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Asure Software, Inc.
(NasdaqCM: ASUR)

February 13, 2012
Rating: Strong Buy
Target Price: $22.90
Recent Price: $6.77

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Market Data

Fiscal Year	December
Industry	Software
Market Cap	$20.9M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	7.7x
Price/Sales (ttm)	2.2x
Price/FCF (ttm)	10.5x
ROE (ttm)	2.3%
Shares Outstanding	3.1M
Float	2.6M
Avg. Daily Vol.(3 mos.)	17,090

As of February 10, 2012

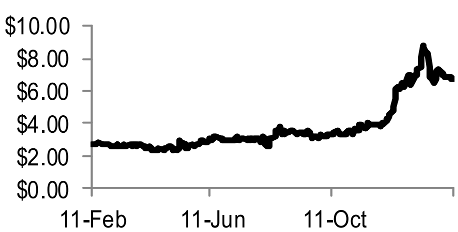
Revenue Estimates

4Q10A	$2.4M	4Q11E	$3.6M
1Q11A	$2.4M	1Q12E	$4.4M
2Q11A	$2.4M	2Q12E	$4.6M
3Q11A	$2.5M	3Q12E	$4.8M

EPS Estimates

4Q10A	$0.02	4Q11E	$0.03
1Q11A	($0.02)	1Q12E	$0.10
2Q11A	$0.01	2Q12E	$0.12
3Q11A	$0.01	3Q12E	$0.15

Price Performance



Underfollowed SaaS Company Growing Sales and Free Cash Flow
Initiating Coverage with Strong Buy

Asure Software, Inc. ("Asure", "ASUR", or the "Company") is an Austin, Texas and Warwick, Rhode Island, based provider of cloud based workplace optimization software. The Company has two main product lines: Its workforce management solution and its workplace management solution. The Company's current executive management team joined the Company in 2009, and immediately began to slash nonperforming business lines and excess costs with an eye toward moving the business toward a software-as-a-service (SaaS) business model and increasing the Company's recurring revenue streams.

ASUR recently returned to profitability, earning $0.02 per share and achieving $2.0 million in free cash flow over the 12 months ended September 2011. The Company has recently completed two acquisitions which are expected to drive future growth in revenue, free cash flow, and EPS.

We are projecting FY12 revenue, free cash flow, and EPS of $18.7 million, $3.4 million, and $0.54, respectively. Based on our FY11 revenue projection of $10.9 million, this represents YoY revenue growth of 71%.

We do not believe that the market has taken into account ASUR's potential long-term growth. In addition to the growth that is expected for FY12, which is mainly driven by the Company's 2011 acquisitions of ADI Time and Legiant, management expects organic revenue growth of approximately 20-25% per year. The Company has also demonstrated their ability to generate free cash flow, with $2.0 million in free cash flow over the past twelve months. In spite of this, ASUR is trading at a significant discount to the forward P/FCF and P/S multiples of its comparables.

We are initiating coverage with a STRONG BUY recommendation and 12-month price target of $22.90, which is 238% above its current level. Our target price indicates that ASUR will trade at forward P/FCF and P/S multiples of 21.0x and 3.8x, respectively. Our price target still represents a discount to the median forward P/FCF of 58%.

Investment Rationale

Turnaround complete; positioned for growth in revenue, free cash flow (FCF), and EPS going forward. New management joined ASUR in 2009, and after divesting non-performing businesses and slashing operating costs reached GAAP profitability in the 12 months ended September 2011. We expect strong growth in FY12 and FY13, and are projecting FY12 revenue, FCF, and EPS of $18.7 million, $3.4 million, and $0.54, respectively. This would represent YoY growth of 71% in revenue and 19% in free cash flow.

New acquisitions expected to drive revenue and free cash flow growth. In October 2011 ASUR acquired ADI Time and in December 2011 ASUR acquired Legiant. These acquisitions are expected to improve the Company's top line and improve margins due to synergies present between Asure and the acquired companies. The two acquisitions also added approximately 1,000 customers to iEmployee, which now has over 1,550 clients.

Impressive deferred revenue growth. Total deferred revenue continues to grow for ASUR, with growth in 3Q11 of 13% QoQ and 36% YoY. The Company has reported 80% recurring revenue in the past three quarters, which coupled with high SaaS bookings and deferred revenue growth should drive predictable profitability and earnings growth on the income statement.

iEmployee and NetSimplicity cloud-based bookings continue to grow. iEmployee had QoQ increases in cloud-based bookings of 34% in 1Q11 and 24% in 3Q11. NetSimplicity had QoQ increases in cloud-based bookings of 88% in 1Q11 and 38% in 2Q11. We believe that most of the additional cloud-based bookings are indicated through growth in deferred revenue, and that subsequent revenue increases on the income statement should happen in the coming quarters.

Cloud computing workloads may grow at a 50% CAGR in the next three years. A recent Morgan Stanley blue paper on cloud computing (dated May 23, 2011) said that their survey of more than 300 IT decision-makers implies that cloud computing workloads will grow at a 50% CAGR over the next three years. Management expects to grow at an organic growth rate of 20-25%; however, if the Morgan Stanley projection is reached, that total could prove conservative.

