fiscal years ending December 31, 2010, the five months ended December 31, 2009 and the twelve months ended July 31, 2009, respectively.

As of December 31, 2010, Asure had reserved shares of common stock for future issuance under the 2009 Plan as follows:

| | |
|------------------------------------|-----|
| Options outstanding | 180 |
| Options available for future grant | 26 |
| Shares reserved | 206 |

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ASURE SOFTWARE, INC.
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The following table summarizes activity under all Plans for the years ended December 31, 2010 and July 31, 2009 and the five months ended December 31, 2009:

| | For the Twelve months ended December 31, 2010 | | For the Five months ended December 31, 2009 | | For the Twelve months ended July 31, 2009 | |
|----------------------------------------------------------------|--------------------------------------------------|------------------------------------------|------------------------------------------------|------------------------------------------|----------------------------------------------|------------------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding at the beginning of the year | 211 | \$4.36 | 113 | \$7.64 | 115 | \$7.55 |
| Granted | 15 | 2.52 | 188 | 3.00 | - | N/A |
| Exercised | - | N/A | - | N/A | - | N/A |
| Canceled | (46) | 8.81 | (90) | 5.63 | (2) | 3.85 |
| Outstanding at the end of the year | 180 | \$3.06 | 211 | \$4.36 | 113 | \$7.64 |
| Options exercisable at the end of the year | 55 | \$3.13 | 24 | \$15.10 | 113 | \$7.64 |
| Weighted average fair value of options granted during the year | | 1.83 | | 1.75 | | N/A |

The following table summarizes the outstanding and exercisable options and their exercise prices as of December 31, 2010.

| RANGE OF EXERCISE PRICES | OPTIONS OUTSTANDING | | | OPTIONS EXERCISABLE | | |
|--------------------------|-----------------------------------------|-----------------------------------------------------|---------------------------------|-----------------------------------------|---------------------------------|--|
| | NUMBER OUTSTANDING AT DECEMBER 31, 2010 | WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS) | WEIGHTED-AVERAGE EXERCISE PRICE | NUMBER EXERCISABLE AT DECEMBER 31, 2010 | WEIGHTED-AVERAGE EXERCISE PRICE | |
| \$ 2.25--\$2.45 | 8 | 8.99 | \$ 2.33 | 0 | \$ 0.00 | |
| 3.52-- 3.52 | 69 | 9.00 | 2.52 | 23 | 2.52 | |
| 2.59-- 3.85 | 103 | 8.61 | 3.48 | 32 | 3.57 | |
| \$ 0.38--\$3.82 | 180 | 8.78 | \$ 3.06 | 55 | \$ 3.13 | |

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ASURE SOFTWARE, INC.

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NOTE 11 - DEFINED CONTRIBUTION PLAN

The Company sponsors a defined contribution 401(k) plan that is available to substantially all employees. The plan may be amended or terminated at any time by the Board of Directors. The Company, although not required to, provided matching contributions to the plan of \$0, \$12 and \$67 for the year ended December 31, 2010, the five months ended December 31, 2009 and twelve months ended July 31, 2009, respectively. These contributions were recorded as expenses in the Consolidated Statements of Operations.

NOTE 12 - REVENUE CONCENTRATION

The revenue concentration from customers individually representing 10% or more in revenue for the years ended December 31, 2010, five months ended December 31, 2009 and twelve months ended July 31, 2009 are as follows:

| | Twelve Months Ended December 31, 2010 | | Five Months Ended December 31, 2009 | | Twelve Months Ended July 31, 2009 | |
|--------------------------------|------------------------------------------------|---|----------------------------------------------|---|--------------------------------------------|---|
| Percentage of Total Revenue | 12.6 | % | 21.20 | % | 21 | % |
| Number of Customers | 1 | | 1 | | 1 | |

NOTE 13 – GAIN ON SALE OF INVESTMENT

On September 30, 2010, Asure entered into a Promissory Note with VTEL Products Corporation (VTEL) and J. Merritt Belisle for the sale of its shares of Common Stock in VTEL. Asure sold 1,312,014 shares for \$130,000 with \$10,000 due immediately, \$60,000 due September 30, 2011, and the remaining \$60,000 due September 30, 2012. Asure recorded a gain on sale of \$130,000 in the third quarter of 2010 as these shares were carried at zero value on the balance sheet. In addition to the note receivable, Asure retains the right to receive 3% of net proceeds of the consideration received by VTEL or its shareholders in connection with a potential change of control. If no such change of control happens within 5 years, Asure has the right, with written notice, to request VTEL to repurchase this right at fair market value. Asure has not placed a value on this right due to the uncertainty surrounding the future outcome.

