

CASCADE NATURAL GAS CORP  
Form 10-K  
December 15, 2005

## 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 September 30, 2005

Commission file number: 1-7196

## CASCADE NATURAL GAS CORPORATION

(Exact name of Registrant as specified in its charter)

**Washington**

(State or other jurisdiction of incorporation or organization)

**91-0599090**

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

**222 Fairview Avenue North  
Seattle, WA 98109**

(Address of principal executive offices)

**(206) 624-3900**

(Registrant's telephone number including area code)

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

**Title of Each Class**  
Common Stock, Par Value \$1 per Share

**Name of Each Exchange on which Registered**  
New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: **None**

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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 an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the close of business on September 30, 2005, was \$245,876,677.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

<b>Title</b>	<b>Outstanding</b>
Common Stock, Par Value \$1 per Share	11,435,593 as of November 30, 2005

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its 2006 Annual Meeting of Shareholders are incorporated by reference into Part III.

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**CASCADE NATURAL GAS CORPORATION**

**Annual Report to the Securities and Exchange Commission on Form 10-K**

For the Fiscal Year Ended September 30, 2005

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**PART I**

**Item 1. Business**

**General**

Cascade Natural Gas Corporation (Cascade or the Company) was incorporated under the laws of the state of Washington on January 2, 1953. Its principal business is the distribution of natural gas to customers in the states of Washington and Oregon. Approximately 72% of its residential and commercial gas distribution margins are from customers in the state of Washington.

As of September 30, 2005, the Company had approximately 196,000 residential customers, 30,000 commercial customers, and 719 industrial and other larger customers. Residential, commercial, and most small industrial customers are generally core customers who take traditional bundled natural gas service, which includes supply, peaking service, and upstream interstate pipeline transportation. Sales to core customers in fiscal 2005 accounted for approximately 24% of gas deliveries and 71% of operating margin. The Company's sales to its core residential and commercial customers are influenced by fluctuations in temperature, particularly during the winter season. A warm winter season will tend to reduce gas consumption. Also affecting sales to core customers is the addition of more energy-efficient homes and facilities, consumer behavior driven by cost increases and a desire to conserve, and a recent trend to warmer winters in the Company's service areas. Together, these forces have resulted in reductions in average gas usage per customer. The company is actively working with regulators within both states served to develop restructured rates to offset this trend.

Non-core customers are generally large industrial and institutional customers who have chosen unbundled service, meaning that they select from among several upstream supply, pipeline transportation, and gas management service options independent of the Company's distribution service. The Company's margin from non-core customers is derived primarily from distribution service and to a lesser extent from gas management service revenue. Gas management service revenue primarily includes operating margin from delivery of gas supplies and fees charged to non-core customers in consideration of securing gas supplies and pipeline capacity for the customers.

#### Natural Gas Supply

The majority of Cascade's supply of natural gas is transported via Williams Gas Pipelines - West (Williams). Williams owns and operates a transmission system extending from points of interconnection with El Paso Natural Gas Company and Transwestern Pipeline Company near Blanco, New Mexico through the states of New Mexico, Colorado, Utah, Wyoming, Idaho, Oregon and Washington to the Canadian border near Sumas, Washington. Natural gas is transported north from the Colorado and New Mexico area, and south from British Columbia, Canada. The Company is also a shipper on the transmission system of Gas Transmission Northwest Corporation (GTN), owned by TransCanada Pipeline (TCPL). GTN connects with the facilities of the TCPL at the international border near Kingsgate, British Columbia and extends through Washington and central Oregon into California. In addition, Cascade receives natural gas directly from Duke Energy Gas Transmission (DEGT) at the Canadian border near Sumas, Washington and also intra British Columbia at a receipt point known as Station 2 on DEGT.

Presently, baseload requirements for Cascade's core market are provided by eight major gas supply contracts with various expiration dates ranging from 2006 through 2009 and averaging 460,000 therms per day of Canadian supply and 106,500 therms per day of domestic supply. These contracts are supplemented by various service agreements to cover periods of peak demand including three storage agreements. One such agreement, with Williams, extends to October 31, 2014 and provides for 167,890 therms per day and a maximum, renewable inventory of 6,043,510 therms. The second storage agreement is with Avista Energy, and has a primary term ending April 30, 2006 and entitles Cascade to receive up to 150,000 therms per day and a maximum, renewable inventory of 4,800,000 therms. A third contract, also with Williams for liquefied natural gas (LNG) storage, is effective through October 31, 2014. Under this LNG agreement, Cascade is entitled to receive up to 600,000 therms per day to a maximum inventory of 5,622,000 therms. In addition to withdrawal and inventory capacity, Cascade maintains a corresponding amount of firm transportation from the storage facility to the city gate for each of these agreements.

The Company enters into various seasonal and annual gas supply contracts designed to match the load requirements of its customers. Interstate pipelines provide natural gas to the Company from production areas in the Rocky Mountain states and from western Canada. Management believes gas supply resources in those areas are adequate to serve the Company's current needs and to support future growth. The



wholesale price of gas in the region has increased in recent years, paralleling national trends. Additionally, a favorable differential that has historically existed between Pacific Northwest gas prices and national prices has narrowed as new pipelines have increased access to Rocky Mountain and Canadian supplies by California and mid-west markets.

To mitigate price volatility, the Company employs a gas procurement strategy for supplies for sale to core customers that involves entering into physical gas supply contracts with suppliers at published first-of-the-month index prices for up to five-year terms. To mitigate the price volatility, these index related supplies are hedged through the use of derivatives, primarily swaps, with financial institutions. Approximately 90% of the core market's requirement for fiscal 2006, 60% of fiscal 2007, and 30% of fiscal 2008 are secured with fixed prices as of the end of fiscal 2005.

**State Regulation**

The Company's rates and practices are regulated by the Washington Utilities and Transportation Commission (WUTC) and the Oregon Public Utility Commission (OPUC).

Cascade's gas supply contracts contain pricing provisions based on market prices, and as a matter of practice, the Company generally enters into derivatives, generally swaps, to fix the price of future supplies. To the extent that overall demand is different from the amount of gas supply under contract and hedged, the net effective price paid by Cascade may change with respect to supplies purchased for core customers. The Company is able to pass the effect of such changes, subject to regulatory review, to its customers by means of a periodic purchased gas cost adjustment (PGA) in each state. Gas price changes occurring between times when PGA rate changes become effective are deferred for pass through in the next PGA. These PGA's include interest compensation on any deferred collections financed by Cascade.

With respect to such gas supplies delivered to Oregon customers, 67% of the incremental change in the actual cost of gas supplies, as compared to the forecasted cost reflected in the PGA, is deferred. The remaining 33% (increase or decrease) is absorbed by the Company. This mechanism is intended to encourage the Company to seek opportunities to lower its cost of supplies and to be innovative in its management of the supply portfolio to avoid price spikes. Cascade's gas supply portfolio for Oregon core customers is comprised mostly of gas supplies with commodity prices that have been fixed through derivative arrangements; therefore, management believes the risk or opportunity for the Company is not significant under the 67% / 33% sharing arrangement.

Cascade has an earnings sharing mechanism with respect to its Oregon jurisdictional operations as required by the Oregon Public Utilities Commission. The mechanism was designed as an incentive to pursue operational efficiencies and new revenue opportunities, and to share the success of such pursuits with ratepayers if the Company's earnings exceed a calculated ceiling. Under that arrangement, the Company is authorized to retain all of its earnings attributable to its Oregon operations up to a threshold level equal to 300 basis points above a 10.25% return on equity (ROE). Subsequent years' base ROE is adjusted by 20% of the movement in the average of the annual yields, reported monthly, for five-, seven-, and ten-year US Treasury debt securities for the test period. If the adjusted Oregon earnings are below the threshold, there is no rate adjustment. If the adjusted earnings are above the threshold, one-third of the earnings exceeding the threshold will be refunded to customers through future rate reductions.

The Company is also subject to state regulation with respect to integrated resource planning, and its most recent update of its Integrated Resource Plan (IRP) was filed in 2004 with both the WUTC and the OPUC. The IRP shows the Company's optimum set of supply and demand side resources that minimizes costs and risk over the 20-year planning horizon. The IRP also sets forth possible core customer growth scenarios for a 20-year period. In addition, the IRP sets forth the Company's demand side management goals of achieving certain conservation levels in customer usage.

The IRP also includes the Company's supply side management plans regarding transportation capacity and gas supply acquisition over a 20-year period. The Company develops updates of the IRP every two years. These updated documents take into account input solicited from the public and the WUTC and OPUC staffs. While the filing of the IRP with both commissions gives the Company no advance assurance that its acquisitions of pipeline transportation capacity and gas supplies will be recognized in rates, management believes that the integrated resource planning process benefits the Company by giving it the opportunity to obtain input from regulators and the public concurrently with making these important strategic decisions. Until the Company receives final regulatory approval of these decisions in the context of the ratemaking process, the Company cannot predict with certainty the extent to which the integrated resource planning process will affect its rates.



Like virtually all U.S. gas utilities, Cascade has experienced a declining trend in per-customer consumption over the last several years. Given the drivers, this trend is unlikely to reverse itself. To date, growth in the number of residential and commercial customers and earnings from other services contributed to offsetting this reduction. The company is working with regulators in each state served to develop decoupling approaches which enable gas utilities to promote conservation while still earning an adequate return on its invested capital and operating costs. Similar approaches have been implemented in Oregon and many other states.

**Pipeline Safety**

Cascade is subject to both state and federal pipeline safety rules. In both Washington and Oregon, the federal rules are enforced by the state commissions. Both the federal and state rules are updated and amended periodically. The Pipeline Safety Act of 2002 requires operators of gas transmission pipelines to identify lines located in High Consequence Areas (HCA s) and develop Integrity Management Programs (IMP s) to periodically inspect the integrity of the pipelines and make repairs or replacements as necessary to ensure the ongoing safety of the pipelines. The legislation requires Cascade to complete inspection of 50% of the highest risk pipelines located in its HCA s within the first five years, and the remaining covered pipelines within 10 years of the date of enactment. The Pipeline Safety Act also requires re-inspections of the covered pipelines every seven years from the date of the previous inspection for the life of the pipelines. Cascade has met all interim deadlines in The Act and is on schedule to meet remaining deadlines.

#### Federal Energy Regulatory Commission (FERC) Matters

Cascade is not subject to regulation by the FERC; however, FERC actions can affect the amounts Cascade pays to interstate pipeline companies for interstate deliveries of natural gas supplies. Several issues are pending before FERC, or are on appeal before the U.S. Court of Appeals. The final outcome may affect prices Cascade pays; however, none would have a significant impact. Since the Company s current tariffs with the WUTC and OPUC provide for 100% pass through of costs subject to FERC regulation, the Company expects that the final resolution of pending issues will not significantly affect net income.

#### Curtailment Procedures

In some previous heating seasons, cold weather has required Cascade to curtail deliveries to its interruptible customers. Cascade has not curtailed any supply to firm customers, except under rarely occurring force majeure conditions. Cascade s tariffs effective in Washington and Oregon allow for curtailment of interruptible services, which are provided at rates lower than for firm services. In the event of curtailment by Cascade of firm service due to force majeure, Cascade s tariffs provide that it will not be liable for damages to any customer for failure to deliver gas curtailed in accordance with the provisions of the tariffs. The tariffs provide for appropriate adjustment of the monthly charges to firm customers curtailed by reason of an insufficient supply of gas.

#### Territory Served and Franchises

The population of communities served by Cascade totals approximately 1,045,000. At the end of September 2005, Cascade held the franchises necessary for the distribution of natural gas in all of the communities it serves in Washington and Oregon. Under the laws of those states, incorporated municipalities and counties may grant non-exclusive franchises for a fixed term of years conferring upon the grantee certain rights with respect to public streets and highways in the location, construction, operation, maintenance and removal of gas distribution facilities.

