

ASURE SOFTWARE INC
Form DEF 14A
April 29, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Asure Software, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

ASURE SOFTWARE, INC.

3700 N. Capital of Texas Hwy, Suite 350

Austin, TX 78746

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 29, 2019

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders (the “Annual Meeting”) of Asure Software, Inc., a Delaware corporation (the “Company”), to be held at 3700 N. Capital of Texas Hwy, Suite 350, Austin, Texas 78746, on Wednesday, May 29, 2019 at 9:30 a.m. Central Time for the following purposes:

- 1. To elect five directors to the board of directors, each to hold office until the next Annual Meeting of stockholders or until his respective successor is duly elected and qualified;**

- 2. To ratify the Audit Committee’s appointment of Marcum LLP as our independent registered public accounting firm for the year ending December 31, 2019;**

- 3. To approve the Asure Software, Inc. Second Amended and Restated Rights Agreement;**

- 4. To approve an amendment to the Asure Software, Inc. 2018 Incentive Award Plan to increase the number of shares of our common stock authorized for issuance by 600,000 shares;**

- 5. To approve a one-time program to exchange underwater options to purchase shares of our common stock held by eligible employees for a lesser number of restricted stock units under the Asure Software, Inc. 2018 Incentive Award Plan; and**

- 6. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.**

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All holders of record of shares of our common stock at the close of business on April 2, 2019 are entitled to vote at the Annual Meeting and at any postponements or adjournments of the Annual Meeting. Stockholders are cordially invited to attend the Annual Meeting in person; however, regardless of whether you plan to attend the Annual Meeting in person, please cast your vote as instructed in the Proxy as promptly as possible. Please complete, sign, date and promptly return the proxy card in the postage-prepaid return envelope provided, or follow the instructions set forth on the proxy card to authorize the voting of your shares over the Internet or by telephone. Your prompt response is necessary to ensure that your shares are represented at the Annual Meeting. Submitting your proxy by Internet, telephone or mail will not affect your right to vote in person if you decide to attend the Annual Meeting. Stockholders holding stock in brokerage accounts will receive instructions from the holder of record that you must follow in order for your shares to be voted. Certain of these institutions offer Internet and telephone voting.

IF YOU PLAN TO ATTEND THE ANNUAL MEETING:

Registration will begin at 9:00 a.m. Central Time and seating will begin at 9:30 a.m. Central Time. Each stockholder will need to bring a proof of ownership and valid picture identification, such as a driver's license or passport, for admission to the Annual Meeting. If you hold your shares in a brokerage account, you will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting, and all cellular phones must be silenced during the Annual Meeting. We realize that many cellular phones have built-in digital cameras, and, while these phones may be brought into the Annual Meeting, the camera function may not be used at any time.

By Order of the Board of Directors,

/s/ PATRICK GOEPEL

Patrick Goepel

Chief Executive Officer

April 29, 2019

Austin, Texas

**Important Notice Regarding the Availability of Proxy Materials for the
Annual Meeting of Stockholders to be Held on May 29, 2019**

This proxy statement and our annual report to stockholders are available online

at <https://investor.asuresoftware.com/financial-information>

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APPENDIX A- ASURE SOFTWARE, INC. SECOND AMENDED AND RESTATED RIGHTS AGREEMENT

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APPENDIX B- ASURE SOFTWARE, INC. 2018 INCENTIVE AWARD PLAN (AS AMENDED)

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ASURE SOFTWARE, INC.

3700 N. Capital of Texas Hwy, Suite 350

Austin, TX 78746

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS ON MAY 29, 2019

GENERAL

This proxy statement contains information relating to our Annual Meeting to be held on Wednesday, May 29, 2019, beginning at 9:30 a.m. Central Time, at 3700 N. Capital of Texas Hwy, Suite 350, Austin, Texas 78746 and at any postponements or adjournments of the Annual Meeting. Your proxy for the Annual Meeting is being solicited by our board of directors.

The proxy materials relating to the Annual Meeting are first being mailed to stockholders entitled to vote at the meeting on or about April 29, 2019. A copy of our annual report on Form 10-K for the year ended December 31, 2018 has been mailed concurrently with this proxy statement.