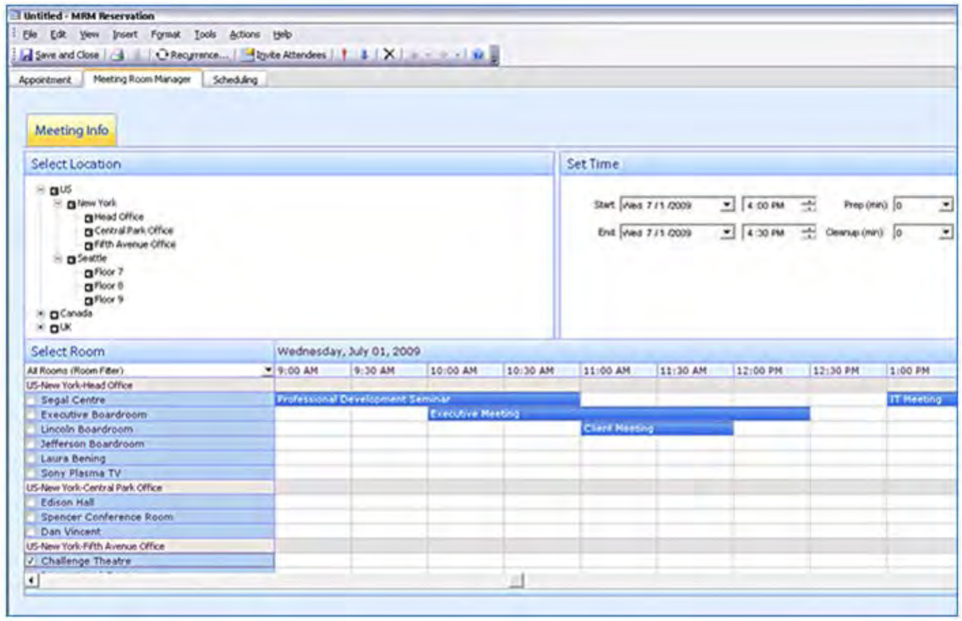
A recent Computer Sciences Corporation (CSC) survey cited mobile computing as the biggest reason to switch to the cloud. The survey (3,645 participants) stated that a third of the survey's participants said that accessibility to information through multiple devices was the most important reason to begin using cloud computing. Thus, we believe that ASUR's recent efforts to develop their mobile capabilities (Legiant acquisition, the release of Meeting Room Manager Mobile Apps) will lead to increased business for the Company.

Trading at a significant discount to comparables. ASUR is currently trading at a forward P/S of 1.2x, a 57% discount to the peer group median of 2.8x, and at a forward P/FCF of 6.2x, a 88% discount to the peer group median of 49.8x. With QoQ sales growth in the last two quarters, QoQ FCF growth in the last five quarters, significant useable tax assets that will further increase cash flows and our expectations for strong long-term growth for ASUR, we believe that a discount of this magnitude is unwarranted.

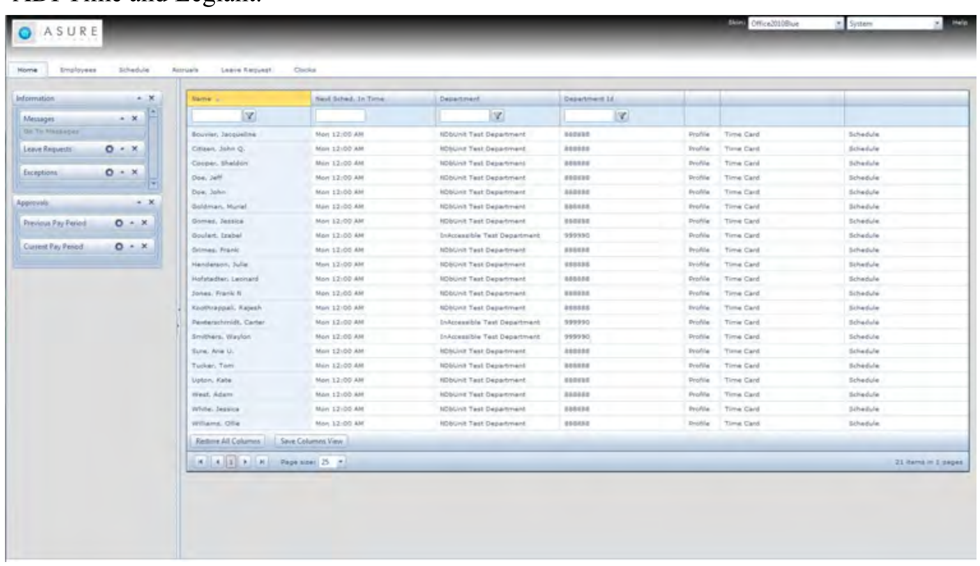
Company Overview

Asure Software, Inc. is a provider of cloud based workplace management solutions that enable organizations to manage their office environment and human resource processes effectively and efficiently. Asure Software offers two main product lines which provide workspace management solutions and workforce management solutions.

Asure Software's workspace management solution (Netsimplicity) automates the scheduling of a facility, including reserving rooms, requesting equipment, ordering food, sending invitations, and reporting on the meeting environment. This solution includes a Microsoft Outlook add-on which provides additional scheduling tools that Outlook is unable to provide. The software can be accessed from a browser, Microsoft Outlook, mobile devices, or from LCD panels that Asure provides. Asure Software is a Microsoft Gold Certified Partner, which means that solution team "is the top level of Microsoft solutions partners and have access to the tools and support they need to help them stand out in the marketplace." We believe that this certification is a testament to the quality of the Asure Software workspace management solution.



The company's workforce management product line simplifies HR processes and improves productivity by managing and communicating human resource information, employee benefits and payroll information. This solution set includes Time & Labor Management, Timesheets, Expenses, Accrual Management and other features which further enable HR Management teams with full featured workforce management solutions. The software products associated with this product line include iEmployee, ADI Time and Legiant.



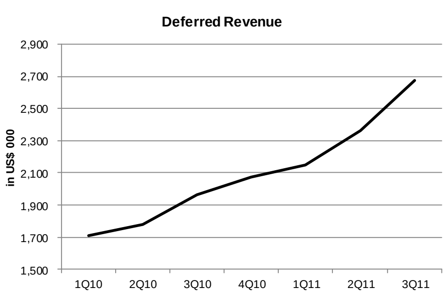
Asure Software also has a proprietary line of time clocks and mobile applications which complement the workforce management software product set. The time clocks provide bar code, proximity and biometric inputs options which give options to best fit the client environmental needs. These technology additions continue to improve the company's ability to provide HR management solutions to all employees through every communication medium.

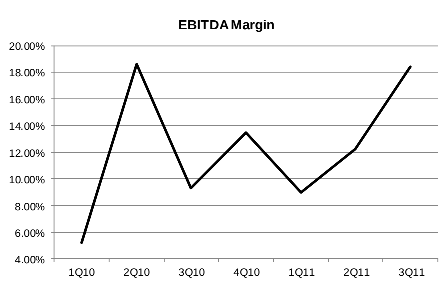
To help expand and grow the company, Asure Software recently acquired ADI Time and Legiant who are leading providers of cloud computing time and attendance

9 Months Results Summary

	9M11 Actual Results	YOY Change
Revenue	7.3	-4.4%
Gross Profit	5.9	0.7%
Gross Margin	81.3%	414bps
EBITDA	0.7	-2.1%
EBITDA Margin	10.3%	24bps
Net Income	0.0	N/A
Net Margin	-0.1%	N/A
EPS	(0.00)	N/A

in US$ millions, except percentage, and EPS data. EBITDA excludes one-time loss on lease amendment and non-cash stock based compensation





solutions. These acquisitions provided the company with a complementary client base in manufacturing, healthcare, retail and distribution industries among others.