In the opinion of Cascade's management, none of its franchises contain any restrictions or requirements that are of a materially burdensome nature, and such franchises are adequate for the conduct of Cascade's present business. Franchises expire on various dates from fiscal 2006 to 2065. Management has not incurred significant difficulties in renewing franchises when they expire and does not expect any significant problems in the future.

**Customers**

Residential and commercial customers principally use natural gas for space heating and water heating. Once connected, these customers rarely change from gas service. This category is our fastest growing with customer count increases of 3-5% during each of the last several years. The residential and commercial

market is very weather-sensitive. See Seasonality below. In addition to the seasonal nature of usage, average consumption per customer has declined since the beginning of this decade. As mentioned earlier, the addition of more efficient homes and other buildings, replacing old appliances with more efficient units, and consumer behaviors drive this trend. Reductions are most pronounced following significant gas cost increases. Cascade's growth has contributed to offsetting these declines. As discussed under State Regulation, the Company is working with regulators in both states served to restructure rates to recognize this trend.

Agreements with Cascade's principal industrial customers are for fixed terms of not less than one year and provide for automatic extension from year to year unless terminated by either party on at least 120-days' notice. The principal industrial activities in Cascade's service area include the production of pulp, paper and converted paper products, plywood, industrial chemicals; refining of crude oil; the processing, flash freezing and canning of many types of vegetable, fruit and fish products; processing of milk products; meat processing; drying and curing of wood and agricultural products; and electric power generation. Electric generation customers represent a significant portion of industrial revenues. The demand for gas-fired generation tends to vary with the availability of hydroelectric power and the relative price of gas.

### Seasonality

Weather is an important factor affecting gas revenues because of the large number of customers using gas for space heating. For the fiscal year ended September 30, 2005, 68% of operating revenues and 106% of income from operations were derived from the first two quarters (October 2004 through March 2005). Because of the seasonality of space heating revenues, financial results for interim periods are not indicative of results to be expected for an entire year. To mitigate the seasonality of space heating revenues, the Company pursues a marketing strategy of encouraging the installation of appliances that utilize natural gas more consistently year-round since they are not as influenced by weather conditions.

### Competitive Conditions

Cascade operates in a competitive market for natural gas service. Cascade competes with residual fuel oil and other alternative energy sources for industrial boiler uses, and oil, propane, and electricity for residential and commercial space heating, and electricity for water heating.

Competition is primarily based on price. Though wholesale natural gas prices have increased significantly during 2005, Cascade's residential and commercial rate schedules continue to maintain a price advantage over oil in its entire service territory and have an advantage over electricity in much of its territory. In addition, natural gas enjoys the advantage of being the preferred energy choice by builders for new home construction.

The large volume industrial market has always been very sensitive to price fluctuations between the comparable cost of natural gas and alternate fuels, principally residual fuel oil used in boiler applications. However, the advent of open access transportation in the late 1980's and early 1990's and the subsequent restructuring of gas supply and contractual provisions with these customers have improved the Company's competitive position. With the escalation of wholesale natural gas prices that began in the 2000 - 2001 heating season, and again in 2005, the Company has experienced some movement of its gas load to alternative fuels and some plant curtailments by industrial customers.

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In addition to multiple alternative fuels, the Company is subject to bypass. Bypass refers to actual or prospective customers who install their own facilities and connect directly to an upstream pipeline and thereby bypass the Company's distribution service. The Company has in the past experienced bypass, but has also experienced success in offering competitive rates to reduce economic incentives to bypass.

The Company competes with others in acquiring gas supplies for resale to governmental and industrial customers. Further opportunities in this area will be dependent upon market conditions that can change over time, credit worthiness of customers and the increase or decrease in the number of competing providers that are available.

The Bonneville Power Administration (BPA) is a major supplier of hydroelectric power in the Pacific Northwest including Cascade's service area. BPA significantly influences the electric rates of all classes of customers including those applications in direct competition with natural gas marketed by Cascade.

### Environmental

The Company is subject to federal and state environmental regulation of its operations and properties through the United States Environmental Protection Agency, the Washington Department of Ecology and the Oregon Department of Environmental Quality. Such regulation may, at times, result in the imposition of liability or responsibility for the clean up or treatment of existing environmental problems or for the prevention of future environmental problems. For detailed descriptions of specific environmental issues, see Environmental Matters under Item 7.

### Capital Expenditures

Driven by Cascade's high growth rate, capital expenditures are primarily used to expand the Company's distribution system to serve new customers. Investments to expand capacity and to assure a safe and reliable system require a relatively smaller portion of our overall capital spending. A one-time project, the installation of automated meter-reading capabilities system-wide, represented \$16 million of our capital spending during fiscal years 2003 and 2004. Total capital expenditures for the three fiscal years ended September 30, 2005 averaged approximately \$31.5 million. Capital spending for fiscal 2006 is expected to be significantly lower, likely within or slightly higher than the range Cascade spent during fiscal years 1999 to 2002.

Cascade has no current plans for major one-time capital projects. Also supporting the reduced need to invest capital is the Company's practice of assuring that its spending generates the highest possible returns within the shortest possible time, while assuming prudent risk, and complying with the requirements of regulators. An example is our practice of working with developers and new customers to share the cost of marginal expansions and service connections when projected returns are insufficient for the Company to fund the entire investment. Other practices include considering innovative solutions to specific needs, such as utilizing temporary supplemental capacity rather than investing in expensive pipe expansions to cover peak requirements.

### Non-Utility Subsidiaries

Cascade has four non-utility subsidiaries, only two of which are actively engaged in business at present. The first active subsidiary, Cascade Land Leasing, is engaged in the servicing of loans that were made to Cascade's gas customers to finance their purchases of energy-efficient appliances. The subsidiary ceased making new loans in September 1997. In addition, Cascade Land Leasing receives a small amount of annual royalty on gas production in Colorado. These mineral rights were a result of historical operations the Company had in Colorado until the mid-1970's. The second active subsidiary, CGC Resources, is engaged in pipeline capacity management, with the objective of mitigating gas costs for Cascade. The subsidiaries, which in the aggregate account for less than 1% of the consolidated assets of the Company, do not currently have a significant impact on Cascade's financial statements.

### Personnel

At September 30, 2005, Cascade had 375 employees. Of the total employees, 177 are represented by the International Chemical Workers Union. The present contract with the union extends to April 1, 2006 and remains in force thereafter from year to year unless terminated by either party by written notice sixty days prior to the expiration date. Historically, the Company and the union have negotiated a new agreement to become effective as of the earliest expiration date rather than allowing the existing agreement to remain in force.

On November 23, 2005, 29 customer service representatives in the Company's Bellingham and Sunnyside call centers elected to be represented by the International Chemical Workers Union.

**Available Information**



The Company makes available free of charge, on or through its website, <http://www.cngc.com>, its annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with the Securities and Exchange Commission. In addition, copies of these documents may be requested, at no cost, from the Company's corporate headquarters. Requests should be directed to Shareholder Relations, Cascade Natural Gas Corporation, 222 Fairview Avenue North, Seattle, WA 98109, or by phone at 206-624-3900.

To contact any independent board member, you may write to Larry L. Pinnt, Board of Directors Chair, P.O. Box 87, Redmond, WA 98073-0087, fax to 425-895-1349, or e-mail to lpinnt@cngc.com.

## **Item 2. Properties**

At September 30, 2005, Cascade's utility plant investments included approximately 5,244 miles of distribution mains ranging in diameter from two inches to sixteen inches, 215 miles of transmission mains ranging in diameter from two inches to twenty inches, and 3,593 miles of service lines.

The distribution and transmission mains are located under public property such as streets and highways or on private property with the permission or consent of the individual owner.

Cascade owns 21 buildings used for operations, office space and warehousing in Washington and six such buildings in Oregon. It leases two commercial offices and warehouse buildings. Cascade considers its properties well maintained and in good operating condition, and adequate for Cascade's present and anticipated needs. All facilities are substantially utilized.

## **Item 3. Legal Proceedings**

Incorporated herein by reference is the information under "Environmental Matters" in Item 7.

## **Item 4. Submission of Matters to a Vote of Security Holders**

No matters were submitted during the fourth quarter of fiscal year 2005.

## **Executive Officers of the Registrant**

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The executive officers of the Company, as of December 8, 2005, are as follows:

Name	Office	Age	Year Became Officer
David W. Stevens	President and Chief Executive Officer	46	2005
Rick A. Davis	Chief Financial Officer	53	2005
Jon T. Stoltz	Senior Vice President - Gas Supply and Regulatory Affairs	58	1981
Larry C. Rosok	Vice President - Human Resources and Corporate Secretary	49	1995
Michael J. Gardner	Vice President Operations	36	2005
Julie A. Marshall	Vice President Customer Service	52	2005
James E. Haug	Controller	56	1981

None of the above officers is related by blood, marriage or adoption to any other of the above-named officers. With the exception of David W. Stevens and Rick A. Davis, each of the other above-named officers has been employed by the Company in a management capacity for at least the past five years. None of the above officers holds directorships in other public corporations. All officers serve at the pleasure of the Board of Directors.

Mr. Stevens, 46, was elected to President and Chief Executive Officer and to the Board of Directors of Cascade Natural Gas Corporation effective April 1, 2005. From July 2003 to December 2004, Mr. Stevens was President and COO for Panhandle Energy, a Southern Union Company subsidiary. From September 1997 to January 2003, he was President of the Southern Union Gas Company. Prior to that, Mr. Stevens served in other executive capacities within the Southern Union Company, including Senior Vice President Sales and Operations, Regional Vice President, Group Vice President and Vice President Operations.

Mr. Stevens joined the Southern Union Company in 1984. He has served on the Board of Directors for the Southern Gas Association and the Intrastate Natural Gas Association of America, and was a member of the president's counsel of the American Gas Association.

Mr. Davis, 53, was elected to Chief Financial Officer effective June 27, 2005. From September 2003 to June 2005, Mr. Davis provided strategic planning and compliance consulting services through his own firm, Advisory Services and Jefferson-Wells, a global provider of accounting and finance-related services. From January 2003 to August 2003, Mr. Davis was Chief Financial Officer at PAC Worldwide, a privately held manufacturer and distributor of packaging products. From 1984 to 2002, Mr. Davis held executive-level positions at Weyerhaeuser Company and one of its subsidiaries serving at various times as Controller, Director Finance, Vice President-Finance and Vice President-Marketing. He has served on various professional and non-profit boards and is a member of Financial Executives International and the AICPA.

**PART II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities**



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The Common Stock is traded on the New York Stock Exchange under the symbol CGC. The following table states the per-share high and low sales prices of the Common Stock:

Quarter	Fiscal 2005		Fiscal 2004	
	High	Low	High	Low
December 31	\$ 21.80	\$ 20.00	\$ 21.99	\$ 19.41
March 31	\$ 21.48	\$ 19.68	\$ 23.05	\$ 20.76
June 30	\$ 20.59	\$ 18.05	\$ 22.52	\$ 19.10
September 30	\$ 22.80	\$ 20.01	\$ 22.20	\$ 19.35

At September 30, 2005, there were 5,350 registered holders of the Common Stock. The following table shows for the periods indicated the dividends paid per share on the Common Stock:

Quarter	Fiscal 2005	Fiscal 2004
December 31	\$ 0.24	\$ 0.24
March 31	\$ 0.24	\$ 0.24
June 30	\$ 0.24	\$ 0.24
September 30	\$ 0.24	\$ 0.24

At September 30, 2005, the Company was in compliance with all indebtedness covenants and was not restricted on dividend payments.

**Item 6. Selected Financial Data**

The following selected financial data are derived from the consolidated financial statements of the Company and have been restated to reflect adjustments that are further discussed in Note 3: Restatement of Financial Statements under Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data of this Form 10-K.