All holders of record of shares of our common stock at the close of business on April 2, 2019 are entitled to vote at the Annual Meeting and at any postponements or adjournments of the Annual Meeting. Stockholders are cordially invited to attend the Annual Meeting in person; however, regardless of whether you plan to attend the Annual Meeting in person, please cast your vote as instructed in the Notice as promptly as possible. Please complete, sign, date and promptly return the proxy card in the postage-prepaid return envelope provided, or follow the instructions set forth on the proxy card to authorize the voting of your shares over the Internet or by telephone. Your prompt response is necessary to ensure that your shares are represented at the Annual Meeting. Submitting your proxy by Internet, telephone or mail will not affect your right to vote in person if you decide to attend the Annual Meeting. Stockholders holding stock in brokerage accounts will receive instructions from the holder of record that you must follow in order for your shares to be voted. Certain of these institutions offer Internet and telephone voting.

Important Notice Regarding the Availability of Proxy Materials for the

Annual Meeting of Stockholders to be Held on May 29, 2019

This proxy statement and annual report to stockholders are available online at

<https://investor.asuresoftware.com/financial-information>

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ABOUT THE ANNUAL MEETING AND VOTING

Purposes - At the Annual Meeting, you will be asked:

1. To elect five directors to the board of directors, each to hold office until the next Annual Meeting of stockholders or until his respective successor is duly elected and qualified;
2. To ratify the Audit Committee's appointment of Marcum LLP as our independent registered public accounting firm for the year ending December 31, 2019;
3. To approve the Asure Software, Inc. Second Amended and Restated Rights Agreement;
4. To approve an amendment to the Asure Software, Inc. 2018 Incentive Award Plan to increase the number of shares of our common stock authorized or issuance by 600,000 shares;
5. To approve a one-time program to exchange underwater options to purchase shares of our common stock held by eligible employees for a lesser number of restricted stock units under the Asure Software, Inc. 2018 Incentive Award Plan; and
6. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The board knows of no other matters to be presented for action at the Annual Meeting. If any other matters properly come before the Annual Meeting, however, the persons named in the proxy will vote on such other matters in accordance with their best judgment.

Record Date; Stockholders Entitled to Vote- Only holders of record of our shares of common stock at the close of business on April 2, 2019 will be entitled to vote at the Annual Meeting or any adjournment thereof. Each share of common stock will be entitled to one vote. As of April 2, 2019, there were 15,404,865 shares of our common stock outstanding.

Quorum - A majority of the issued and outstanding shares of our common stock entitled to vote, represented in person or by proxy, will be required to constitute a quorum for the Annual Meeting.

Vote Required - Directors are elected by a plurality of the votes cast at the Annual Meeting by the stockholders entitled to vote on the election of directors. If more than five director nominees are properly presented to the stockholders at the Annual Meeting, the five nominees receiving the highest number of affirmative votes of the shares which are present or represented by proxy at the Annual Meeting and entitled to vote for the election of directors will be elected to our board. Each of the remaining proposals must be approved by a majority of the shares of our common stock present in person or represented by proxy at the Annual Meeting and voting thereon.

Dissenters' Rights - No dissenters' rights are provided under the Delaware General Corporation Law, our Restated Certificate of Incorporation or our Third Amended and Restated Bylaws ("Bylaws") with respect to any of the proposals described in this proxy statement.

Board Recommendation - Your Board of Directors has unanimously approved and recommends that an affirmative vote be cast "FOR" the election of each of our director nominees, "FOR" the ratification of our independent registered accounting firm, "FOR" the approval of the Second Amended and Restated Rights Agreement, "FOR" approval of an amendment to the Asure Software, Inc. 2018 Incentive Award Plan to increase the number of shares of common stock authorized for issuance by 600,000 shares and "FOR" the approval of a plan to exchange outstanding stock options by eligible employees into restricted stock units under the Asure Software, Inc. 2018 Incentive Award Plan.

Voting Your Shares - If you own shares registered directly in your name (a "registered stockholder"), you may submit your proxy by US Mail, Internet or telephone and following the instructions in the Notice. The deadline for submitting your proxy by Internet or telephone is 11:59 p.m. Eastern Time on May 28, 2019. The designated proxy will vote according to your instructions. You may also attend the Annual Meeting and vote in person.

If you hold your shares in the name of a broker or other nominee, then your broker or other nominee is considered to be the registered stockholder. However, you are still considered the beneficial owner of those shares and your shares are said to be held in “street name.” If you hold shares in street name, your broker or nominee firm may provide you with a Notice. Follow the instructions on the Notice to access our proxy materials and vote by Internet or to request a paper or email copy of our proxy materials. If you receive these materials in paper form, the materials include a voting instruction card so that you can instruct your broker or nominee how to vote your shares. Please check your Notice or voting instruction card or contact your broker or other nominee to determine whether you will be able to deliver your voting instructions by Internet or telephone. If you hold your shares in street name and you want to vote at the Annual Meeting, you will need to obtain a signed proxy from the broker or nominee that holds your shares, because the broker or nominee is the legal, registered owner of the shares.