Following these acquisitions, Asure Software's workforce management and workplace management solutions have approximately 1,550 and 1,000 customers, respectively. Asure has a very impressive base of multinationals that they service, including such companies as MicroSoft, McDonalds, and Nike.

Financial Results

ASUR's percentage of recurring revenue hit the 80% mark in each quarter of 2011, up from 72% in 3Q10 and 76% in 4Q10, driven by the transition to a majority SaaS business model. SaaS bookings are initially booked to Asure's balance sheet as deferred revenue at the time of sale and are then recognized ratably (as revenues on the income statement) through the life of the booking period. During the transition period, this drives a decrease in reported revenues in exchange for a more predictable and recurring book of business. ASUR elected to pursue its transition to a SaaS business model in 2010 and 2011, and while it posted slight declines in revenue and EBITDA when comparing 9M11 results to 9M10 results, deferred revenue increased 36% from the end of 3Q10 to 3Q11. To put this into further perspective, free cash flow per share during 9M11 was $0.57, compared to GAAP EPS of ($0.00).

Additionally, hardware revenue increased by 94% from 2Q11 to 3Q11; this contributed to a 100 bps decline in gross margin to 81%. In our opinion the recent acquisition of ADI Time will increase hardware sales as a percentage of revenue, which could lead to a slight decline in gross margin. However, expected revenue increases are expected to offset declines in gross margin.

Deferred revenue is a key metric for cloud-based companies, helping investors ascertain the general forward looking trend. As shown in the chart, deferred revenues increased in each of the last 6 quarters with recurring revenue at 80% in 1Q11, 2Q11, and 3Q11. Cloud-based bookings have been increasing in the Company's NetSimplicity and iEmployee lines of business, as indicated by QoQ increases for NetSimplicity in 1Q11 and 2Q11 of 88% and 38% respectfully and for iEmployee in 1Q11 and 3Q11 of 34% and 24% respectfully.

Increases in recurring revenue tend to lead to higher EBITDA margins as increases in revenue rise more quickly than operating costs. Many cloud computing companies have been increasing their sales and marketing expenses in order to attract more business; going forward, we will be watching ASUR's selling, general and administrative expenses to see if they can add additional bookings while containing their marketing and customer acquisition expenses. Management has told us that they will add additional salespeople in order to continue growing the business, but that they are committed to keeping their business profitable at all times. The Company has already shown a commitment to containing S,G&A expenses, as S,G&A expenses for 9M11 were $4.34 million, a 1.2% decline from $4.39 million for 9M10. In their latest 10Q, Asure states that they "Continue to evaluate any unnecessary SG&A expenses and plan to further reduce expenses as appropriate."

The Company has amassed approximately $100 million in net operating loss (NOL) carry forwards, which are expected to greatly reduce income tax expense and thus increase free cash flow and profitability as higher profits are realized. We value the NOLs at a NPV of $17.1 million, or $5.49 per diluted share.

On October 28, 2009, ASUR amended and restated a Rights Agreement that was originally entered into with American Stock Transfer & Trust Company LLC to protect

ASUR's ability to carry forward its net operating losses. The agreement was basically a poison pill designed to limit the number of 5% or greater owners in the Company, which would reduce the risk of a possible "change of ownership" under Section 382 of the Internal Revenue Code of 1986. A "change of ownership" would limit or eliminate the ability to use its NOLs for federal income tax purposes. According to Section 382, a "change in ownership" would occur if "the percentage of the stock of the loss corporation owned by 1 or more 5-percent shareholders has increased by more than 50 percentage points, over the lowest percentage of stock of the loss corporation (or any predecessor corporation) owned by such shareholders at any time during the testing period." The Company's current 5%+ shareholders are Red Oak Partners, LLC (run by ASUR chairman David Sandberg) and hedge fund Renaissance Technologies, Inc. LLC.

The Company's Board of Directors declared a dividend of one right for each outstanding share of common stock of the Company. Each right gave the holder the opportunity to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock of the Company. If the rights are not exercised, the holders do not have the right to vote or receive dividends. If an individual or group acquires between 4.9% - 50% of the Company's common stock, any rights that this person held would be void and cannot be exercised. A "change of ownership" could have severely limited the amount of NOLs that could have been used to offset future taxes (this would typically have limited the usage rate of the NOLs to about 4-5% of their value, based on the value of the U.S. 10-year treasury rate). However, with this agreement in place, we believe that the risk of a change of ownership has diminished greatly, making it likely that the NOLs will continue to be preserved.

ADI Acqusition

The purchase of ADI Time, LLC was in part facilitated by utilizing the Company's cash position ($6.0 million) that is shown on the balance sheet as of 3Q11. Much of this cash balance came from the debt financing that the Company entered into just prior to the end of the quarter. The agreements are as follows:

Balance Sheet and Liquidity

	3Q11	3Q10
Cash	6.1	0.8
Working Capital	3.2	-0.6
Quick Ratio	1.7	0.7
Deferred Revenue	2.7	2.0
Short-term Debt	0.5	0.0
Long-term Debt	2.9	0.0
Interest Coverage Ratio (mrq)	24.8	2.0
Cash From Operations (ttm)	2.1	-1.2
Cash From Financing (ttm)	3.3	-0.1
Capex (ttm)	0.1	0.1
Free Cash Flow (ttm)	2.0	-1.3

in US$ millions

Credit Agreement – On 9/29/11, ASUR entered into a Credit Agreement with JPMorgan Chase Bank N.A. for a $500,000 line of credit. The line of credit will generate interest at a rate of the CB Floating rate (the Bank's prime rate, so long as it is not less than the adjusted one month LIBOR rate), plus 1.5%. In conjunction with the agreement, the Company is required to have a total cash and marketable securities position of at least $300,000, starting 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.