**Consolidated Statements of Income and Comprehensive Income:**

	Year Ended September 30				
	2005	2004	2003*	2002*	2001*
(dollars in thousands except per share data)					
Operating Revenues	\$ 326,500	\$ 318,078	\$ 302,755	\$ 320,978	\$ 335,814
Less: Gas Purchases	212,958	202,759	191,887	209,225	219,795
Revenue taxes	21,827	21,511	20,193	21,251	20,987
Operating Margin	91,715	93,808	90,675	90,502	95,032
Cost of Operations:					
Operating expenses	44,223	40,540	45,514	43,052	41,027
Depreciation and amortization	17,274	16,325	15,338	14,926	13,839
Property and payroll taxes	3,786	3,696	3,532	3,361	3,182
	65,283	60,561	64,384	61,339	58,048
Income From Operations	26,432	33,247	26,291	29,163	36,984
Nonoperating Expense (Income):					
Interest	11,744	12,375	12,363	12,384	10,509
Interest charged to construction	(187)	(445)	(378)	(219)	(333)
	11,557	11,930	11,985	12,165	10,176
Amortization of debt issuance expense	372	618	696	652	607
Other	(376)	(162)	(227)	(197)	(313)
	11,553	12,386	12,454	12,620	10,470
Income Before Income Taxes	14,879	20,861	13,837	16,543	26,514
Income Taxes	5,632	7,559	5,117	6,085	9,520
Net Income	9,247	13,302	8,720	10,458	16,994
Other Comprehensive Income (Loss)					
Minimum pension liability adjustment	177	1,270	(2,619)	(11,792)	(6,502)
Income tax benefit	(56)	(448)	937	4,205	2,341
Other Comprehensive Income (Loss)	121	822	(1,682)	(7,587)	(4,161)
Comprehensive Income	\$ 9,368	\$ 14,124	\$ 7,038	\$ 2,871	\$ 12,833
Earnings Per Common Share, Basic and Diluted	\$ 0.82	\$ 1.19	\$ 0.79	\$ 0.95	\$ 1.54

\* Data for 2001, 2002, and 2003 are restated as discussed in the Notes to Consolidated Financial Statements in Item 8 of this report.





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	2005	2004*	At September 30		2002*	2001*
			2003*			
	(dollars in thousands except per share data)					
<b>Retained Earnings:</b>						
Beginning of the year	\$ 17,570	\$ 15,051	\$ 16,978	\$ 17,127	\$ 10,736	
Net income	9,247	13,302	8,720	10,458	16,994	
Exercise of stock options				(4)		
Common dividends	(10,909)	(10,783)	(10,647)	(10,603)	(10,603)	
End of the year	\$ 15,908	\$ 17,570	\$ 15,051	\$ 16,978	\$ 17,127	
<b>Capital Structure:</b>						
Common shareholders' equity	\$ 118,615	\$ 117,584	\$ 111,630	\$ 113,635	\$ 121,391	
Debt:						
Long-term debt	173,840	128,900	142,930	164,930	125,000	
Short-term debt	12,500	33,500	3,800		40,000	
Current maturities of long-term debt		14,000	22,000			
	186,340	176,400	168,730	164,930	165,000	
Total capital	\$ 304,955	\$ 293,984	\$ 280,360	\$ 278,565	\$ 286,391	
<b>Financial Ratios:</b>						
Return on common shareholders' equity	7.46%	11.03%	7.33%	8.27%	13.26%	
Common stock dividend payout ratio	117%	81%	122%	101%	62%	
Cash dividends per common share	\$ 0.96	\$ 0.96	\$ 0.96	\$ 0.96	\$ 0.96	
Fixed charge coverage (before income tax deduction):						
Times interest earned	2.23	2.61	2.06	2.27	3.39	
Book value per year-end share of common stock						
	\$ 10.39	\$ 10.44	\$ 10.03	\$ 10.29	\$ 10.99	
<b>Capitalization Ratios at End of Year</b>						
Common shareholders' equity	38.9%	40.0%	39.8%	40.8%	42.4%	
Long-term debt (incl. current maturities)	57.0%	48.6%	58.8%	59.2%	43.6%	
Short-term debt	4.1%	11.4%	1.4%	0.0%	14.0%	
	100.0%	100.0%	100.0%	100.0%	100.0%	
<b>Utility Plant:</b>						
Utility plant - end of year	\$ 597,469	\$ 570,036	\$ 529,807	\$ 505,126	\$ -0-	

- (a) The Company's option awards vest on an annual basis, normally over a 3 to 4 year period
- (b) Options generally expire 5 to 10 years from relevant grant date. When employees, including officers, are terminated, any vested options expire 30 days from the date of termination.

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## POTENTIAL PAYMENTS DUE TO CHANGE-IN-CONTROL

In the event of a “change of control” (as defined in the Employment Agreement), each of the Named Executive Officers’ unvested options, as of the change of control date, will be modified as follows: if the consideration per share in connection with the “Change of Control” (as defined in the Equity Plan) is: (i) at least \$4.00 per share, then an additional 25% of the remaining unvested Total Number of Shares shall immediately vest and become exercisable; (ii) at least \$5.00 per share, then an additional 50% of the remaining unvested Total Number of Shares shall immediately vest and become exercisable; (iii) at least \$6.00 per share, then an additional 75% of the remaining unvested Total Number of Shares shall immediately vest and become exercisable; and (iv) at least \$7.00 per share, then all of the remaining unvested total Number of Shares shall immediately vest and become exercisable.

Additionally, for Patrick Goepel, the number of shares that would vest according to the vesting schedule in a 12 month period will immediately vest.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to beneficial ownership of our Common Stock by our director nominees as of May 4, 2012. None of the participants owns any shares of our Common Stock of record that such participant does not also own beneficially. As of May 4, 2012, 4,635,997 shares of our Common Stock were issued and outstanding.

The following table sets forth certain information with respect to beneficial ownership of our Common Stock as of May 4, 2012 by:

- each person who is known by us to beneficially own more than five percent of our common stock;
- each of our directors at that date and nominees and named executive officers; and
- all directors and officers as a group.

Name and Address of Beneficial Owner	Shares Beneficially Owned(1)(2)			
	Number		Percent	
Red Oak Partners, LLC, 654 Broadway, Suite 5 , New York, NY, 10012	660,225	(3 )	13.3	%
Renaissance Technologies, Inc. LLC, 800 Third Avenue, New York, NY 10022	234,676	(4 )	4.7	%
David Sandberg	660,225	(5 )	13.3	%
Patrick Goepel	313,858	(6 )	6.2	%
Adrian Pertierra	14,331	(7 )	.	*
J. Randall Waterfield	6,057	(8 )	*	
Matthew Behrent	1,407	(9 )	*	
David Scoglio	39,319	(10 )	*	
Steve Rodriguez	-0-		*	
Mike Kinney	-0-		*	
All Directors and officers as a group (8 persons)(5)(6)(7)(8)(9)(10)	1,269,873		25.5	%

\*

Indicates ownership of less than 1% of our common stock



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- (1) Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. The persons and entities named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them, except as noted below. Amounts shown include shares of our common stock issuable upon exercise of certain outstanding options within 60 days after May 4, 2012.
- (2) Except for the percentages of certain parties that are based on presently exercisable options which are indicated in the following footnotes to the table, the percentages indicated are based on 4,635,997 shares of our common stock issued and outstanding on May 4, 2012. In the case of parties holding presently exercisable options, the percentage ownership is calculated on the assumption that the shares presently held or purchasable within the next 60 days underlying such options are outstanding.
- (3) Pursuant to Schedule 4 filed by Red Oak Partners, LLC with the SEC on April 6, 2012.
- (4) Pursuant to Schedule 13SCG/A filed by Renaissance Technologies, Inc. with the SEC on February 12, 2012.
- (5) Mr. Sandberg is the managing member, founder, and portfolio manager of Red Oak Partners, LLC.
- (6) Consists of 224,395 shares held directly by Mr. Goepel and 89,463 shares issuable upon exercise of options exercisable within 60 days of May 4, 2012.
- (7) Consists of 8,706 shares held directly by Mr. Pertierra and 5,625, shares issuable upon exercise of options exercisable within 60 days of May 4, 2012.
- (8) Consists of 4,650 shares held directly by Mr. Waterfield and 1,407 shares issuable upon exercise of options exercisable within 60 days of May 4, 2012.
- (9) Consists of 0 shares held directly by Mr. Behrent and 1,407 shares issuable upon exercise of options exercisable within 60 days of May 4, 2012.
- (10) Consists of 12,319 shares held directly by Mr. Scoglio and 27,000 shares issuable upon exercise of options exercisable within 60 days of May 4, 2012.

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## EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2011 with respect to the shares of the Company's common stock that may be issued under the Company's existing equity compensation plans, after the additional 375,000 shares pending approval at the June 26, 2012 shareholders meeting.

Plan Category	A Number of Securities to be Issued upon Exercise of Outstanding Options	B Weighted Average Exercise Price of Outstanding Options	C 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)	529,738	\$ 2.28	-0-
Equity Compensation Plans To Be Approved by Stockholders (2)	123,516	N/A	251,484
<b>Total</b>	<b>653,254</b>	<b>\$ N/A</b>	<b>251,484</b>

(1) Consists of the 1996 Stock Option Plan and the 2009 Equity Plan.

(2) Reflects the 375,000 less 123,516 shares for pending options.

## APPROVAL OF TRANSACTIONS WITH RELATED PARTIES

The Board of Directors reviews all transactions involving the Company in which any of our directors, director nominees, significant Shareholders and executive officers and their immediate family members are participants to determine whether such person has a direct or indirect material interest in the transaction. All directors, director nominees and executive officers must notify us of any proposed transaction involving us in which such person has a direct or indirect material interest. Such proposed transaction is then reviewed by either the Audit Committee or a special committee of independent directors, which determines whether or not to approve the transaction. After such review, the reviewing body approves the transaction only if it determines that the transaction is in, or not inconsistent with, the best interests of the Company and its stockholders. Review and approval of such transactions fall under Section D (2) of the Company's Audit Committee Charter.

## Related Party Transactions:

Effective as of October 1, 2011, the Company, through ADI Software, LLC, a wholly owned subsidiary of the Company ("Purchaser"), purchased substantially all of the assets and assumed certain liabilities of ADI Time, LLC ("Seller") relating to its time and attendance software and management services business, pursuant to an Asset Purchase Agreement ("APA") by and among the Company, Purchaser and Seller. The APA contains certain customary representations, warranties, indemnities and covenants of the Company, Purchaser and Seller.



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The purchase price for the assets consisted of \$6,000,000 in cash and a promissory note of the Purchaser (“Purchaser Note”) in the aggregate principal amount of \$1,095,392. The Purchaser Note bears interest at an annual rate of 0.16%, will mature on October 1, 2014, and is guaranteed by the Company. The Purchaser may offset any indemnification payments owed by the Seller under the APA against up to \$1 million under the Purchaser Note. The cash portion of the purchase price was funded with the Company’s cash on hand and proceeds from the Credit Agreement with JPMorgan Chase Bank N.A. (“Bank”) and the Subordinated Notes.

On September 29, 2011, we entered into a Credit Agreement with the Bank, providing for a \$500,000 line of credit (the “Credit Agreement”). The outstanding principal balance under the line of credit which consists of acquisition financing will convert into a term loan with monthly payments to be based on a two year fully amortizing basis. The term loan will bear interest at a rate of 1.5% above the CB Floating Rate. The CB Floating rate is defined as the Bank’s prime rate, as announced from time to time, provided that the CB Floating Rate may not be less than the adjusted one month LIBOR rate. The aggregate principal amount of advances outstanding at any one time under the line of credit may not exceed 80% of eligible trade accounts and accounts receivable or the maximum principal amount then available, whichever is less.

The Company’s obligations to the Bank are guaranteed by ADI Software, LLC, a wholly owned subsidiary of the Company, and secured by all of the assets of the Company and its subsidiaries.