Changing Your Vote by Revoking Your Proxy - If you are a registered stockholder, you may revoke or change your vote at any time before the proxy is voted by filing with our Secretary either a written notice of revocation or a duly executed proxy bearing a later date. If you attend the Annual Meeting in person, you may ask the judge of elections to suspend your proxy holder’s power to vote, and you may submit another proxy or vote by ballot. Your attendance at the Annual Meeting will not by itself revoke a previously granted proxy.

If your shares are held in street name or you hold shares through a retirement or savings plan or other similar plan, please check your voting instruction card or contact your broker, nominee, trustee or administrator to determine whether you will be able to revoke or change your vote.

How Proxies are Counted - All shares that have been properly voted by proxy and not revoked will be voted at the Annual Meeting in accordance with the instructions contained in the proxy. If you return a signed and dated proxy card but do not indicate how your shares are to be voted, those shares will be voted “FOR” each of the director nominees, “FOR” each of the other listed proposals and in the discretion of the named proxy holders as to any other matter properly brought before the Annual Meeting. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the election inspectors appointed for the Annual Meeting. Only the latest dated proxy you submit will be counted.

Shares voted as withheld from the election of directors under proposal 1 will be counted for purposes of determining the presence of a quorum at the Annual Meeting but will have no effect on the election of director nominees. Shares voted as abstentions on proposals 2, 3, 4 and 5 will similarly be counted for purposes of determining the presence of a quorum at the Annual Meeting but treated as unvoted with respect to the proposal as to which a stockholder has abstained and will have no effect on the outcome of the vote because abstentions are not treated as votes cast.

Broker Non-Votes - A broker non-vote occurs when a broker submits a proxy card with respect to shares held in a fiduciary capacity (typically referred to as being held in “street name”) but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers

who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Only the vote on ratification of our independent registered public accounting firm is considered a routine matter that brokers may cast discretionary votes upon.

Additional Information

Additional information about our Company is contained in our current and periodic reports filed with the SEC. These reports, their accompanying exhibits and other documents filed with the SEC may be inspected without charge at the Public Reference Room maintained by the SEC at 100 F. Street, N.E., Washington, D.C. 20549. You can obtain information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. Copies of such materials can be obtained from the public reference section of the SEC at prescribed rates.

Your vote is important!

Please submit your proxy or voting instructions today.

ELECTION OF DIRECTORS

(ITEM 1)

The first proposal to be voted on at the Annual Meeting is the election of directors. Our board of directors currently consists of six members, each with a term expiring at the Annual Meeting. One current director, Adrian Pertierra, has previously informed our board of directors that he does not intend to stand for reelection at the Annual Meeting. The decision of Mr. Pertierra not to stand for reelection was not due to any disagreement with us on any matter. Our Nominating and Governance Committee has recommended, and our board has nominated, the other five incumbent directors for election at the Annual Meeting. The Board has also reduced the size of the board to five members as of the date of the Annual Meeting. Directors are elected annually and serve a one-year term or until their successors are duly elected and qualified. Each of our director nominees has consented to being named in this proxy statement and has consented to serve as a director of the Company if elected. There are no family relationships among our directors and executive officers.

The Board of Directors recommends voting “FOR” each of our five director nominees presented in this proposal.

The Nominating and Governance Committee recommends director nominations and reviews nominees against the skills and characteristics that are required of our board members. The Committee focuses on a candidate’s expertise in the Company’s industry and experience in technology, business, legal matters and finance. We look at a candidate’s education, skills, business experience, administration experience and other appropriate factors given the current needs of the board and the Company. Our goal is to maintain a balance among board members of industry knowledge, experience and ability to map out successful strategies for the Company’s business. Nominees for the board should have the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of stockholders. They should be forward-thinking, possess critical analysis skills and exhibit independence and practical judgment on issues. Evaluation of candidates for all nominees, whether submitted by a board member or a stockholder, generally involves reviewing background materials, internal discussions among committee members and interviewing selected candidates as appropriate. Upon selecting a qualified candidate, the Committee recommends the candidate for the board’s consideration.