15% Subordinated Notes – On 9/30/11, ASUR sold $1.7 million of 15% subordinated notes in a private placement to investors. Interest is payable quarterly and the notes are due to mature on 9/30/14.

9% Subordinated Convertible Notes – On 9/30/11, ASUR sold $1.5 million of 9% subordinated convertible notes (conversion price = $5.00 per common share). The note will mature on 9/30/14, and conversion into common stock may occur on any date beginning at 9/30/12. If the Company issues stock at a price below the $5.00 conversion price, than the conversion price would be reset to the greater of $3.27 per share or the price that common stock was issued at.

ASUR closed the subordinated debt financing without any prepayment penalties, which could indicate that it may pursue bank financing at reduced rates in the future.

The remainder of the ADI Time acquisition was financed through a promissory note of the Purchaser for $1,095,392. The note bears interest at a rate of 0.16% per annum and matures on 10/1/14.

Legiant Acquisition

On 12/14/11, ASUR announced that it had purchased Legiant, a provider of cloud computing time and attendance software and management services, with a total purchase price of $4 million. $1.5 million was paid for in cash and the rest of the acquisition, or $2.5 million, was paid for with 3 subordinated promissory notes with the following terms:

Promissory note 1 – Principal of $250,000, interest rate of 0.20%, maturity on 2/1/12.

Promissory note 2 – Principal of $477,536.05, interest rate of 5.00%, maturity on 10/1/14.

Promissory note 3 – Principal of $1,761,231.97, interest rate of 0.20%, maturity on 10/1/14.

Total deferred revenue has grown by 36% year-over-year, which in our view provides confirmation of continued cloud-based bookings growth by ASUR. This growth is also indicative of future increases in revenue.

Free cash flow (FCF) has turned positive this year, at $2.0 million over the past twelve months. We believe this is key, as P/FCF and EV/FCF tend to be key metrics that cloud computing companies trade on.

Other Recent Developments

New Chief Operating Officer – On June 2, 2011, the Company hired Steven W. Rodriguez to become ASUR's new COO.

New Vice President of Sales - The Company recently hired Daniel Michael Kinney to become ASUR's VP of Sales.

Mobile Apps Announced for Workplace Management Solutions - On 1/25/12, Asure announced the release of Meeting Room Manager Mobile Apps, which will give users access to their meetings on their mobile devices. Additionally, Meeting Room Manager Mobile Web will provide everything that the PC-based Meeting Room Manager offers via a Web browser, which will allow for easy access on a mobile device.

Time Clock Subscription Program for Workplace Management Solutions - On 2/7/2012, Asure announced that it is offering a monthly time clock subscription program to go along with its time and labor management solution offerings. CEO Pat Goepel stated that the new subscription program, "Is in line with our business strategy to deliver flexible cloud solutions to our client base, and we are very excited to offer our clients a subscription program that lowers their cost of capital."

Outlook

Increases in bookings leads to higher free cash flows and eventually leads to improved performance on the income statement (as deferred revenue is realized). While bookings are a strong metric that indicates greater demand for a company's product offerings, this metric tends to be reported inconsistently by most cloud computing companies. To roughly show QoQ growth in bookings, we have taken the Company's quarterly revenue figure from the income statement and added it to the QoQ change in deferred revenue for each of our comparables. We are showing percentage rather than absolute changes to account for differences in company size.

QoQ Change in Bookings in US$ (defined as Quarterly Revenue + Change in Deferred Revenue)

	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	Geometric Mean (2Q10 - 4Q11)
Asure Software (ASUR)	17.35%	1.23%	-7.71%	-3.18%	8.67%	6.31%		20.44%
Callidus Software (CALD)	-11.01%	-5.42%	28.42%	-9.01%	-12.74%	15.74%		16.55%
Saba Software (SABA)	-12.40%	27.02%	17.16%	-7.73%	-13.80%	17.80%		20.36%
Kenexa (KNXA)	9.05%	7.14%	84.11%	-30.45%	8.50%	8.82%		29.44%
Ultimate Software Group Inc. (ULTI)	4.15%	3.35%	16.46%	-6.18%	1.38%	6.74%		21.22%
Cornerstone OnDemand, Inc. (CSOD)			49.03%	-41.17%	28.18%	30.59%		24.46%
ClickSoftware Technologies Ltd. (CKSW)	-11.99%	13.42%	-20.28%	33.44%	6.31%	3.82%	2.25%	19.53%

Source: Company Filings
All Companies on Dec. fiscal except Saba (May fiscal, last 6 quarterly changes listed in chronological order)

Asure's current management team joined the Company in 2009. Since that time, they have revamped the business, cutting unprofitable business lines and positioning the Company for profitable growth. ASUR continues to trade at a significant discount to their comps, even though bookings growth over the past six quarters has been in line with their comps, along with future growth that is expected to be more robust than historical growth. Future growth has been indicated organically through increases in bookings and deferred revenue and inorganically through the acquisitions of ADI Time and Legiant. These acquisitions were fully funded through debt and cash on hand, so that shareholders did not suffer dilution. Management has guided for revenue of $3.53 - $3.63 million in 4Q11, a QoQ increase of 41 – 45%. This guidance only takes into account the ADI Time acquisition, as Legiant was added near the end of 4Q11. Following the acquisition of Legiant, management upped their FY2012 guidance to $18 million in revenue, $4 million in EBITDA, and $1 per share of free cash flow. Based on the higher end of 4Q11 management guidance, this would imply YoY sales growth of 65%, which is higher than the projected sales growth of any of their comparables.