The Credit Agreement contains customary affirmative and negative covenants, including but not limited to limitations with respect to debt, liens, sale of equity interests, mergers and acquisitions, sale of assets, and loans or advances to and investments in others. The Company is also required to maintain total cash and marketable securities of not less than \$300,000, beginning on December 31, 2011; a debt service coverage ratio of not less than 1.2 to 1.0 for each period of four consecutive fiscal quarters; and EBITDA of not less than \$100,000 for each fiscal quarter.

Events of default under the Credit Agreement include, among others, (i) the failure to pay when due the obligations owing to the Bank, (ii) the failure to perform covenants set forth in the Credit Agreement (as described above), (iii) any materially incorrect or misleading representation, warranty or certificate to the Bank, (iv) any materially incorrect or misleading representation in any financial statement or other information delivered to the Bank, (v) certain cross defaults and cross accelerations, (vi) the failure to perform under the guaranty, (vii) the occurrence of certain bankruptcy or insolvency events, (viii) judgments against the Company or its subsidiaries, and (ix) certain material adverse changes. In some cases, the events of default are subject to customary notice and grace period provisions.

On September 30, 2011, the Company borrowed \$500,000 under the line of credit to fund a portion of the cash portion of the purchase price paid in the ADI acquisition described above.

## Securities Purchase Agreements

### 15% Subordinated Notes

On September 30, 2011, the Company sold \$1,700,000 aggregate principal amount of the Company’s 15% subordinated notes (“15% Notes”) in a private placement to accredited investors. The 15% Notes pay interest on each of March 31, June 30, September 30 and December 31, beginning on December 31, 2011, at a rate of 15% per year. The 15% Notes will mature on September 30, 2014. The 15% Notes are secured by all of the assets of the Company and are subordinated to the Company’s obligations to the Bank.

Patrick Goepel, the Company’s Chief Executive Officer purchased \$500,000 of the 15% Notes. Pinnacle Fund, LLLP purchased \$300,000 of the 15% Notes. David Sandberg, the Company’s Chairman, is the controlling member of Red Oak Partners, LLC, which owns 50% of Pinnacle Partners, LLC, which is the general partner of the Pinnacle Fund,



LLLP. Red Oak Partners, LLC is also the manager of the Pinnacle Fund, LLLP. For the year ended December 2011, interest payments related to the 15% Notes were as follows: Mr. Goepel, \$ 18,889; and Pinnacle Fund, LLLP, \$11,332.

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### 9% Subordinated Convertible Notes

On September 30, 2011, the Company entered into a Securities Purchase Agreement (the “9% Note Purchase Agreement”) relating to the sale of \$1,500,000 aggregate principal amount of the Company’s 9% subordinated convertible notes (“9% Notes”) in a private placement to accredited investors. The 9% Notes pay interest on each of March 31, June 30, September 30 and December 31, beginning on December 31, 2011, at a rate of 9% per year. The 9% Notes will mature on September 30, 2014. The 9% Notes are secured by all of the assets of the Company and are subordinated to the Company’s obligations to the Bank and the 15% Notes.

Beginning 12 months from the date of issuance, the holder may convert the 9% Notes into shares of the Company’s common stock at a conversion price of \$5.00 per share. The conversion price will be adjusted for certain events, such as stock dividends and stock splits. Additionally, if the Company subsequently issues common stock at a price below the then current conversion price, the conversion price will be reset to the greater of \$3.27 per share (the closing price of the Company’s Common Stock on September 30, 2011) or such lower price. In the event that a holder of a 9% Note elects to convert the 9% Note into equity, and the Company determines that such conversion would jeopardize the Company’s tax benefits under Section 382 of the Internal Revenue Code, the Company may elect to prepay any or all of such 9% Notes prior to conversion, subject to certain limitations, at a purchase price equal to the product of the number of shares into which the 9% Note is convertible and the volume weighted average closing price during the 20 day trading period beginning on the 10th day before the conversion notice is received by the Company multiplied by the Premium Rate. The Premium Rate is 1.1 if a holder notifies the Company of an intention to convert his, her or its 9% Note into equity prior to the date that is 90 days before the maturity date and 1.5 if such notification is made within 90 days of the maturity date.

The 9% Note Purchase Agreement provides that, if the Company issues common stock below \$3.25 per share, each holder of the 9% Notes outstanding at that time will have the right to purchase its pro rata portion of such stock issuance.

Mr. Goepel, the Company’s Chief Executive Officer, purchased \$200,000 of the 9% Notes. Red Oak Fund, LP purchased \$600,000 of the 9% Notes. Mr. Sandberg, the Company’s Chairman, is the controlling member of Red Oak Partner s, LLC, which manages the Red Oak Fund. For the year ended December 2011, interest payments related to the 9% Notes were as follows: Mr. Goepel, \$ 4,533; and Red Oak Fund, \$ 13,599.

In March 2012, we offered each holder of 9% Notes the opportunity to convert the outstanding principal balance into shares of our Common Stock at the original \$5.00 per share conversion price set forth in the 9% Notes. As consideration for agreeing to amend, we made a one time cash payment to holders of the 9% Notes, as follows: (i) with respect to holders of 9% Notes who did not then elect to convert their 9% Notes (“the Non Early Electing Holders”), an amount equal to 3% of the outstanding principal balance and (B) with respect to holders of 9% Notes who did then elect to convert their 9% Notes (the “Early Electing Holders”), an amount equal to 80% of the interest that such holder would have received if such holder had held the 9% Note to maturity. Converting Noteholders also waived the anti-dilution protection on the Note conversion price. Holders of approximately \$1,150,000 of the original \$1,500,000 of 9% Notes (including Mr. Goepel and the Red Oak Fund) elected to convert their Notes to shares of Common Stock.

The 15% Notes and 9% Notes are referred to collectively as the “Subordinated Notes.”

### Registration Rights Agreement

In connection with the 9% Note Purchase Agreement, on September 30, 2011, we entered into a Registration Rights Agreement (the “Registration Rights Agreement”) with the investors purchasing the 9% Notes. Under the Registration

Rights Agreement, the Company agreed, by June 30, 2012 (or December 31, 2012 if a certain trading volume condition is met) to file with the Securities and Exchange Commission ("SEC") a registration statement for the Early Electing Holders covering the resale of the shares issuable upon conversion of the 9% Notes. The Company agreed to use its best efforts to have the registration statement declared effective by the SEC no later than September 30, 2012 (or March 31, 2013 if a certain trading volume condition is met). If we fail to satisfy the filing deadline or the effectiveness deadline, the interest rate on the 9% Notes will increase to 12% per year and we will pay to each Non Early Electing Holder an amount of cash equal to 0.5% of the amount paid for such holder's 9% Note on (i) the date of the filing failure and on every 30th day thereafter until the filing failure is cured and (ii) the date of the effectiveness failure and on every 30th day thereafter until the effectiveness failure is cured.

For the Early Electing Holders, we have agreed to file the registration statement by July 31, 2012 and to obtain its effectiveness by August 31, 2012. Upon a failure with respect to these requirements, the percentage of the 9% Notes payable during each 30-day period is 5%, rather than 0.5% as described above.

The Registration Rights Agreement also provides for piggyback registration rights and includes other customary provisions relating to, among others, cutback priorities, suspension periods and indemnification.

#### Security and Intercreditor Agreement

Pursuant to a Security and Intercreditor Agreement dated as of September 29, 2011 (the "Intercreditor Agreement"), the Company granted a subordinated security interest in all of the assets of the Company to the investors purchasing the Subordinated Notes. The Intercreditor Agreement sets forth the respective rights and priorities of the holders of the 15% Notes and the 9% Notes.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers, directors, and persons who beneficially own more than 10% of the Company's Common Stock ("10% Stockholders") to file reports of ownership and changes in ownership with the SEC and NASDAQ. Such officers, directors and 10% Stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms that they file. Based solely upon information provided to the Company by individual officers, directors and 10% Stockholders, Asure believes that all of these filing requirements were satisfied by the Company's officers, directors, and 10% Stockholders in calendar 2011, except for a Form 4 that was late for Mr. Goepel and a Form 3 was late for Mr. Waterfield.

STOCKHOLDER PROPOSALS

Pursuant to various rules promulgated by the SEC, a stockholder seeking to include a proposal in our proxy statement and form of proxy card for our annual stockholder meeting must timely submit such proposal in accordance with SEC Rule 14a-8 to Asure Software, Inc., addressed to David Scoglio, Secretary, 110 Wild Basin Road, Suite 100, Austin, Texas 78746. Pursuant to SEC Rule 14a-8, a stockholder proposal for the annual stockholder meeting to be held in 2013 (the "2013 Meeting") must be received in writing by the Company at its executive offices no later than December 14, 2012. Further, a stockholder may not present a proposal for inclusion in our proxy statement and form of proxy card related to the 2013 Meeting and may not submit a matter for consideration at the 2013 Meeting, regardless of whether presented for inclusion in our proxy statement and form of proxy card, unless the stockholder has timely complied with our bylaw requirements. Under these requirements, a stockholder's notice to the Secretary must set forth as to each matter the stockholder proposes to bring before the meeting a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting; the name and address, as they appear on our books, of the stockholder proposing such business and the name and address of the beneficial owner, if any, on whose behalf the proposal is made; the class and number of our shares of our Common Stock which are owned beneficially and of record by such stockholder and by the beneficial owner, if any, on whose behalf the proposal is being made; and any material interest of such stockholder of record and beneficial owner, if any, on whose behalf the proposal is made in such business.

Under our bylaw requirements, a stockholder's notice must be delivered to or mailed and received by us not less than 60 days nor more than 90 days prior to the first anniversary date of the prior year's annual meeting; provided, however, that in the event that the date of the annual meeting changes by more than 30 days from such anniversary date, notice by the stockholder to be timely must be received not later than the close of business on the 10th day following the day on which public disclosure is first made of the date of the annual meeting. Therefore, in order to be timely for the 2013 Meeting, a stockholder's notice regarding a proposal not to be included in the Company's proxy materials must be delivered to or mailed and received at our principal executive offices not earlier than March 1, 2013 and not later than March 31, 2013.

PROXY SOLICITATION AND COSTS

The enclosed proxy is being solicited by the Board of Directors of the Company. We will bear the entire cost of solicitation of proxies on behalf of the Company, including preparation, assembly, printing and mailing of this Proxy Statement, the enclosed proxy card, the enclosed annual report for calendar year 2011, coordination of the Internet and telephone voting process, and any additional information furnished to you by the Company. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our Common Stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of Common Stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by internet and mail may be supplemented by telephone, facsimile, or personal solicitation by our directors, officers or other regular employees.

The Company has engaged InvestorCom, Inc. to provide proxy solicitation services and proxy/investor relations services, respectively. The Company will pay InvestorCom, Inc. a base fee of \$4,500 for its services plus reimbursable expenses currently estimated at \$ 10,000-15,000. As part of such engagement, InvestorCom, Inc. is authorized to accept stockholder votes over the telephone in accordance with the Company's customary procedures.

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HOUSEHOLDING

Some banks, brokers and other record holders have begun the practice of “householding” proxy statements and annual reports. “Householding” is the term used to describe the practice of delivering a single set of proxy statements and annual reports to any household at which two or more stockholders reside if a company reasonably believes the stockholders are members of the same family. This procedure reduces the volume of duplicate information stockholders receive and also reduces a company’s printing and mailing costs. We will promptly deliver an additional copy of either document to any stockholder who writes or calls us at the following address or phone number: Investor Relations, Asure Software, Inc., 110 Wild Basin Road, Suite 100, Austin, Texas 78746, (512) 437-2678. Stockholders may also use the above contact information for requests from (i) individual stockholders in households currently receiving a single copies of annual reports and proxy statements who wish to receive separate copies in the future and (ii) two or more stockholders in households receiving multiple copies of annual reports and proxy statements who wish to receive a single copy of annual reports and proxy statements in the future.

ANNUAL REPORT ON FORM 10-K

We will provide to any Stockholder without charge a copy of our 2011 annual report on Form 10-K upon written request to our Secretary at Asure Software, Inc., 110 Wild Basin Road, Suite 100, Austin, TX 78746. Our annual report booklet and this proxy statement are also available online at <http://www.asuresoftware.com/annual-meeting-proxy/>.