Stockholders may recommend a candidate for our board by writing to attention of the Corporate Secretary, Asure Software, Inc., 3700 N. Capital of Texas Hwy, Suite 350, Austin, TX 78746, specifying the candidate’s name and qualifications for board membership. All recommendations are submitted to the Nominating Committee. For the board to consider a candidate for nomination at the 2020 Annual Meeting, stockholders must submit a written recommendation by March 3, 2020 but not earlier than February 1, 2020. Each submission must include (i) a brief description of the candidate, (ii) the candidate’s name, age, business address and residence address, (iii) the candidate’s principal occupation, (iv) the number of shares of common stock of the Company beneficially owned, and (v) any other information required by the rules of FINRA and the SEC to list the candidate as a nominee for director in a proxy statement. Recommended candidates may be required to provide additional information. While our board of directors has not adopted a formal diversity policy or specific standards with regard to the selection of director

nominees, the board of directors believes it is important to consider diversity of race, ethnicity, gender, age, education, cultural background and professional experiences in evaluating board candidates.

The full board then selects and recommends candidates for nomination as directors for stockholders to consider and vote upon at the Annual Meeting. The board reviews and considers any candidates submitted by a stockholder or stockholder group in the same manner as all other candidates. Each nominee has consented to serve until the next annual stockholder meeting, if elected, or until his or her successor is elected and qualified.

If any director is unable to stand for re-election after distribution of this proxy statement, the board may reduce its size or designate a substitute. If the board designates a substitute, proxies voting on the original director candidate will be cast for the substituted candidate. Proxies cannot be voted for a greater number of persons than the number of nominees named on the enclosed form of proxy. A plurality of the votes cast in person or by proxy by the holders of common stock represented at the Annual Meeting is required to elect a director. If more than five nominees are properly presented to the stockholders at the Annual Meeting, the five nominees receiving the highest number of affirmative votes of the shares which are present or represented by proxy at the Annual Meeting and entitled to vote for the election of director will be elected to our board.

BIOGRAPHICAL INFORMATION REGARDING NOMINEES

The following table sets forth certain information concerning the director nominees.

Nominee	Age	Present Office(s) Held In Our Company	Director Since
David Sandberg (1)(2)(3)(4)	46	Chairman of the Board	2009
Daniel Gill (1)(2)(3)(4)	55	None	2017
Patrick Goepel	57	President and Chief Executive Officer	2009
Bradford Oberwager (1)(2)(3)(4)	49	None	2018
J. Randall Waterfield(1)(2)(3)(4)	45	None	2011

(1)Independent board member as determined by the Board of Directors of the Company

(2)Audit Committee Member

(3)Compensation Committee Member

(4)Governance and Nominating Committee Member

The following information regarding the principal occupations and other employment of the nominees during the past five years and their directorships in certain companies is as reported by the respective nominees.

David Sandberg has served as a director and Chairman of the Board since August 2009. Mr. Sandberg is the managing member and founder of Red Oak Partners, LLC, an SEC registered investment firm founded in 2003 which manages funds investing in both public and private companies. Previously, Mr. Sandberg co-managed JH Whitney & Co.'s Green River Fund from 1998 to 2002. Mr. Sandberg received a B.A. in Economics and a B.S. in Industrial Management from Carnegie Mellon University. Mr. Sandberg presently serves as a director of SMTC Corporation and as Chairman of Cord Blood America, Inc., both of which are public companies. In the past five years, he has served on the Board of Directors of Planar Systems, Inc., EDCI, Inc., RF Industries, Ltd. and Issuer Direct Corporation.

Mr. Sandberg brings to our board strong leadership experience and financial expertise; experience as a Chair of Audit, Compensation and Governance committees of public company boards; and knowledge of the Company's financial position, strategy and industry through board and committee service.

Daniel Gill has served as a director since June 2017. Mr. Gill is a founding managing partner of Silver Oak Services Partners, a private equity limited partnership with over \$600M of capital under management, which focuses exclusively on business, consumer and healthcare services companies. Prior to the formation of Silver Oak Services Partners in 2005, Mr. Gill was a founding partner and managing director of Willis Stein & Partners, a private equity limited partnership with approximately \$3B of capital under management. Mr. Gill and four other partners formed the firm in 1995 after successful careers together at CIVC, a subsidiary of Bank of America (formerly Continental Bank). Prior to CIVC, Mr. Gill worked in the Corporate Finance Department of Kidder, Peabody & Co. Mr. Gill currently serves as chairman of The Josselyn Center and is past president of the Board of Trustees of the Illinois chapter of the Leukemia and Lymphoma Society. In addition, he periodically teaches a class to Physician CEO's at Northwestern University Kellogg School of Management.