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NOTE 14 - EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per common share for the fiscal years ended December 31, 2010, the five months ended December 31, 2009 and the twelve months ended July 31, 2009, respectively. Approximately 211 options, 113 options and 115 options in the fiscal year ending December 31, 2010, five months ended December 31, 2009 and twelve months ended July 31, 2009, respectively, were not included in the computation of the dilutive stock options because the effect of such options would be anti-dilutive.

| | Twelve Months Ended December 31, 2010 | Five Months Ended December 31, 2009 | Twelve Months Ended July 31, 2009 |
|-----------------------------------------------------|------------------------------------------------|----------------------------------------------|--------------------------------------------|
| Net Loss | (1,137) | (1,457) | (9,733) |
| Weighted average shares outstanding - basic | 3,087 | 3,141 | 3,111 |
| Effect of dilutive stock options | - | - | - |
| Weighted average shares outstanding - diluted | 3,087 | 3,141 | 3,111 |
| Basic (loss) earning pershare | (0.37) | (0.46) | (3.13) |
| Diluted (loss) earnings per share | (0.37) | (0.46) | (3.13) |

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

NOTE 15 - FEDERAL INCOME TAXES

The components of the provision (benefit) for income taxes attributable to continuing operations are as follows:

| | For The Year Ended December 31, 2010 | For the Five Months Ended December 31, 2009 | For The Year Ended July 31, 2009 |
|-----------------------|--------------------------------------------|------------------------------------------------------|----------------------------------------|
| Current: | | | |
| Federal | \$ (50) | \$ (4) | \$ (221) |
| State | (1) | 1 | 29 |
| Foreign | 43 | 28 | 80 |
| Total current | (8) | 25 | (112) |
| Deferred: | | | |
| Federal | -- | -- | -- |
| State | -- | -- | -- |
| Foreign | -- | -- | -- |
| Total deferred | -- | -- | -- |
| | \$ (8) | 25 | \$ (112) |

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ASURE SOFTWARE, INC.
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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes at December 31, 2010 and 2009 are as follows:

| | 2010 | 2009 |
|-----------------------------------------------|----------|----------|
| DEFERRED TAX ASSETS: | | |
| Current deferred tax assets | | |
| Deferred revenue | \$257 | \$204 |
| Accrued expenses | 52 | 69 |
| Other | 17 | 11 |
| | 326 | 284 |
| Valuation allowance | (320) | (278) |
| Net current deferred tax assets | 6 | 6 |
| Noncurrent deferred tax assets | | |
| Net operating losses | 52,047 | 56,630 |
| Research and development credit carryforwards | 3,818 | 3,821 |
| Minimum tax credit carryforwards | 161 | 211 |
| Fixed assets | 1,060 | 1,195 |
| Impaired assets | - | 175 |
| Stock compensation | 56 | 70 |
| Other | 20 | 21 |
| | 57,162 | 62,123 |
| Valuation allowance | (56,116) | (60,788) |
| Net noncurrent deferred tax assets | 1,046 | 1,335 |
| Noncurrent deferred tax liabilities | | |
| Acquired intangibles | (1,052) | (1,341) |
| Total noncurrent deferred tax liabilities | (1,052) | (1,341) |
| Net current deferred tax asset | 6 | 6 |
| Net noncurrent deferred tax asset | \$(6) | \$(6) |

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At December 31, 2010, the Company had federal net operating loss carryforwards of approximately \$152,561, research and development credit carryforwards of approximately \$4,601 and alternative minimum tax credit carryforwards of approximately \$161. The net operating loss and research and development credit carryforwards will expire in varying amounts from 2011 through 2031, if not utilized. Minimum tax credit carryforwards carry forward indefinitely.