OTHER BUSINESS

As of the date of this proxy statement, we know of no business that will be presented for consideration at the annual meeting other than the items referred to in this proxy statement. If any other matter is properly brought before the annual meeting for action by Stockholders, proxies will be voted in accordance with the recommendation of the board or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROXY STATEMENT OR ITS APPENDICES TO VOTE ON THE MATTERS SET FORTH ABOVE. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS PROXY STATEMENT. THIS PROXY STATEMENT IS DATED MAY 23, 2012. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE AND THE MAILING OF THIS PROXY STATEMENT TO STOCKHOLDERS SHALL NOT CREATE ANY IMPLICATION TO THE CONTRARY.

By order of the Board of Directors

Patrick Goepel  
Chief Executive Officer  
Austin, Texas

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APPENDIX A

ASURE SOFTWARE, INC.  
2009 EQUITY PLAN

1.

Purposes of the Plan. The purposes of this 2009 Equity Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an option and subject to the applicable provisions of Section 422 of the Code and the regulations and interpretations promulgated thereunder. Stock purchase rights may also be granted under the Plan.

2.

Definitions. As used herein, the following definitions shall apply:

(a)

"Administrator" means the Board or its Committee appointed pursuant to Section 4 of the Plan.

(b)

"Affiliate" means an entity other than a Subsidiary (as defined below) which, together with the Company, is under common control of a third person or entity.

(c)

"Applicable Laws" means the legal requirements relating to the administration of stock option and restricted stock purchase plans, including under applicable U.S. state corporate laws, U.S. federal and applicable state securities laws, other U.S. federal and state laws, the Code, any Stock Exchange rules or regulations and the applicable laws, rules and regulations of any other country or jurisdiction where Options or Stock Purchase Rights are granted under the Plan, as such laws, rules, regulations and requirements shall be in place from time to time.

(d)

"Board" means the Board of Directors of the Company.

(e)

"Cause" for termination of a Participant's Continuous Service Status will have the definition set forth in each Optionee's applicable Option Agreement or Restricted Stock Purchase Agreement, as the case may be.

(f)

"Change of Control" means (1) a sale of all or substantially all of the Company's assets, or (2) any merger, consolidation or other business combination transaction of the Company with or into another corporation, entity or person, other than a transaction in which the holders of at least a majority of the shares of voting capital stock of the Company outstanding immediately prior to such transaction continue to hold (either by such shares remaining outstanding or by their being converted into shares of voting capital stock of the surviving entity) a majority of the total voting power represented by the shares of voting capital stock of the Company (or the surviving entity) outstanding immediately after such transaction, or (3) the direct or indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of the Company.

(g)

“Code” means the Internal Revenue Code of 1986, as amended.

(h)

“Committee” means one or more committees or subcommittees of the Board appointed by the Board to administer the Plan in accordance with Section 4 below.

(i)

“Common Stock” means the Common Stock of the Company.

(j)

“Company” means Asure Software, Inc., a Delaware corporation.

(k)

“Consultant” means any person, including an advisor, who is engaged by the Company or any Parent, Subsidiary or Affiliate to render services and is compensated for such services, and any director of the Company whether compensated for such services or not.

(l)

“Continuous Service Status” means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Service Status as an Employee or Consultant shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Administrator, provided that such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) in the case of transfers between locations of the Company or between the Company, its Parents, Subsidiaries, Affiliates or their respective successors. A change in status from an Employee to a Consultant or from a Consultant to an Employee will not constitute an interruption of Continuous Service Status.

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- (m)  
“Corporate Transaction” means a sale of all or substantially all of the Company’s assets, or a merger, consolidation or other capital reorganization or business combination transaction of the Company with or into another corporation, entity or person, or the direct or indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of the Company.
- (n)  
“Director” means a member of the Board.
- (o)  
“Employee” means any person employed by the Company or any Parent, Subsidiary or Affiliate, with the status of employment determined based upon such factors as are deemed appropriate by the Administrator in its discretion, subject to any requirements of the Code or the Applicable Laws. The payment by the Company of a director’s fee to a Director shall not be sufficient to constitute “employment” of such Director by the Company.
- (p)  
“Exchange Act” means the Securities Exchange Act of 1934, as amended.
- (q)  
“Fair Market Value” means, as of any date, the fair market value of the Common Stock, as determined by the Administrator in good faith on such basis as it deems appropriate and applied consistently with respect to Participants. Whenever possible, the determination of Fair Market Value shall be based upon the closing price for the Shares as reported in the Wall Street Journal for the applicable date.
- (r)  
“Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code, as designated in the applicable Option Agreement.
- (s)  
“Listed Security” means any security of the Company that is listed or approved for listing on a national securities exchange or designated or approved for designation as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc.
- (t)  
“Named Executive” means any individual who, on the last day of the Company’s calendar year, is the chief executive officer of the Company (or is acting in such capacity) or among the four most highly compensated officers of the Company (other than the chief executive officer). Such officer status shall be determined pursuant to the executive compensation disclosure rules under the Exchange Act.
- (u)  
“Nonstatutory Stock Option” means an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable Option Agreement.
- (v)  
“Option” means a stock option granted pursuant to the Plan.
- (w)

“Option Agreement” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of an Option granted under the Plan and includes any documents attached to or incorporated into such Option Agreement, including, but not limited to, a notice of stock option grant and a form of exercise notice.

(x)  
“Option Exchange Program” means a program approved by the Administrator whereby outstanding Options are exchanged for Options with a lower exercise price or are amended to decrease the exercise price as a result of a decline in the Fair Market Value of the Common Stock.

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(y)

“Optioned Stock” means the Common Stock subject to an Option.

(z)

“Optionee” means an Employee or Consultant who receives an Option.

(aa)

“Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code, or any successor provision.

(bb)

“Participant” means any holder of one or more Options or Stock Purchase Rights, or the Shares issuable or issued upon exercise of such awards, under the Plan.

(cc)

“Plan” means this 2009 Equity Plan.

(dd)

“Reporting Person” means an officer, Director, or greater than ten percent stockholder of the Company within the meaning of Rule 16a-2 under the Exchange Act, who is required to file reports pursuant to Rule 16a-3 under the Exchange Act.

(ee)

“Restricted Stock” means Shares of Common Stock acquired pursuant to a grant of a Stock Purchase Right under Section 11 below.

(ff)

“Restricted Stock Purchase Agreement” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of a Stock Purchase Right granted under the Plan and includes any documents attached to such agreement.

(gg)

“Rule 16b-3” means Rule 16b-3 promulgated under the Exchange Act, as amended from time to time, or any successor provision.

(hh)

“Share” means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.

(ii)

“Stock Exchange” means any stock exchange or consolidated stock price reporting system on which prices for the Common Stock are quoted at any given time.

(jj)

“Stock Purchase Right” means the right to purchase Common Stock pursuant to Section 11 below.

(kk)

“Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code, or any successor provision.

(II)  
“Ten Percent Holder” means a person who owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary.

3.  
Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be sold under the Plan is 525,000 shares of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock. If an award should expire or become unexercisable for any reason without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unpurchased Shares that were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan. In addition, any Shares of Common Stock which are retained by the Company upon exercise of an award in order to satisfy the exercise or purchase price for such award or any withholding taxes due with respect to such exercise or purchase shall be treated as not issued and shall continue to be available under the Plan. Shares issued under the Plan and later repurchased by the Company pursuant to any repurchase right which the Company may have shall be available for future grant under the Plan.

4.  
Administration of the Plan.

(a)  
General. The Plan shall be administered by the Board or a Committee, or a combination thereof, as determined by the Board. The Plan may be administered by different administrative bodies with respect to different classes of Participants and, if permitted by the Applicable Laws, the Board may authorize one or more officers to make awards under the Plan.

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(b)

Committee Composition. If a Committee has been appointed pursuant to this Section 4, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and remove all members of a Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws and, in the case of a Committee administering the Plan in accordance with the requirements of Rule 16b-3 or Section 162(m) of the Code, to the extent permitted or required by such provisions. The Committee shall in all events conform to any requirements of the Applicable Laws.

(c)

Powers of the Administrator. Subject to the provisions of the Plan and in the case of a Committee, the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i)

to determine the Fair Market Value of the Common Stock, in accordance with Section 2(q) of the Plan, provided that such determination shall be applied consistently with respect to Participants under the Plan;

(ii)

to select the Employees and Consultants to whom Plan awards may from time to time be granted;

(iii)

to determine whether and to what extent Plan awards are granted;

(iv)

to determine the number of Shares of Common Stock to be covered by each award granted;

(v)

to approve the form(s) of agreement(s) used under the Plan;

(vi)

to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder, which terms and conditions include but are not limited to the exercise or purchase price, the time or times when awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, any pro rata adjustment to vesting as a result of a Participant's transitioning from full- to part-time service (or vice versa), and any restriction or limitation regarding any Option, Optioned Stock, Stock Purchase Right or Restricted Stock, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vii)

to determine whether and under what circumstances an Option may be settled in cash under Section 10(c) instead of Common Stock;

(viii)

to implement an Option Exchange Program on such terms and conditions as the Administrator in its discretion deems appropriate, provided that no amendment or adjustment to an Option that would materially and adversely affect the rights of any Optionee shall be made without the prior written consent of the Optionee;

(ix)

to adjust the vesting of an Option held by an Employee or Consultant as a result of a change in the terms or conditions under which such person is providing services to the Company;

(x)  
to construe and interpret the terms of the Plan and awards granted under the Plan, which constructions, interpretations and decisions shall be final and binding on all Participants; and

(xi)  
in order to fulfill the purposes of the Plan and without amending the Plan, to modify grants of Options or Stock Purchase Rights to Participants who are foreign nationals or employed outside of the United States in order to recognize differences in local law, tax policies or customs.

5.  
Eligibility.

(a)  
Recipients of Grants. Nonstatutory Stock Options and Stock Purchase Rights may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees, provided that Employees of Affiliates shall not be eligible to receive Incentive Stock Options.

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(b)

Type of Option. Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option.

(c)

ISO \$100,000 Limitation. Notwithstanding any designation under Section 5(b), to the extent that the aggregate Fair Market Value of Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 5(c), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares subject to an Incentive Stock Option shall be determined as of the date of the grant of such Option.

(d)

No Employment Rights. The Plan shall not confer upon any Participant any right with respect to continuation of an employment or consulting relationship with the Company, nor shall it interfere in any way with such Participant's right or the Company's right to terminate the employment or consulting relationship at any time for any reason.

6.

Term of Plan. The Plan shall become effective upon its adoption by the Board of Directors. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 16 of the Plan.

7.

Term of Option. The term of each Option shall be the term stated in the Option Agreement; provided that the term shall be no more than ten years from the date of grant thereof or such shorter term as may be provided in the Option Agreement and provided further that, in the case of an Incentive Stock Option granted to a person who at the time of such grant is a Ten Percent Holder, the term of the Option shall be five years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8.

[Intentionally Omitted.]

9.

Option Exercise Price and Consideration.

(a)

Exercise Price. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Administrator and set forth in the Option Agreement, but shall be subject to the following:

(i)

In the case of an Incentive Stock Option

(A)

granted to an Employee who at the time of grant is a Ten Percent Holder, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant; or

(B)

granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii)

In the case of a Nonstatutory Stock Option

(A)

granted on any date on which the Common Stock is not a Listed Security to a person who is at the time of grant is a Ten Percent Holder, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant if required by the Applicable Laws and, if not so required, shall be such price as is determined by the Administrator;

(B)

granted on any date on which the Common Stock is not a Listed Security to any other eligible person, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant if required by the Applicable Laws and, if not so required, shall be such price as is determined by the Administrator; or

(C)

granted on any date on which the Common Stock is a Listed Security to any eligible person, the per share Exercise Price shall be such price as determined by the Administrator provided that if such eligible person is, at the time of the grant of such Option, a Named Executive of the Company, the per share Exercise Price shall be no less than 100% of the Fair Market Value on the date of grant if such Option is intended to qualify as performance-based compensation under Section 162(m) of the Code.