Mr. Gill received an M.B.A. from the University of Chicago, Graduate School of Business and holds a B.A. degree in Economics from Bucknell University.

Mr. Gill brings to our board strong leadership experience combined with strategic and financial expertise. In addition, Mr. Gill brings extensive advisory experience as he currently sits on eight boards of directors and has previously been on the boards of an additional nineteen companies including iSystems, which was acquired by Asure in 2017.

Patrick Goepel was elected to our Board of Directors in August 2009. He was subsequently appointed as Interim Chief Executive Officer on September 15, 2009 and became Chief Executive Officer as of January 1, 2010. Prior to joining Asure, he served as Chief Operating Officer of Patersons Global Payroll. Previously, he was the President and Chief Executive Officer of Fidelity Investment's Human Resource Services Division from 2006 to 2008; President and Chief Executive Officer of Advantec from 2005 to 2006; and Executive Vice President of Business Development and US Operations at Ceridian from 1994 to 2005. A former board member of iEmployee, Mr. Goepel currently serves on the board of directors of APPD Investments and SafeGuard World International.

Mr. Goepel brings to our board extensive knowledge and experience in the Company's industry; deep knowledge of the Company's day-to-day operations, strategic priorities and markets; and extensive experience as a board member of private emerging growth companies.

Bradford Oberwager has served as a director since November 2018. Mr. Oberwager is founder and CEO of Jyve, a Silicon Valley based, technology company revolutionizing labor, staffing and merchandising functions in the consumer goods vertical. Prior to Jyve, Mr. Oberwager owned Bare Snacks, acquired in 2018 by PepsiCo. Previously, he was CEO of the SaaS company, OpenWebs. Brad received his BS in Finance from Georgetown University and his MBA in Strategic and Entrepreneurial Management from the Wharton School of Business, University of Pennsylvania.

Mr. Oberwager brings financial expertise combined with strategic experience and strong leadership skills. Mr. Oberwager is a co-founder and director of five companies and has founded and successfully sold two companies.

J. Randall Waterfield has served as a director since June 2011. Mr. Waterfield is a board member of Red Oak Partners, LLC. Since 2000, Mr. Waterfield has been the Chairman of WTI, a software development firm focused on hosted and on-premise custom applications for the financial services, telecommunications and energy sectors. Since 1999, Mr. Waterfield has also served as the Chairman of Waterfield Group, a diversified financial services holding company. Mr. Waterfield is a Chartered Financial Analyst, the 2017-2018 Chairman of YPO, a member of Mensa and a graduate of Harvard University in 1996. Mr. Waterfield currently also serves on the Board of Directors of Waterfield Enterprises, LLC, Action Labor, and SMTC Corporation. Previously, Mr. Waterfield was at Goldman Sachs & Co. LLC, where he worked as an institutional asset manager from May 1996 through March 1999, primarily responsible for the small capitalization growth portfolios. Additionally, through his efforts at the Waterfield Foundation, Mr. Waterfield supports a variety of charitable organizations with a focus on the environment and Midwestern-based causes.

Mr. Waterfield brings to our board extensive business leadership experience as chairman of a diversified financial services holding company and chairman of a software development firm; strong strategic and financial expertise; and knowledge of the Company's compensation arrangements, strategy and industry through board and committee service.

No family relationships exist between any of the Company's nominees or executive officers.

COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

Director Independence - Our board of directors consists of a majority of independent directors as such term is defined under the rules of the Nasdaq Stock Market. The board of directors has determined that Messrs. Sandberg, Gill, Oberwager, Pertierra and Waterfield are independent. The board of directors has also determined that all of the members of the board's committees are independent as defined under the rules of the Nasdaq Stock Market, including in the case of all members of the Audit Committee, the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Board Meetings and Attendance - The board of directors met seven times during the calendar year ended December 31, 2018. No director attended fewer than 75% of the aggregate of (i) the total number of meetings of the board of directors and (ii) the total number of meetings held by all committees of the board of directors on which such director served. The Board of Directors requires that directors make a reasonable effort to attend the Company's annual stockholder meeting.

Committees - Committees of the board of directors include the Compensation Committee, the Governance and Nominating Committee and the Audit Committee. Each Committee operates under a charter that has been approved by the board of directors and current copies of these charters are posted on our website, <http://www.asuresoftware.com/about-us/corporate-governance/>.