Estimates

	4Q11	FY12E	FY13E
Revenue			
RedChip	$3.63M	$18.69M	$22.89M
Management	$3.53 - $3.63M	$18.00M	N/A
EBITDA			
RedChip	$0.59M	$3.8M	$5.0M
Management	$0.54 - $0.63M	$4.0M	N/A
Free Cash Flow Per Share			
RedChip	$0.36	$1.09	N/A
Management	N/A	$1.00	N/A

Our revenue estimate for 4Q11 is at the high end of management guidance, which we have assumed based on the organic growth in revenue thus far in 2011 and the pro forma income statement results for ADI Time (based on 9M11 results, ADI Time has a revenue run rate of just over $1.1 million per quarter). For FY12, our sales estimate is 3.8% higher than management guidance. The increase in revenue is driven largely by the acquisitions of ADI Time and Legiant, which are expected to nearly double the Company's top line. Our FY13 revenue estimate is $22.89 million, which represents 22.5% growth for FY13 over FY12. We believe this growth is achievable, based on management's estimate that they grow about 20 – 25% organically, the revenue growth rates of other cloud computing companies in their early stages, and the Company's deferred revenue growth. If, as projected in a Morgan Stanley report released in May, public cloud workloads increase at a 50% CAGR over the next three years our growth estimate may prove conservative. Our EBITDA estimate for FY12 is slightly lower than management's estimate; this is due to our expectation that management will increase their selling and research and development expenses on an absolute basis as higher revenues occur. Our free cash flow per share estimate for FY12 of $1.09 is slightly higher than management's estimate, which is likely due to differences in our estimation of working capital changes and capital expenditures. In our opinion, additional upside to our estimates exists if the Company completes additional acquisitions. We project FY11 diluted EPS of $0.03, FY12 diluted EPS of $0.54, and FY13 diluted EPS of $0.94. Given that the Company has financed two acquisitions this year without going to the equity markets, we do not project any dilution in the Company's shares.

ASUR PEER COMPARISON

Name	Ticker	Price	Market Cap (M)	Rev. (ttm)	Rev. Per Share (ttm)	P/S (ttm)	Fwd. P/S	Fwd. Revs	EV/ EBITDA (ttm)	P/FCF (ttm)	Fwd. P/FCF	P/E (ttm)	Fwd. P/E	Fwd. Net Income	Fwd. Rev. Growth
Callidus Software Inc	CALD US	7.28	237.33	83.8	2.55	2.9x	2.4x	97.1	N/A	N/A	N/A	N/A	83.6x	2.8	21.9%
Saba Software Inc	SABA US	11.66	347.30	121.3	4.28	2.7x	2.7x	130.8	N/A	N/A	N/A	N/A	N/A	-5.7	11.0%
Kenexa Corp	KNXA US	28.17	762.24	282.9	11.07	2.5x	2.1x	357.2	19.8x	21.5x	24.2x	N/A	26.1x	29.2	29.4%
Ultimate Software Group Inc	ULTI US	66.24	1,724.17	269.2	10.43	6.4x	5.2x	330.6	59.7x	115.8x	75.4x	441.6x	60.2x	28.7	18.8%
ClickSoftware Technologies	CKSW US	10.14	310.63	87.1	2.81	3.6x	3.0x	102.7	13.1x	31.7x	N/A	23.6x	15.8x	19.6	26.1%
Cornerstone Ondemand Inc	CSOD US	18.09	876.80	61.8	3.06	5.9x	8.0x	109.6	N/A	33.9x	N/A	N/A	N/A	-4.0	N/A
Median						**3.2x**	**2.8x**		**19.8x**	**32.8x**	**49.8x**	**232.6x**	**43.1x**		**21.9%**
Asure Software Inc	ASUR US	6.77	20.88	9.7	3.14	2.2x	1.2x	17.4	17.7x	10.5x	6.2x	N/A	16.6x	1.3	79.1%

As of February 10, 2012
Source: Bloomberg, RedChip Estimates
**Fwd. estimates based on FY2012 analyst estimates*

Valuation

To value ASUR, we have opted to take a weighted average of P/FCF and P/S multiples. As we believe that free cash flow is the most important metric with which to value a cloud computing company, we have opted to weight the P/FCF multiple by 75% and P/S multiple by 25%. While we believe that Asure has great growth potential relative to their comps, we have opted to take the lowest forward P/FCF (24.2x) and forward P/S (2.1x) multiples in our peer group to account for ASUR's smaller size relative to their comps. However, we still feel as if the market is greatly discounting ASUR's expected growth, and that as the Company begins to report its financial results following its two recent acquisitions, the market will begin to assign a higher valuation to its shares. Applying P/FCF and P/S multiples of 24.2x and 2.1x to our 2012 estimates of $1.09 for free cash flow per share and $6.00 for sales per share, we derive a target price of $22.90. Given what we believe is a strong foundation for future growth in sales and free cash flow, we initiate coverage with a STRONG BUY rating.

Investment Issues

High debt/equity ratio. As of the end of 2011, we estimate that ASUR had a high debt/equity ratio of 244.0%. This debt was incurred to help finance the Company's acquisitions of ADI Time and Legiant. While projected interest expense remains very manageable (we estimate FY12E interest expense of $441,000), and 41% of the Company's debt has an interest rate of 0.2% or less, the current high level of debt relative to equity may make it difficult for the Company to raise additional funds through debt. Expected increases in profitability should decrease the debt/equity ratio; we have projected a decrease to 144.3% by the end of 2012.

Rapid technological change and low barriers to entry. Software-as-a-service companies and software companies in general are subject to a rapidly changing market environment. New entrants may enter the marketplace and offer a superior solution to ASUR's products, thus reducing ASUR's market share. However, we believe that the integration of hardware such as time clocks and LCD panels into Asure's product offerings will keep company churn rates low.

Small company size. ASUR is smaller than many of its competitors and the majority of its public comps (although many of these companies offer products that do not compete with ASUR). Having lesser resources than its competitors may make it more difficult for ASUR to improve its products and keep up with changing market dynamics.

History of net losses. ASUR has had a history of net losses, with its only recent profitable year coming in 2007. However, ASUR put new management in place in 2009, turned a profit in 2Q11 and 3Q11, and we are projecting the Company to achieve profitability going forward.

Management

Pat Goepel, Chief Executive Officer

Mr. Goepel has more than 20 years of experience in the human resource outsourcing industry. Before joining ASUR, he was president and CEO of Fidelity Investment's HR Services Division, president and CEO of Advantec, and executive vice president at Ceridian, where he was responsible for sales, marketing, operations and business development in the United States. In addition to being CEO of Asure Software, Mr. Goepel also serves as the CEO of APPD Investments, along with sitting on the boards of Allover Media and SafeGuard World International.