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(iii)

Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to a merger or other corporate transaction.

(b)

Permissible Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (1) cash; (2) check; (3) subject to any requirements of the Applicable Laws (including without limitation Section 153 of the Delaware General Corporation Law), delivery of Optionee's promissory note having such recourse, interest, security and redemption provisions as the Administrator determines to be appropriate after taking into account the potential accounting consequences of permitting an Optionee to deliver a promissory note; (4) cancellation of indebtedness; (5) other Shares that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option is exercised, provided that in the case of Shares acquired, directly or indirectly, from the Company, such Shares must have been owned by the Optionee for more than six months on the date of surrender (or such other period as may be required to avoid the Company's incurring an adverse accounting charge); (6) if, as of the date of exercise of an Option the Company then is permitting employees to engage in a "same-day sale" cashless brokered exercise program involving one or more brokers, through such a program that complies with the Applicable Laws (including without limitation the requirements of Regulation T and other applicable regulations promulgated by the Federal Reserve Board) and that ensures prompt delivery to the Company of the amount required to pay the exercise price and any applicable withholding taxes; or (7) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company and the Administrator may, in its sole discretion, refuse to accept a particular form of consideration at the time of any Option exercise.

10.

Exercise of Option.

(a)

General.

(i)

Exercisability. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, consistent with the term of the Plan and reflected in the Option Agreement, including vesting requirements and/or performance criteria with respect to the Company and/or the Optionee; provided however that, if required under the Applicable Laws, the Option (or Shares issued upon exercise of the Option) shall comply with the requirements of Section 260.140.41(f) and (k) of the Rules of the California Corporations Commissioner.

(ii)

Leave of Absence. The Administrator shall have the discretion to determine whether and to what extent the vesting of Options shall be tolled during any unpaid leave of absence. In the event of military leave, vesting shall toll during any unpaid portion of such leave, provided that, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Options to the same extent as would have applied had the Participant continued to provide services to the Company throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

(iii)  
Minimum Exercise Requirements. An Option may not be exercised for a fraction of a Share. The Administrator may require that an Option be exercised as to a minimum number of Shares, provided that such requirement shall not prevent an Optionee from exercising the full number of Shares as to which the Option is then exercisable.

(iv)  
Procedures for and Results of Exercise. An Option shall be deemed exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and the Company has received full payment for the Shares with respect to which the Option is exercised. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 9(b) of the Plan, provided that the Administrator may, in its sole discretion, refuse to accept any form of consideration at the time of any Option exercise.

Exercise of an Option in any manner shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

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(v)

Rights as Stockholder. Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 14 of the Plan.

(b)

Termination of Employment or Consulting Relationship. Except as otherwise set forth in this Section 10(b), the Administrator shall establish and set forth in the applicable Option Agreement the terms and conditions upon which an Option shall remain exercisable, if at all, following termination of an Optionee's Continuous Service Status, which provisions may be waived or modified by the Administrator at any time. Unless the Administrator otherwise provides in the Option Agreement, to the extent that the Optionee is not vested in Optioned Stock at the date of termination of his or her Continuous Service Status, or if the Optionee (or other person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time specified in the Option Agreement or below (as applicable), the Option shall terminate and the Optioned Stock underlying the unexercised portion of the Option shall revert to the Plan. In no event may any Option be exercised after the expiration of the Option term as set forth in the Option Agreement (and subject to Section 7).

The following provisions (1) shall apply to the extent an Option Agreement does not specify the terms and conditions upon which an Option shall terminate upon termination of an Optionee's Continuous Service Status, and (2) establish the minimum post-termination exercise periods that may be set forth in an Option Agreement:

(i)

Termination other than Upon Disability or Death or for Cause. In the event of termination of Optionee's Continuous Service Status other than under the circumstances set forth in subsections (ii) through (v) below, such Optionee may exercise an Option for 30 days following such termination to the extent the Optionee was vested in the Optioned Stock as of the date of such termination. No termination shall be deemed to occur and this Section 10(b)(i) shall not apply if (i) the Optionee is a Consultant who becomes an Employee, or (ii) the Optionee is an Employee who becomes a Consultant.

(ii)

Disability of Optionee. In the event of termination of an Optionee's Continuous Service Status as a result of his or her disability (including a disability within the meaning of Section 22(e)(3) of the Code), such Optionee may exercise an Option at any time within six months following such termination to the extent the Optionee was vested in the Optioned Stock as of the date of such termination.

(iii)

Death of Optionee. In the event of the death of an Optionee during the period of Continuous Service Status since the date of grant of the Option, or within thirty days following termination of Optionee's Continuous Service Status, the Option may be exercised by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance at any time within twelve months following the date of death, but only to the extent the Optionee was vested in the Optioned Stock as of the date of death or, if earlier, the date the Optionee's Continuous Service Status terminated.

(iv)

Termination for Cause. In the event of termination of an Optionee's Continuous Service Status for Cause, any Option (including any exercisable portion thereof) held by such Optionee shall immediately terminate in its entirety upon first notification to the Optionee of termination of the Optionee's Continuous Service Status. If an

Optionee's employment or consulting relationship with the Company is suspended pending an investigation of whether the Optionee shall be terminated for Cause, all the Optionee's rights under any Option likewise shall be suspended during the investigation period and the Optionee shall have no right to exercise any Option. This Section 10(b)(iv) shall apply with equal effect to vested Shares acquired upon exercise of an Option granted on any date on which the Common Stock is not a Listed Security to a person other than an officer, Director or Consultant, in that the Company shall have the right to repurchase such Shares from the Participant upon the following terms: (A) the repurchase is made within 90 days of termination of the Participant's Continuous Service Status for Cause at the Fair Market Value of the Shares as of the date of termination, (B) consideration for the repurchase consists of cash or cancellation of purchase money indebtedness, and (C) the repurchase right terminates upon the effective date of the Company's initial public offering of its Common Stock. With respect to vested Shares issued upon exercise of an Option granted to any officer, Director or Consultant, the Company's right to repurchase such Shares upon termination of the Participant's Continuous Service Status for Cause shall be made at the Participant's original cost for the Shares and shall be effected pursuant to such terms and conditions, and at such time, as the Administrator shall determine. Nothing in this Section 10(b)(iv) shall in any way limit the Company's right to purchase unvested Shares issued upon exercise of an Option as set forth in the applicable Option Agreement.

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(c)

Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted under the Plan based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

11.

Stock Purchase Rights.

(a)

Rights to Purchase. When the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid, and the time within which such person must accept such offer. In the case of a Stock Purchase Right granted prior to the date, if any, on which the Common Stock becomes a Listed Security and if required by the Applicable Laws at that time, the purchase price of Shares subject to such Stock Purchase Rights shall not be less than 85% of the Fair Market Value of the Shares as of the date of the offer, or, in the case of a Ten Percent Holder, the price shall not be less than 100% of the Fair Market Value of the Shares as of the date of the offer. If the Applicable Laws do not impose the requirements set forth in the preceding sentence and with respect to any Stock Purchase Rights granted after the date, if any, on which the Common Stock becomes a Listed Security, the purchase price of Shares subject to Stock Purchase Rights shall be as determined by the Administrator. The offer to purchase Shares subject to Stock Purchase Rights shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(b)

Repurchase Option.

(i)

General. Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Company for any reason (including death or disability). Subject to any requirements of the Applicable Laws, the terms of the Company's repurchase option (including without limitation the price at which, and the consideration for which, it may be exercised, and the events upon which it shall lapse) shall be as determined by the Administrator in its sole discretion and reflected in the Restricted Stock Purchase Agreement.

(ii)

Leave of Absence. The Administrator shall have the discretion to determine whether and to what extent the lapsing of Company repurchase rights shall be tolled during any unpaid leave of absence. In the event of military leave, the lapsing of Company repurchase rights shall toll during any unpaid portion of such leave, provided that, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given "vesting" credit with respect to Shares purchased pursuant to the Restricted Stock Purchase Agreement to the same extent as would have applied had the Participant continued to provide services to the Company throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

(iii)

Termination for Cause. In the event of termination of a Participant's Continuous Service Status for Cause, the Company shall have the right to repurchase from the Participant vested Shares issued upon exercise of a Stock Purchase Right granted to any person other than an officer, Director or Consultant prior to the date, if any, upon which the Common Stock becomes a Listed Security upon the following terms: (A) the repurchase must be made

within 90 days of termination of the Participant's Continuous Service Status for Cause at the Fair Market Value of the Shares as of the date of termination, (B) consideration for the repurchase consists of cash or cancellation of purchase money indebtedness, and (C) the repurchase right terminates upon the effective date of the Company's initial public offering of its Common Stock. With respect to vested Shares issued upon exercise of a Stock Purchase Right granted to any officer, Director or Consultant, the Company's right to repurchase such Shares upon termination of such Participant's Continuous Service Status for Cause shall be made at the Participant's original cost for the Shares and shall be effected pursuant to such terms and conditions, and at such time, as the Administrator shall determine. Nothing in this Section 11(b)(ii) shall in any way limit the Company's right to purchase unvested Shares as set forth in the applicable Restricted Stock Purchase Agreement.

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(c)  
Other Provisions. The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Purchase Agreements need not be the same with respect to each purchaser.

(d)  
Rights as a Stockholder. Once the Stock Purchase Right is exercised, the purchaser shall have the rights equivalent to those of a stockholder, and shall be a stockholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 14 of the Plan.

12.  
Taxes.

(a)  
As a condition of the grant, vesting or exercise of an Option or Stock Purchase Right granted under the Plan, the Participant (or in the case of the Participant's death, the person exercising the Option or Stock Purchase Right) shall make such arrangements as the Administrator may require for the satisfaction of any applicable federal, state, local or foreign withholding tax obligations that may arise in connection with such grant, vesting or exercise of the Option or Stock Purchase Right or the issuance of Shares. The Company shall not be required to issue any Shares under the Plan until such obligations are satisfied. If the Administrator allows the withholding or surrender of Shares to satisfy a Participant's tax withholding obligations under this Section 12 (whether pursuant to Section 12(c), (d) or (e), or otherwise), the Administrator shall not allow Shares to be withheld in an amount that exceeds the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes.

(b)  
In the case of an Employee and in the absence of any other arrangement, the Employee shall be deemed to have directed the Company to withhold or collect from his or her compensation an amount sufficient to satisfy such tax obligations from the next payroll payment otherwise payable after the date of an exercise of the Option or Stock Purchase Right.

(c)  
This Section 12(c) shall apply only after the date, if any, upon which the Common Stock becomes a Listed Security. In the case of Participant other than an Employee (or in the case of an Employee where the next payroll payment is not sufficient to satisfy such tax obligations, with respect to any remaining tax obligations), in the absence of any other arrangement and to the extent permitted under the Applicable Laws, the Participant shall be deemed to have elected to have the Company withhold from the Shares to be issued upon exercise of the Option or Stock Purchase Right that number of Shares having a Fair Market Value determined as of the applicable Tax Date (as defined below) equal to the amount required to be withheld. For purposes of this Section 12, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined under the Applicable Laws (the "Tax Date").

(d)  
If permitted by the Administrator, in its discretion, a Participant may satisfy his or her tax withholding obligations upon exercise of an Option or Stock Purchase Right by surrendering to the Company Shares that have a Fair Market Value determined as of the applicable Tax Date equal to the amount required to be withheld. In the case

of shares previously acquired from the Company that are surrendered under this Section 12(d), such Shares must have been owned by the Participant for more than six (6) months on the date of surrender (or such other period of time as is required for the Company to avoid adverse accounting charges).