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

Due to the uncertainty surrounding the timing of realizing the benefits of its favorable tax attributes in future tax returns, the Company has placed a valuation allowance against its net deferred tax asset. Accordingly, no deferred tax benefits have been recorded for the tax years ended December 31, 2010 and 2009. During the year ended December 31, 2010, the valuation allowance decreased by approximately \$4,630 due primarily to operations, including expiration of tax carryforwards. Approximately \$8,034 of the valuation allowance relates to tax benefits for stock option deductions included in the net operating loss carryforward which, when realized, will be allocated directly to contributed capital to the extent the benefits exceed amounts attributable to book deferred compensation expense.

Undistributed earnings of the Company's foreign subsidiaries are considered permanently reinvested and, accordingly, no provision for U.S. federal or state income taxes has been provided thereon.

The Company's provision (benefit) for income taxes attributable to continuing operations differs from the expected tax expense (benefit) amount computed by applying the statutory federal income tax rate of 34% to income before income taxes as a result of the following:

| | For the Year Ended December 31, 2010 | For the Five Months Ended December 31, 2009 | For the Year Ended July 31, 2009 |
|-----------------------------------------|--------------------------------------------|------------------------------------------------------|----------------------------------------|
| Computed at statutory rate | \$ (389) | \$ (487) | \$ (3,338) |
| State taxes, net of federal benefit | (40) | (42) | 10 |
| Permanent items and other | 38 | 26 | 167 |
| Change in applicable state rate | - | (327) | - |
| Carryforwards/carrybacks utilized | (50) | (4) | (26) |
| Foreign income taxed at different rates | (4) | 6 | 12 |
| Tax carryforwards not benefitted | 437 | 853 | 3,063 |
| | \$ (8) | \$ 25 | \$ (112) |

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ASURE SOFTWARE, INC.
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Effective August 1, 2007, the Company adopted ASC 740-10-05. The Company did not record any additional tax liability a result of the adoption of ASC 740-10-05 and no adjustment was required to the August 1, 2007 balance of retained earnings. The total amount of unrecognized tax benefits as of January 1, 2010 was approximately \$978. The reconciliation of the Company's unrecognized tax benefits at the beginning and end of the year is as follows:

| | |
|--------------------------------------------------------------|-------|
| Balance at January 1, 2010 | \$978 |
| Additions based on tax positions related to the current year | 16 |
| Additions for tax positions of prior years | 4 |
| Reductions for tax positions of prior years | |
| Settlements | - |
| Balance at December 31, 2010 | \$998 |

As of December 31, 2010 the Company had \$998 of unrecognized tax benefits, which would affect the effective tax rate if recognized. The Company's assessment of its unrecognized tax benefits is subject to change as a function of the Company's financial statement audit.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. During the twelve months ended December 31, 2010, the Company recognized \$4 of interest and penalties in its income tax expense.

Asure Software files tax returns in the U.S. federal jurisdiction and in several state and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years ending before July 31, 2007 and is no longer subject to state and local or foreign income tax examinations by tax authorities for years ending before July 31, 2006. Asure Software is not currently under audit for federal, state or any foreign jurisdictions.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS & OTHER OBLIGATIONS

Asure leases office space and equipment under non-cancelable operating leases that expire at various dates through 2015. Certain leases obligate Asure to pay property taxes, maintenance and insurance and include escalation clauses. The total amount of base rentals over the term of the Company's leases is charged to expense on a straight-line basis, with the amount of the rental expense in excess of the lease payments recorded as a deferred rent liability. As of December 31, 2010, Asure did not have any debt outstanding. Asure may periodically make other commitments and thus become subject to other contractual obligations.

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

Asure's future minimum lease payments under all operating and capital leases as of December 31, 2010 are as follows:

| FISCAL YEAR ENDING: | OPERATING LEASE OBLIGATIONS | CAPITAL LEASE OBLIGATIONS |
|-------------------------------------|-----------------------------------|---------------------------------|
| 2011 | \$ 405 | \$ 48 |
| 2012 | 251 | 23 |
| 2013 | 72 | 2 |
| 2014 | 11 | -- |
| 2015 | 8 | -- |
| Thereafter | -- | -- |
| TOTAL | \$ 747 | \$ 73 |
| Less current portion of obligations | | (48) |
| Long-term portion of obligations | | \$ 25 |

Total rent expense under all operating leases for the year ending December 31, 2010, five months ended December 31, 2009 and twelve months ended July 31, 2009 were \$1,291, \$1,544 and \$3,769, respectively. Approximately 72.3% of Asure's total operating lease obligations relates to its corporate office facility at Wild Basin in Austin, Texas.