David Scoglio, Vice President and Chief Financial Officer

Mr. Scoglio joined ASUR as Vice President and CFO in January 2010. Prior to joining Asure, Mr. Scoglio was a senior director of finance at Fidelity Investments, where he spent 12 years in a number of finance and accounting roles. From 2004 to 2009, Mr. Scoglio managed up to $250 million of Operations expenses supporting Fidelity's HR outsourcing business – including the administration of payroll, human resources, talent management, time and attendance, and health and insurance. Mr. Scoglio earned a MS in Finance from Boston College and a BS in Finance from Bentley University.

Steven W Rodriguez, Chief Operating Officer

Prior to joining ASUR, Mr. Rodriguez was a Principal for HCS, which is a consulting company that he founded. Prior to that, he served as Executive Vice President and Officer at Perquest, a National Workforce Management Company that provides innovative technology and superior Client Services. Prior to working at Perquest, Mr. Rodriguez was Senior Vice President of Sales & Sales Operations at Ceridian Corporation. Mr. Rodriguez earned a Bachelor's of Business Administration from the University of Oklahoma.

Company Holders

Owner	Shares Beneficially Owned	% of Shares Out
Directors/Officers		
Red Oak Partners, LLC/David Sandberg	320,150	10.4%
Patrick Goepel	152,811	5.0%
David Scoglio	21,213	0.7%
Adrian Pertierra	9,554	0.3%
Randy Waterfield	3,100	0.1%
All Directors/Officers	506,828	16.4%
Instiutions		
Renaissance Technologies, Inc. LLC	156,551	5.1%
Bares Capital Management Inc.	87,623	2.8%
Bard Associates Inc.	61,850	2.0%
Kenmark Capital Partners LLC	57,617	1.9%
Blackrock Institutional Trust	35,832	1.2%

Source: Company Filings, BloomBerg
Options and converts on an as-converted basis

Company insiders, including CEO Pat Goepel and CFO David Scoglio, have purchased shares throughout 2011, which we take as a sign of confidence by insiders in the Company. Additionally, institutional ownership has risen, with Bares Capital Management Inc. having purchased their entire stake in period from 7/1/2011—9/30/2011.

Income Statement

All Figures in US$ 000 FY Ending December 31,	1Q09	2Q09	3Q09	1Q10	2Q10	3Q10	4Q10	9M10	FY10	1Q11	2Q11	3Q11
Revenues	2,510	2,314	2,368	2,460	2,625	2,542	2,406	7,627	10,033	2,357	2,434	2,502
Cost of Sales	(493)	(443)	509	(638)	(502)	(601)	(518)	(1,741)	(2,259)	(440)	(437)	(486)
Gross Margin	2,017	1,871	1,859	1,822	2,123	1,941	1,888	5,886	7,774	1,917	1,997	2,016
Operating Expenses:												
Selling, general and administrative	2,758	2,908	3,945	1,441	1,442	1,507	1,302	4,391	5,693	1,401	1,413	1,526
Research and development	523	605	517	342	364	394	345	1,100	1,445	391	393	366
Litigation settlement	0	0	2,200	0	0	0	0	0	0	0	0	0
Impairment of assets	0	630	0	0	0	0	0	0	0	0	0	0
Amortization of intangible assets	149	149	149	149	150	150	150	448	598	149	150	150
Loss on lease amendment	0	0	0	0	1,203	0	0	1,203	1,203	0	0	0
Total Operating Expenses	3,430	4,292	6,811	1,932	3,159	2,051	1,797	7,142	8,939	1,941	1,956	2,042
Loss From Operations	(1,413)	(2,421)	(4,952)	(110)	(1,036)	(110)	91	(1,256)	(1,165)	(24)	41	(26)
Other Income (Expenses):												
Interest income	24	16	9	1	1	0	3	2	5	2	4	2
Foreign currency translation gain (loss)	17	(64)	(30)	(43)	26	(24)	(13)	(41)	(54)	(21)	1	67
Loss (gain) on sale of assets	30	0	0	0	23	(18)	0	5	5	0	0	0
Interest expense and other	(16)	(23)	(5)	(21)	(16)	(20)	(9)	(57)	(66)	(8)	(7)	(5)
Gain on sale of investment	0	0	0	0	0	130	0	130	130	0	0	0
Total Other Income (Expense)	55	(71)	(26)	(63)	34	68	(19)	39	20	(27)	(2)	64
Income (Loss) Before Income Taxes	(1,358)	(2,492)	(4,978)	(173)	(1,002)	(42)	72	(1,217)	(1,145)	(51)	39	38
(Provision) Benefit For Income Taxes	(21)	(16)	174	(15)	(13)	42	(6)	14	8	(9)	(12)	(9)
Net Income (Loss)	(1,379)	(2,508)	(4,804)	(188)	(1,015)	0	66	(1,203)	(1,137)	(60)	27	29
Basic Income (Loss) Per Share	(0.44)	(0.81)	(1.54)	(0.06)	(0.33)	0.00	0.02	(0.39)	(0.37)	(0.02)	0.01	0.01
Diluted Income (Loss) Per Share	(0.44)	(0.81)	(1.54)	(0.06)	(0.33)	0.00	0.02	(0.39)	(0.37)	(0.02)	0.01	0.01
Shares Used In Computing Basic Income (Loss) Per Share	3,111	3,111	3,112	3,095	3,085	3,085	3,088	3,088	3,087	3,085	3,085	3,085
Shares Used In Computing Diluted Income (Loss) Per Share	3,111	3,111	3,112	3,095	3,085	3,085	3,088	3,088	3,087	3,085	3,088	3,094
Gross Margin	80.36%	80.86%	78.51%	74.07%	80.88%	76.36%	78.47%	77.17%	77.48%	81.33%	82.05%	80.58%
Operating Margin	-56.29%	-104.62%	-209.12%	-4.47%	-39.47%	-4.33%	3.78%	-16.47%	-11.61%	-1.02%	1.68%	-1.04%
Net Margin	-54.94%	-108.38%	-202.87%	-7.64%	-38.67%	0.00%	2.74%	-15.77%	-11.33%	-2.55%	1.11%	1.16%
S,G&A as % of rev	109.88%	125.67%	166.60%	58.58%	54.93%	59.28%	54.11%	57.57%	56.74%	59.44%	58.05%	60.99%
R&D as % of rev	20.84%	26.15%	21.83%	13.90%	13.87%	15.50%	14.34%	14.42%	14.40%	16.59%	16.15%	14.63%
Effective Tax Rate	1.55%	0.64%	-3.50%	8.67%	1.30%		-8.33%	-1.15%	-0.70%	17.65%	-30.77%	-23.68%