(e)

Any election or deemed election by a Participant to have Shares withheld to satisfy tax withholding obligations under Section 12(c) or (d) above shall be irrevocable as to the particular Shares as to which the election is made and shall be subject to the consent or disapproval of the Administrator. Any election by a Participant under Section 12(d) above must be made on or prior to the applicable Tax Date.

(f)

In the event an election to have Shares withheld is made by a Participant and the Tax Date is deferred under Section 83 of the Code because no election is filed under Section 83(b) of the Code, the Participant shall receive the full number of Shares with respect to which the Option or Stock Purchase Right is exercised but such Participant shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

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13.

Non-Transferability of Options and Stock Purchase Rights.

(a)

General. Except as set forth in this Section 13, Options and Stock Purchase Rights may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. The designation of a beneficiary by an Optionee will not constitute a transfer. An Option or Stock Purchase Right may be exercised, during the lifetime of the holder of an Option or Stock Purchase Right, only by such holder or a transferee permitted by this Section 13.

(b)

Limited Transferability Rights. Notwithstanding anything else in this Section 13, the Administrator may in its discretion grant Nonstatutory Stock Options that may be transferred by instrument to an inter vivos or testamentary trust in which the Options are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift or pursuant to domestic relations orders to "Immediate Family Members" (as defined below) of the Optionee. "Immediate Family" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (including adoptive relationships), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Optionee) control the management of assets, and any other entity in which these persons (or the Optionee) own more than fifty percent of the voting interests.

14.

Adjustments Upon Changes in Capitalization, Merger or Certain Other Transactions.

(a)

Changes in Capitalization. Subject to any action required under Applicable Laws by the stockholders of the Company, the number of Shares of Common Stock covered by each outstanding award, the numbers of Shares set forth in Section 3(a), and the number of Shares of Common Stock that have been authorized for issuance under the Plan but as to which no awards have yet been granted or that have been returned to the Plan upon cancellation or expiration of an award, as well as the price per Share of Common Stock covered by each such outstanding award, shall be proportionately adjusted for any increase or decrease in the number of issued Shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination, recapitalization or reclassification of the Common Stock, or any other increase or decrease in the number of issued Shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares of Common Stock subject to an award.

(b)

Dissolution or Liquidation. In the event of the dissolution or liquidation of the Company, each Option and Stock Purchase Right will terminate immediately prior to the consummation of such action, unless otherwise determined by the Administrator.

(c)

Corporate Transaction. In the event of a Corporate Transaction (including without limitation a Change of Control), each outstanding Option or Stock Purchase Right shall be assumed or an equivalent option or right shall

be substituted by such successor corporation or a parent or subsidiary of such successor corporation (the “Successor Corporation”), unless the Successor Corporation does not agree to assume the award or to substitute an equivalent option or right, in which case such Option or Stock Purchase Right shall terminate upon the consummation of the transaction.

Notwithstanding the above, in the event of a Change of Control and irrespective of whether outstanding awards are being assumed, substituted or terminated in connection with the transaction, the vesting and exercisability of each outstanding Option and Stock Purchase Right shall accelerate as and to the extent (if at all) provided in such Participant’s Option Agreement or Restricted Stock Purchase Agreement. To the extent that an Option or Stock Purchase Right is not exercised prior to consummation of a Corporate Transaction in which the

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Option or Stock Purchase Right is not being assumed or substituted, such Option or Stock Purchase Right shall terminate upon such consummation and the Administrator shall notify the Optionee or holder of such fact at least five (5) days prior to the date on which the Option or Stock Purchase Right terminates. For purposes of this Section 14(c), an Option or a Stock Purchase Right shall be considered assumed, without limitation, if, at the time of issuance of the stock or other consideration upon a Corporate Transaction or a Change of Control, as the case may be, each holder of an Option or Stock Purchase Right would be entitled to receive upon exercise of the award the same number and kind of shares of stock or the same amount of property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to such transaction, the holder of the number of Shares of Common Stock covered by the award at such time (after giving effect to any adjustments in the number of Shares covered by the Option or Stock Purchase Right as provided for in this Section 14); provided that if such consideration received in the transaction is not solely common stock of the Successor Corporation, the Administrator may, with the consent of the Successor Corporation, provide for the consideration to be received upon exercise of the award to be solely common stock of the Successor Corporation equal to the Fair Market Value of the per Share consideration received by holders of Common Stock in the transaction.

(d)  
Certain Distributions. In the event of any distribution to the Company's stockholders of securities of any other entity or other assets (other than dividends payable in cash or stock of the Company) without receipt of consideration by the Company, the Administrator may, in its discretion, appropriately adjust the price per Share of Common Stock covered by each outstanding Option or Stock Purchase Right to reflect the effect of such distribution.

15.  
Time of Granting Options and Stock Purchase Rights. The date of grant of an Option or Stock Purchase Right shall, for all purposes, be the date on which the Administrator makes the determination granting such Option or Stock Purchase Right, or such other date as is determined by the Administrator, provided that in the case of any Incentive Stock Option, the grant date shall be the later of the date on which the Administrator makes the determination granting such Incentive Stock Option or the date of commencement of the Optionee's employment relationship with the Company. Notice of the determination shall be given to each Employee or Consultant to whom an Option or Stock Purchase Right is so granted within a reasonable time after the date of such grant.

16.  
Amendment and Termination of the Plan.

(a)  
Authority to Amend or Terminate. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation (other than an adjustment pursuant to Section 14 above) shall be made that would materially and adversely affect the rights of any Optionee or holder of Stock Purchase Rights under any outstanding grant, without his or her consent. In addition, to the extent necessary and desirable to comply with the Applicable Laws, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

(b)  
Effect of Amendment or Termination. Except as to amendments which the Administrator has the authority under the Plan to make unilaterally, no amendment or termination of the Plan shall materially and adversely affect Options or Stock Purchase Rights already granted, unless mutually agreed otherwise between the Optionee or holder of the Stock Purchase Rights and the Administrator, which agreement must be in writing and signed by the Optionee or holder and the Company.

17.

Conditions Upon Issuance of Shares. Notwithstanding any other provision of the Plan or any agreement entered into by the Company pursuant to the Plan, the Company shall not be obligated, and shall have no liability for failure, to issue or deliver any Shares under the Plan unless such issuance or delivery would comply with the Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. As a condition to the exercise of an Option or Stock Purchase Right, the Company may require the person exercising the award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by law. Shares issued upon exercise of awards granted prior to the date on which the Common Stock becomes a Listed Security shall be subject to a right of first refusal in favor of the Company pursuant to which the Participant will be required to offer Shares to the Company before selling or transferring them to any third party on such terms and subject to such conditions as is reflected in the applicable Option Agreement or Restricted Stock Purchase Agreement.

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18.  
Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

19.  
Agreements. Options and Stock Purchase Rights shall be evidenced by Option Agreements and Restricted Stock Purchase Agreements, respectively, in such form(s) as the Administrator shall from time to time approve.

20.  
Stockholder Approval. If required by the Applicable Laws, continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such stockholder approval shall be obtained in the manner and to the degree required under the Applicable Laws.

21.  
Information and Documents to Optionees and Purchasers. Prior to the date, if any, upon which the Common Stock becomes a Listed Security and if required by the Applicable Laws, the Company shall provide financial statements at least annually to each Optionee and to each individual who acquired Shares pursuant to the Plan, during the period such Optionee or purchaser has one or more Options or Stock Purchase Rights outstanding, and in the case of an individual who acquired Shares pursuant to the Plan, during the period such individual owns such Shares. The Company shall not be required to provide such information if the issuance of Options or Stock Purchase Rights under the Plan is limited to key employees whose duties in connection with the Company assure their access to equivalent information.

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APPENDIX A Continued

ASURE SOFTWARE, INC.  
2009 EQUITY PLAN

STOCK OPTION AGREEMENT

1.  
Grant of Option. Asure Software, Inc., a Delaware corporation (the “Company”), hereby grants to the Optionee identified in the Notice of Option Grant to which this Agreement is attached (the “Notice”), an option (the “Option”) to purchase the total number of shares of Common Stock (the “Shares”) set forth in the Notice, at the exercise price per Share set forth in the Notice (the “Exercise Price”) subject to the terms, definitions and provisions of the Asure Software, Inc. 2009 Equity Plan (the “Plan”) adopted by the Company, which is incorporated in this Agreement by reference. Unless otherwise defined in this Agreement, the terms used in this Agreement shall have the meanings defined in the Plan.

2.  
Designation of Option. This Option is intended to be an Incentive Stock Option as defined in Section 422 of the Code only to the extent so designated in the Notice, and to the extent it is not so designated or to the extent the Option does not qualify as an Incentive Stock Option, it is intended to be a Nonstatutory Stock Option.

Notwithstanding the above, if designated as an Incentive Stock Option, in the event that the Shares subject to this Option (and all other Incentive Stock Options granted to Optionee by the Company or any Parent or Subsidiary, including under other plans of the Company) that first become exercisable in any calendar year have an aggregate fair market value (determined for each Share as of the date of grant of the option covering such Share) in excess of \$100,000, the Shares in excess of \$100,000 shall be treated as subject to a Nonstatutory Stock Option, in accordance with Section 5(c) of the Plan.

3.  
Exercise of Option. This Option shall be exercisable during its term in accordance with the Vesting/Exercise Schedule set out in the Notice and with the provisions of Section 10 of the Plan as follows:

(a)  
Right to Exercise.

(i)  
This Option may not be exercised for a fraction of a share.

(ii)  
This Option may only be exercised with respect to Shares that are already Vested as of the date of such exercise.

(iii)  
This Option may not be exercised more than once in any six month period, without the consent of the Company.

(iv)  
In the event of Optionee’s death, disability or other termination of employment, the exercisability of the Option is governed by Section 5 below, subject to the limitations contained in this Section 3.

(v)

In no event may this Option be exercised after the Expiration Date of the Option as set forth in the Notice.

(vi)  
If requested by the Company, the exercise of this Option shall be conditioned upon and subject to the receipt by the Company of an executed signature page to the Company's Stockholder's Agreement, if any.

(b)  
Method of Exercise.

(i)  
This Option shall be exercisable by execution and delivery of a written notice approved for such purpose by the Company which shall state Optionee's election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such Shares as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by Optionee and shall be delivered to the Company by such means as are determined by the Plan Administrator in its discretion to constitute adequate delivery. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

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(ii)

As a condition to the exercise of this Option and as further set forth in Section 12 of the Plan, Optionee agrees to make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the vesting or exercise of the Option, or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise.

(iii)

The Company is not obligated, and will have no liability for failure, to issue or deliver any Shares upon exercise of the Option unless such issuance or delivery would comply with the Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 221 of Title 12 of the Code of Federal Regulations as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by the Applicable Laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Optionee on the date on which the Option is exercised with respect to such Shares.

4.

Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination of the following, at the election of Optionee:

(a)

cash or check;

(b)

cancellation of indebtedness;

(c)

prior to the date, if any, upon which the Common Stock becomes a Listed Security, by surrender of other shares of Common Stock of the Company that have an aggregate Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised. In the case of shares acquired directly or indirectly from the Company, such shares must have been owned by Optionee for more than six (6) months on the date of surrender (or such other period of time as is necessary to avoid the Company's incurring adverse accounting charges); or

(d)

following the date, if any, upon which the Common Stock is a Listed Security, and if the Company is at such time permitting "same day sale" cashless brokered exercises, delivery of a properly executed exercise notice together with irrevocable instructions to a broker participating in such cashless brokered exercise program to deliver promptly to the Company the amount required to pay the exercise price (and applicable withholding taxes).

5.

Termination of Relationship. Following the date of termination of Optionee's Continuous Service Status for any reason (the "Termination Date"), Optionee may exercise the Option only as set forth in the Notice and this Section 5. To the extent that Optionee is not entitled to exercise this Option as of the Termination Date, or if Optionee does not exercise this Option within the Termination Period set forth in the Notice or the termination periods set forth below, the Option shall terminate in its entirety. In no event, may any Option be exercised after the Expiration Date of the Option as set forth in the Notice.