On April 28, 2010 the Company entered into an Amendment to its current building lease with Wild Basin. Pursuant to the terms of the amended Lease, the Landlord agreed to reduce the square footage leased by the Company from 137 thousand square feet to 9 thousand square feet for the lease's remaining three years. In addition, the monthly rent of \$299 was reduced to \$20 beginning April 1, 2010. In exchange for the rent and square footage reduction, the Company made a onetime payment of \$1,500 and agreed to forgo approximately \$159 of monthly sub-tenant income it received from the excess space under the prior lease, resulting in the Company recording a loss on lease agreement of 1,203 during the year ended December 31, 2010

CONTINGENCIES

On July 16, 2007, Jenkens & Gilchrist, P.C. ("Jenkins"), Asure's former legal counsel, filed a complaint against Asure and Compressions Labs, Inc., in the District Court of Dallas County, Texas. In its complaint, Jenkins alleged a breach of contract and sought a declaratory judgment. Asure disputed Jenkins' claims and also sought relief through the court system.

After Asure terminated Jenkins, the Company entered into a Resolution Agreement with Jenkins in December 2004. Under the Resolution Agreement, the Company believed Jenkins was entitled to \$1,400 for all fees and expenses related to certain settlements received from licensing the Company's intellectual property. Jenkins interpreted the Resolution Agreement on broader terms and initially believed it was entitled to \$2,800. As of July 31, 2007, Asure accrued \$2,100 for Jenkins' contingency fees related to these settlements. The Company recorded the contingency fees as part of cost of sales on its Consolidated Statement of Operations for the year ended July 31, 2007 in order to properly match the expenses to the related licensing revenues. The \$2,100 accrual remained as part of Asure's current liabilities through fiscal year 2009.

On July 20, 2009, the trial with Jenkens commenced. As the result of the jury verdict in July 2009 to award Jenkens approximately \$4,600 in damages, attorney's fees and interest, Asure entered into a settlement agreement with Jenkens, effective August 20, 2009. Under the settlement agreement, Asure agreed to pay Jenkens \$4,300 and the parties agreed to release all claims against each other. Based on the settlement amount, the Company accrued an additional \$2,200 as of July 31, 2009. Since the Company was no longer licensing its intellectual property and had no related licensing revenues in fiscal year 2009, this additional \$2,200 expense was recorded as part of operating expenses on the Consolidated Statement of Operations for the year ended July 31, 2009. Asure paid Jenkens \$4,300 on August 25, 2009 and the Company considers this litigation to be concluded.

Asure was the defendant or plaintiff in various actions that arose in the normal course of business. As of December 31, 2010, none of the pending legal proceedings to which the Company is a party are material to the Company.

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INDEX TO EXHIBITS

| EXHIBIT NUMBER | DOCUMENT DESCRIPTION |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1 | Agreement and Plan of Merger and Reorganization dated as of January 6, 1997 by and among VTEL, VTEL-Sub, Inc. and CLI (incorporated by reference to the Exhibit 99.1 of VTEL's Report on Form 8-K dated January 6, 1997). |
| 2.2 | Agreement and Plan of Merger, dated as of September 11, 2007 by and among Asure Software, Inc., Cheetah Acquisition Company, Inc. and iSarla Inc. (incorporated by reference to Exhibit 2.2 to the Company's quarterly report on Form 10-Q for the three months ended October 31, 2007). |
| 3.1 | Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the three months ended October 31, 2004). |
| 3.2 | Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's quarterly report on Form 10-Q for the three months ended October 31, 2004). |
| 4.1 | Specimen Certificate for the Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1, File No. 33-45876, as amended). |
| 4.2 | Amended Rights Agreement, dated as of December 19, 2005 between Asure Software, Inc. and American Stock Transfer & Trust Company, which includes the form of Series A Preferred Stock, \$.01 par value, the form of Rights Certificate, and the Summary of Rights (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 28, 2009). |
| 10.2 | VideoTelecom Corp. 1989 Stock Option Plan, as amended (incorporated by reference to Exhibit 4.1 to the Company's Registration on Form S-8, File No. 33-51822). |
| 10.3 | Form of VideoTelecom Corp. Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-1, File No. 33-45876, as amended). |
| 10.4 | Form of VideoTelecom Corp. Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1, File No. 33-45876, as amended). |
| 10.8 | VideoTelecom Corp. 1992 Director Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration on Form S-8, File No. 33-51822). |
| 10.9 | VideoTelecom Corp. Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration on Form S-8, File No. 33-51822). |
| 10.12 | Amendment to the VideoTelecom Corp. 1989 Stock Option Plan and the 1992 Director Stock Option Plan (the terms of which are incorporated by reference to the Company's 1996 Definitive Proxy Statement). |
| 10.13 | The VTEL Corporation 1996 Stock Option Plan (the terms of which are incorporated by reference to the Company's 1995 Definitive Proxy Statement). |