Compensation Committee - The Compensation Committee is responsible for approving the compensation arrangements of senior management and recommending approval by the board of directors of amendments to our benefit plans. The current members of the Compensation Committee are Messrs. Sandberg, Gill, Oberwager, Waterfield and Pertierra. Mr. Waterfield currently serves as the Compensation Committee's Chairperson. Under its charter, the Compensation Committee may delegate any or all of its responsibilities to a subcommittee of the Compensation Committee. The Compensation Committee held one meeting during the calendar year ended December 31, 2018. The Compensation Committee may engage an independent consultant to assist in compensation matters, but has not done so.

Governance and Nominating Committee - - The current members of the Governance and Nominating Committee are Messrs. Sandberg, Gill, Oberwager, Pertierra and Waterfield. Mr. Pertierra currently serves as the Governance and Nominating Committee's Chairperson. The Board will appoint a new chairman for the Governance and Nominating Committee following the expiration of Mr. Pertierra's term. Under its charter, the Governance and Nominating Committee monitors significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies. The Governance and Nominating Committee also is responsible for identifying and recommending the nominees for election to the board. The Governance and Nominating Committee held one meeting during the calendar year ended December 31, 2018.

Audit Committee - The current members of the Audit Committee are Messrs. Sandberg, Gill, Oberwager, Pertierra and Waterfield. The Audit Committee operates under a charter adopted by the board of directors in accordance with the rules and regulations of the SEC, Section 3(a)(58)(A) of the Exchange Act and the Nasdaq Stock Market. The Board of Directors believes that all of these directors are independent as defined under the rules of the Nasdaq Stock Market. Mr. Oberwager currently serves as the Audit Committee's Chairperson. The board of directors has determined that Mr. Oberwager has the qualifications and experience necessary to serve as an "audit committee financial expert," as defined by the SEC. The Audit Committee met four times during the calendar year ended December 31, 2018. The Audit Committee is the communication link between our board of directors and our independent registered public accounting firm. In addition to approving the appointment of the independent registered public accounting firm, the Audit Committee reviews the scope of the audit, the accounting policies and reporting practices, internal auditing and internal control, compliance with our policies regarding business conduct and other matters as deemed appropriate.

Report of the Audit Committee - The following is the "Report of the Audit Committee" with respect to our audited financial statements for calendar year 2018 which include our consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income (loss), changes in stockholders' equity and cash flows and the notes thereto for the calendar years ended December 31, 2018 and 2017. The information contained in this report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate it by reference in such filing.

1. The Audit Committee has reviewed and discussed the above-referenced audited financial statements with management.

2. The Audit Committee has discussed with Marcum LLP, our independent registered public accounting firm for calendar year 2018, the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 1301, Communications with Audit Committee that includes, among other items, matters related to the conduct of the audit of our above-referenced financial statements.

3. The Audit Committee has received the written disclosures and the letter from Marcum LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Marcum LLP's communications with the Audit Committee concerning independence, and has discussed with Marcum LLP its independence from the Company.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of 4. Directors that our above-referenced audited financial statements be included in our annual report on Form 10-K for calendar year 2018.

This report is submitted by the Audit Committee,

Bradford Oberwager, Chair

Daniel Gill

Adrian Pertierra

David Sandberg

J. Randall Waterfield

Board Leadership Structure and Role in Risk Oversight - Our board is led by our non-executive Chairman, Mr. Sandberg. We believe this leadership structure enhances the oversight responsibility of the board and strengthens the board's independence from management. In addition, this structure allows Mr. Goepel to focus his efforts on managing our business.

Our board of directors as a whole has responsibility for overseeing our risk management. The board of directors exercises this oversight responsibility directly and through its committees. The oversight responsibility of the board of directors and its committees is informed by reports from our management team that are designed to provide visibility to the board of directors about the identification and assessment of key risks and our risk mitigation strategies. The full board of directors has primary responsibility for evaluating strategic and operational risk management, cybersecurity risks and succession planning. Our audit committee has the responsibility for overseeing our major financial and accounting risk exposures and the steps our management has taken to monitor and control these exposures, including policies and procedures for assessing and managing risk. Our audit committee also reviews programs for promoting and monitoring compliance with legal and regulatory requirements. Our compensation committee evaluates risks arising from our compensation policies and practices. The audit committee and the compensation committee provide reports to the full board of directors regarding these and other matters.