(a)

Termination. In the event of termination of Optionee's Continuous Service Status other than as a result of Optionee's disability or death or for Cause (as defined in the Plan), Optionee may, to the extent Optionee is vested in the Option Shares at the date of such termination (the "Termination Date"), exercise this Option during the Termination Period set forth in the Notice.

(b)

Other Terminations. In connection with any termination other than a termination covered by Section 5(a), Optionee may exercise the Option only as described below:

(i)

Termination upon Disability of Optionee. In the event of termination of Optionee's Continuous Service Status as a result of Optionee's disability, Optionee may, but only within six months from the Termination Date, exercise this Option to the extent Optionee was vested in the Option Shares as of such Termination Date.

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(ii)

Death of Optionee. In the event of the death of Optionee (a) during the term of this Option and while an Employee or Consultant of the Company and having been in Continuous Service Status since the date of grant of the Option, or (b) within thirty (30) days after Optionee's Termination Date, the Option may be exercised at any time within six months following the date of death by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent Optionee was vested in the Option as of the Termination Date.

(iii)

Termination for Cause. In the event Optionee's Continuous Service Status is terminated for Cause, the Option shall terminate immediately upon such termination for Cause as set forth in Section 10(b)(iv) of the Plan. In the event Optionee's employment or consulting relationship with the Company is suspended pending investigation of whether such relationship shall be terminated for Cause, all Optionee's rights under the Option, including the right to exercise the Option, shall be suspended during the investigation period, also as set forth in Section 10(b)(iv) of the Plan.

6.

Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by him or her. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

7.

Tax Consequences. THE OPTIONEE HEREBY ACKNOWLEDGES THAT THE ISSUANCE AND EXERCISE OF THIS OPTION MAY HAVE TAX CONSEQUENCES TO THE OPTIONEE AND THAT ANY AND ALL SUCH TAX CONSEQUENCES ARE THE SOLE RESPONSIBILITY OF THE OPTIONEE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE ACCEPTING AND/OR EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a)

Incentive Stock Option.

(i)

Tax Treatment upon Exercise and Sale of Shares. If this Option qualifies as an Incentive Stock Option, there will be no regular federal income tax liability upon the exercise of the Option, although the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax for federal tax purposes and may subject Optionee to the alternative minimum tax in the year of exercise. If Shares issued upon exercise of an Incentive Stock Option are held for at least one year after exercise and are disposed of at least two years after the Option grant date, any gain realized on disposition of the Shares will also be treated as long-term capital gain for federal income tax purposes. If Shares issued upon exercise of an Incentive Stock Option are disposed of within such one-year period or within two years after the Option grant date, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the difference between the Exercise Price and the lesser of (i) the fair market value of the Shares on the date of exercise, or (ii) the sale price of the Shares.

(ii)

Notice of Disqualifying Dispositions. With respect to any Shares issued upon exercise of an Incentive Stock Option, if Optionee sells or otherwise disposes of such Shares on or before the later of (i) the date two years after the Option grant date, or (ii) the date one year after the date of exercise, Optionee shall immediately notify the

Company in writing of such disposition. Optionee acknowledges and agrees that he or she may be subject to income tax withholding by the Company on the compensation income recognized by Optionee from the early disposition by payment in cash or out of the current earnings paid to Optionee.

(b)

Nonstatutory Stock Option. If this Option does not qualify as an Incentive Stock Option, there may be a regular federal (and state) income tax liability upon the exercise of the Option. Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price. If Optionee is an Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

If Shares issued upon exercise of a Nonstatutory Stock Option are held for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes.

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8.

Lock-Up Agreement. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, Optionee hereby agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however and whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering.

9.

Effect of Agreement. Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof (and has had an opportunity to consult counsel regarding the Option terms), and hereby accepts this Option and agrees to be bound by its contractual terms as set forth herein and in the Plan. Optionee hereby agrees to accept as binding, conclusive and final all decisions and interpretations of the Plan Administrator regarding any questions relating to the Option. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of the Notice and this Agreement, the Plan terms and provisions shall prevail. The Option, including the Plan, constitutes the entire agreement between Optionee and the Company on the subject matter hereof and supersedes all proposals, written or oral, and all other communications between the parties relating to such subject matter.

10.

Section 409A. This Plan is intended to meet the requirements to be exempt from the application of Section 409A of the Internal Revenue Code ("Section 409A"). If any amount payable under the Plan is determined to be subject to Code Section 409A, then the applicable provisions of the Plan shall be interpreted and administered in accordance with Section 409A and the applicable guidance issued by the Department of the Treasury with respect to the application of Section 409A. Notwithstanding any provision of the Plan to the contrary, no payment of an amount subject to Section 409A on account of a termination of service as defined in Section 409A and the accompanying guidance, shall be made to Optionee if he is a specified employee (within the meaning of Section 409A and the applicable guidance) as of the date of Optionee's termination of service, within the six-month period following Optionee's termination of service. Amounts to which Optionee would otherwise be entitled under the Plan during the first six months following the termination of service will be accumulated and paid on the first day of the seventh month following the Optionee's termination of service.

[Signature Page Follows]

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This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one document.

THE COMPANY:

ASURE SOFTWARE, INC.

By:  
(Signature)  
Name:  
Title:

OPTIONEE:

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APPENDIX B

Amendment No. 2 to the Asure Software, Inc. 2009 Equity Plan

In accordance with Section 16(a) of the Asure Software 2009 Equity Plan (the “Plan”), the Plan is hereby amended, effective as of the date first written above as follows:

The first sentence of Section 3 is deleted in its entirety and replaced with the following:

“(3) Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be sold under the Plan is 900,000 shares of Common Stock.”

This Amendment No. 2 to the Plan (this “Amendment”) constitutes an integral part of the Plan.

For all purposes of this Amendment, capitalized terms used herein without definition shall have the meanings specified in the Plan, as the Plan shall be in effect on the date hereof after giving effect to this Amendment.

This Amendment is executed pursuant to Section 16(a) of the Plan and shall (unless otherwise expressly indicated herein) be construed, administered, and applied in accordance with all of the terms and provisions of the Plan, including Section 16(a) thereof. Except as expressly amended or waived by the terms of this Amendment, the terms and conditions of the Plan shall remain unamended and unwaived. The amendment set forth herein shall be limited precisely as provided for herein to the provisions expressly amended herein and shall not be deemed to be a waiver of, amendment of, consent to or modification of any other term or provision of any other document or of any transaction or further action on the part of Asure Software, Inc.

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APPENDIX C  
CERTIFICATE OF AMENDMENT  
TO THE  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
ASURE SOFTWARE, INC.

Pursuant to the Delaware General Corporation Law (“DGCL”), Asure Software, Inc., a corporation duly organized and existing under the DGCL, does hereby certify that:

1. The Restated Certificate of Incorporation of the Corporation is hereby amended by deleting Article FOURTH and inserting in its place the following:

FOURTH: The Corporation shall have the authority to issue two (2) classes of shares to be designated, respectively, “Preferred Stock” and “Common Stock.” All of said shares shall be One Cent (\$.01) par value each. The total number of shares of capital stock which the Corporation shall have the authority to issue is Twelve Million Five Hundred Thousand (12,500,000), which shall consist of Eleven Million (11,000,000) shares of Common Stock and One-and-One-Half Million (1,500,000) shares of Preferred Stock.

3. The foregoing amendments were duly adopted by the Board of Directors of the Company in accordance with the provisions of the DGCL Section 242 and duly approved by the stockholders of the Corporation by the required vote of such stockholders in accordance with DGCL Section 242 at the annual meeting of stockholders of the Corporation held on May 30, 2012 in accordance with DGCL Section 222, and shall become effective on the date this Certificate of Amendment to the Restated Certificate of Incorporation is filed with the Secretary of State of the State of Delaware.

In witness whereof, Asure Software, Inc. has caused this Certificate of Amendment to be executed by a duly authorized officer on \_\_\_\_\_, 2012.

Asure Software, Inc.

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

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ASURE SOFTWARE, INC.  
ANNUAL MEETING OF STOCKHOLDERS

JUNE 26, 2012

PROXY NO.

SHARES IN YOUR NAME

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholder(s) of Asure Software, Inc. (“the Company”) a Delaware corporation, having received the Notice of Annual Meeting of Stockholders and Proxy Statement dated May 23, 2012, hereby revokes all previous proxies and appoints Patrick Goepel and David Sandberg, or either of them, acting singly, as attorneys-in-fact and proxies, each with the power to appoint a substitute, and hereby authorizes them, and each of them, to represent the undersigned at the Annual Meeting of Stockholders of the Company to be held on June 26, 2012 at 9:30 a.m. Central Time at 108 Wild Basin Road, Austin, Texas 78746 and at any adjournment(s) or postponement(s) thereof, and to vote all shares of Common Stock which the undersigned would be entitled to vote thereat on all matters set forth on the reverse side, as described in the accompanying Proxy Statement.

Date

Signature

Signature (If Held Jointly)

Please execute this proxy as your name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by the president or other authorized officer. If a partnership, please sign in partnership name by an authorized person.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.



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ASURE SOFTWARE, INC.  
ANNUAL MEETING OF STOCKHOLDERS FOR CALENDAR 2011  
CONTINUED FROM OTHER SIDE  
JUNE 26, 2012

THIS PROXY, WHEN PROPERLY EXECUTED AND DATED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1 THROUGH 4 AND AT THE DISCRETION OF THE PROXIES WITH RESPECT TO ANY OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING. IN THE EVENT ONE OF MORE NOMINEES FOR DIRECTOR LISTED IN PROPOSAL 1 IS UNABLE TO OR DECLINES TO SERVE AS A DIRECTOR AT THE TIME OF THE ANNUAL MEETING, THIS PROXY SHALL BE VOTED FOR THE ELECTION OF SUCH PERSON(S) AS SHALL BE DESIGNATED BY THE COMPANY'S BOARD OF DIRECTORS, IF ANY.

1. Proposal to elect as directors of Asure Software, Inc. the following persons to hold office until the next annual stockholder meeting or until their respective successors are duly elected and qualified.

FOR all nominees listed below  
(except as marked to the contrary below)

WITHHOLD AUTHORITY to  
vote for all nominees listed  
below

David Sandberg  
Patrick Goepel  
Adrian Pertierra  
Matthew Behrent  
J. Randall Waterfield

( INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name on the space provided below.)

2. Proposal to ratify the Audit Committee's appointment of Ernst & Young LLP, independent registered public accountants, as our independent auditors for the year ending December 31, 2012.

FOR  AGAINST  ABSTAIN

3. To approve an amendment to the Company's 2009 Equity Incentive Plan to increase the number of shares reserved under the plan from 525,000 to 900,000.

FOR  AGAINST  ABSTAIN

- To approve an amendment to the Company's Articles of Incorporation to increase the number of authorized  
4. shares of Common Stock from 6,500,000 to 11,000,000.

FOR  AGAINST  ABSTAIN

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

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Dear Stockholder:

The Company encourages you to take advantage of new and convenient ways by which you can vote your shares. You can vote your shares electronically through the Internet or by telephone up until 11:59 P.M. Eastern Time the day before the Annual Meeting date. This eliminates the need to return the enclosed proxy card.

1. To vote by Internet:

- Log on to the Internet and go to the web site [www.proxyvote.com](http://www.proxyvote.com)
- Have the enclosed proxy card on hand when you access the web site and you will be prompted to enter your 12-digit Control Number, which is located below, to obtain your records and to create an electronic voting instruction form.
- If you choose to vote your shares electronically, there is no need to mail back the enclosed proxy card. Your vote is important. Thank you for voting.

2. To vote by telephone:

- Use any touch-tone telephone to dial 1-800-454-8683.
- Have the enclosed proxy card in hand when you call, and you will be prompted to enter your 12-digit Control Number, which is located below, to vote. Follow the instructions provided.

**WE URGE YOU TO VOTE FOR EACH OF OUR FOUR PROPOSALS.**