- 10.14 Amendment to the VTEL Corporation 1996 Stock Option Plan (the terms of which are incorporated by reference to the Company's Joint Proxy Statement filed on April 24, 1997).

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- 10.18 Lease Agreement, dated January 30, 1998, between 2800 Industrial, Inc., Lessor and VTEL Corporation, Lessee (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the three months ended April 30, 1998).
- 10.19 First Amendment, dated March 11, 1998, to Lease Agreement dated January 30, 1998, between 2800 Industrial, Inc., Lessor and VTEL Corporation, Lessee (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the three months ended April 30, 1998).
- 10.20 The VTEL Corporation 1998 Restricted Stock Plan (the terms of which are incorporated by reference to the Company's 1998 Definitive Proxy Statement).
- 10.25 Change-in Control Agreements with members of senior management of the Company (incorporated by reference to Exhibit 10.25 of the Company's Quarterly Report on Form 10-Q for the three months ended January 31, 2005).
- 10.25(a) * Nancy L. Harris
- 10.26 Resolution Agreement dated December 21, 2004, by and between Asure Software, Inc., Compression Labs, Inc. and Jenkins & Gilchrist, a Professional Corporation (incorporated by reference to Exhibit 10.26 of the Company's Quarterly Report on Form 10-Q for the three months ended January 31, 2005).
- 10.28 Agreement dated January 19, 2005, by and between Asure Software, Inc., Compression Labs, Inc. and The Roth Law Firm, P.C. (incorporated by reference to Exhibit 10.28 of the Company's Quarterly Report on Form 10-Q for the three months ended January 31, 2005).
- 10.33 Legal Services Fee Agreement, effective April 14, 2006, by and among Asure Software, Inc., Hagans, Bobb & Burdine, P.C. and Bracewell & Giuliani, L.L.P (incorporated by reference to Exhibit 10.33 of the Company's Quarterly Report on Form 10-Q for the three months ended April 31, 2006).
- 10.34 Amended Restricted Stock Plan, effective May 23, 2006 (incorporated by reference to Exhibit 10.34 of the Company's Quarterly Report on Form 10-Q for the three months ended April 31, 2006).
- 10.37 Amended Legal Services Fee Agreement, effective September 1, 2006, by and among Asure Software, Inc., Hagans, Burdine, Montgomery, Rustay & Winchester, P.C. and Bracewell & Giuliani, L.L.P. (incorporated by reference to Exhibit 10.37 of the Company's Quarterly Report on Form 10-Q for the three months ended October 31, 2006).
- 10.38 Asure Software, Inc. Incentive Bonus Plan (incorporated by reference to Exhibit 10.38 of the Company's Quarterly Report on Form 10-Q for the three months ended October 31, 2006)

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- 10.42 Employment Agreement with Fenil Shah dated October 5, 2007 (incorporated by reference to Exhibit 10.42 of the Company's Quarterly Report on Form 10-Q for the three months ended October 31, 2007).
- 10.43 Employment Agreement with Snehal Shah dated October 5, 2007 (incorporated by reference to Exhibit 10.42 of the Company's Quarterly Report on Form 10-Q for the three months ended October 31, 2007).
- 10.44 Retention Agreement with Nancy L. Harris dated (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K dated August 28, 2009).
- 10.45 Retention Agreement with Richard N. Snyder dated (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K dated August 28, 2009).
- 21 Subsidiaries of the Company
- 23.1 Consent of Ernst & Young LLP
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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