Projected Income Statement

All Figures in US$ 000

FY Ending December 31,	1Q11	2Q11	3Q11	4Q11E	FY11E	1Q12E	2Q12E	3Q12E	4Q12E	FY12E	FY13E
Revenues	2,357	2,434	2,502	3,630	10,923	4,400	4,576	4,760	4,950	18,686	22,891
Cost of Sales	(440)	(437)	(486)	(726)	(2,089)	(880)	(915)	(952)	(990)	(3,737)	(4,578)
Gross Margin	1,917	1,997	2,016	2,904	8,834	3,520	3,661	3,808	3,960	14,949	18,313
Operating Expenses:											
Selling, general and administrative	1,401	1,413	1,526	2,060	6,400	2,332	2,380	2,427	2,475	9,614	11,217
Research and development	391	393	366	390	1,540	418	458	476	495	1,847	2,289
Litigation settlement	0	0	0	0	0	0	0	0	0	0	0
Impairment of assets	0	0	0	0	0	0	0	0	0	0	0
Amortization of intangible assets	149	150	150	236	685	322	322	322	322	1,287	1,287
Loss on lease amendment	0	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses	1,941	1,956	2,042	2,686	8,625	3,072	3,159	3,225	3,292	12,748	14,792
Loss From Operations	(24)	41	(26)	218	209	448	502	583	668	2,201	3,520
Other Income (Expenses):											
Interest income	2	4	2	3	11	3	3	3	3	12	12
Foreign currency translation gain (loss)	(21)	1	67	0	47	0	0	0	0	0	0
Loss (gain) on sale of assets	0	0	0	0	0	0	0	0	0	0	0
Interest expense and other	(8)	(7)	(5)	(105)	(125)	(110)	(110)	(110)	(110)	(441)	(441)
Gain on sale of investment	0	0	0	0	0	0	0	0	0	0	0
Total Other Income (Expense)	(27)	(2)	64	(102)	(67)	(107)	(107)	(107)	(107)	(429)	(429)
Income (Loss) Before Income Taxes	(51)	39	38	117	143	341	395	475	561	1,772	3,091
(Provision) Benefit For Income Taxes	(9)	(12)	(9)	(12)	(42)	(17)	(20)	(24)	(28)	(89)	(155)
Net Income (Loss)	(60)	27	29	105	101	324	375	452	533	1,684	2,937
Basic Income (Loss) Per Share	(0.02)	0.01	0.01	0.03	0.03	0.11	0.12	0.15	0.17	0.55	0.95
Diluted Income (Loss) Per Share	(0.02)	0.01	0.01	0.03	0.03	0.10	0.12	0.15	0.17	0.54	0.94
Shares Used In Computing Basic Income (Loss) Per Share	3,085	3,085	3,085	3,085	3,085	3,085	3,085	3,085	3,085	3,085	3,085
Shares Used In Computing Diluted Income (Loss) Per Share	3,085	3,088	3,094	3,114	3,095	3,114	3,114	3,114	3,114	3,114	3,114
Gross Margin	81.33%	82.05%	80.58%	80.00%	80.88%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
Operating Margin	-1.02%	1.68%	-1.04%	6.01%	1.92%	10.19%	10.97%	12.24%	13.50%	11.78%	15.38%
Net Margin	-2.55%	1.11%	1.16%	2.89%	0.92%	7.36%	8.20%	9.49%	10.77%	9.01%	12.83%
S,G&A as % of rev	59.44%	58.05%	60.99%	54.00%	58.59%	53.00%	52.00%	51.00%	50.00%	51.45%	49.00%
R&D as % of rev	16.59%	16.15%	14.63%	10.74%	14.10%	9.50%	10.00%	10.00%	10.00%	9.88%	10.00%
Effective Tax Rate	17.65%	-30.77%	-23.68%	-10.00%	-29.21%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%	-5.00%

Balance Sheet

All Figures in US$

FY Ending December 31,	**4Q09**	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**1Q11**	**2Q11**	**3Q11**	**4Q11E**	**4Q12E**
Assets										
Current Assets										
Cash and cash equivalents	2,263	1,991	705	837	1,070	1,375	2,026	6,082	74	3,208
Accounts receivable, net	1,526	1,082	1,003	1,346	1,239	1,031	974	979	1,300	1,881
Notes receivable	0	0	0	60	62	63	65	120	120	120
Inventory	49	24	83	85	25	23	10	6	25	25
Prepaid expenses and other current assets	213	213	228	266	255	257	229	227	227	227
Total Current Assets	4,051	3,310	2,019	2,594	2,651	2,749	3,304	7,414	1,745	5,461
Notes receivable	0	0	0	60	60	60	60	0	0	0
Property and equipment, net	581	590	383	316	281	246	245	221	639	599
Intangible assets, net	3,623	3,429	3,234	3,039	2,844	2,649	2,454	2,258	6,329	5,042
Goodwill	0	0	0	0	0	0	0	0	6,336	6,336
Total Assets	8,255	7,329	5,636	6,009	5,836	5,704	6,063	9,893	15,049	17,438
Liabilities and stockholders equity										
Current Liabilities										
Accounts payable	1,039	795	695	831	560	466	551	686	924	1,188
Line of credit	0	0	0	0	0	0	0	500	500	500
Accrued compensation and benefits	79	47	56	116	95	28	83	72	72	72
Lease impairment and advance	562	322	0	0	0	0	0	0	0	0
Other accrued liabilities	411	452	452	423	361	356	330	399	400	377
Deferred revenue	1,744	1,587	1,663	1,866	1,955	2,046	2,216	2,522	3,692	4,207
Total Current Liabilities	3,835	3,203	2,866	3,236	2,971	2,896	3,180	4,179	5,588	6,344
Long-term deferred revenue	134	125	116	96	116	103	145	150	182	272
Lease impairment and advance	196	174	0	0	0	0	0	0	0	0
Subordinated notes	0	0	0	0	0	0	0	1,450	5,034	4,784
Subordinated convertible notes	0	0	0	0	0	0	0	1,400	1,400	1,400
Other long-term obligations	212	189	49	37	25	14	10	4	4	4
Total Liabilities	542	3,691	3,031	3,369	3,112	3,013	3,335	7,183	12,208	12,805
Stockholders' Equity										
Common stock	334	334	334	334	334	334	334	334	334	334
Treasury stock	(4,907)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)	(5,017)
Additional paid-in capital	270,925	270,940	270,953	270,966	270,978	270,992	271,006	271,033	271,060	271,168
Accumulated deficit	(262,404)	(262,592)	(263,607)	(263,607)	(263,541)	(263,601)	(263,574)	(263,545)	(263,440)	(261,756)
Accumulated other comprehensive loss	(70)	(27)	(58)	(36)	(30)	(17)	(21)	(95)	(95)	(95)
Total Stockholders' Equity	3,878	3,638	2,605	2,640	2,724	2,691	2,728	2,710	2,842	4,634
Total Liabilities and Stockholders' Equity	8,255	7,329	5,636	6,009	5,836	5,704	6,063	9,893	15,049	17,438

Cash Flow Statement

All Figures in US$

FY Ending December 31,	1Q10	6M10	9M10	FY10	1Q11	6M11	9M11	FY11E	FY12E
Cash Flows From Operating Activities									
Net loss	(188)	(1,203)	(1,203)	(1,137)	(60)	(33)	(4)	101	1,684
Adjustments to reconcile net loss to net cash used in operations:									
Depreciation and amortization	265	522	776	1,016	238	471	702	1,045	1,527
Amortization of leasehold advance and lease impairment	(262)	(758)	(758)	(758)	0	0	0	0	0
Provision for doubtful accounts	24	(2)	29	13	2	(32)	(29)	(29)	0
Share-based compensation	15	28	41	53	14	28	55	82	108
(Gain) loss on sale/disposal of assets	0	(23)	(23)	(23)	0	0	0	0	0
Loss on disposal of subtenant leasehold improvements	0	180	199	199	0	0	0	0	0
Changes in operating assets and liabilities:									
Accounts receivable	420	525	151	274	206	297	289	404	(581)
Inventory	25	(34)	(36)	24	2	15	19	19	0
Notes receivable	0	0	(120)	(122)	(1)	(3)	2	2	0
Prepaid expenses and other current assets	0	(15)	(53)	(42)	(2)	26	28	28	0
Accounts payable	(244)	(321)	(185)	(456)	(94)	(9)	126	239	264
Accrued expenses and other long-term obligations	0	(121)	(90)	(173)	(71)	(34)	30	30	0
Deferred revenue	(166)	(99)	84	193	78	290	601	1,015	606
Net cash used in operating activities	(111)	(1,321)	(1,188)	(939)	312	1,016	1,819	2,935	3,608
Cash Flows From Investing Activities									
Acquisition	0	0	0	0	0	0	0	(10,697)	0
Purchases of short-term investments	0	0	0	0	0	0	0	0	0
Sales of short-term investments	0	0	0	0	0	0	0	0	0
Net purchases of property and equipment	(77)	(123)	(131)	(141)	(8)	(45)	(60)	(60)	(200)
Net cash used in investing activities	(77)	(123)	(131)	(141)	(8)	(45)	(60)	(10,757)	(200)
Cash Flows From Financing Activities									
Net proceeds from issuance of stock									
Payments on capital leases	(13)	(24)	(36)	(48)	(12)	(24)	(36)	(48)	(23)
Proceeds from a line of credit, subordinated notes payable and convertible notes payable to fund the ADI acquisition ($1,600 provided by related parties)	0	0	0	0	0	0	3,350	6,934	(250)
Purchase of treasury stock	(110)	(110)	(110)	(110)	0	0	0	0	0
Net cash provided by (used in) financing activities	(123)	(134)	(146)	(158)	(12)	(24)	3,314	6,886	(273)
Effect of translation exchange rates	39	20	39	45	13	9	(61)	(61)	0
Net increase (decrease) in cash and equivalents	(272)	(1,558)	(1,426)	(1,193)	305	956	5,012	(996)	3,135
Cash and equivalents at beginning of period	2,263	2,263	2,263	2,263	1,070	1,070	1,070	1,070	74
Cash and equivalents at end of period	1,991	705	837	1,070	1,375	2,026	6,082	74	3,208

Analyst Certification

The analysts contributing to this report do not hold any shares of ASUR. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts' personal views as to the subject securities and issuers. RedChip Companies Inc. certifies that no part of the analysts' compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst authoring this report.

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RedChip Rating System

RedChip Research Coverage Universe

Rating	Number of Covered Companies	Percentage of Universe
Strong Buy	6	37.5%
Buy	6	37.5%
Speculative Buy	2	12.5%
Hold	1	6.3%
Sell	0	0.0%
Suspended	1	6.3%

STRONG BUY

The current price reflects a substantial discount from the market and from its peers, and the company does not possess significant financial risk within its risk category. Future growth potential is undervalued relative to the company's stock price. The analyst believes the stock at current levels represents a compelling opportunity for capital gains over the time period to its target price.

BUY

The current price reflects a discount from the market and from its peers, and the company does not possess significant financial risk within its risk category. The analyst believes the stock at current levels will provide an opportunity for capital gains over the period of its target price. Several factors can indicate an undervaluation of the company's shares.

SPECULATIVE BUY

The current price appears to offer potential gains though risk is considerably higher given its risk category. There may be insufficient historical data or clear-cut prospects to warrant a "Buy," but the analyst believes that the long run prospects of the Company are positive. The analyst believes its risk reward ratio advocates purchase of the stock. In the short term, the stock may be subject to high volatility and continue to trade at a discount to its market.

HOLD

The analyst is unable to assign a buy rating due to a number of specified factors noted in the report. These include the stock being fairly valued relative to its peers and the market, or the company may have risks that make it potentially unsuitable for investment within its risk category. Similarly there are no currently known compelling factors that would warrant selling. The analyst will remain neutral pending developments.

SELL

The analyst believes that the Company is overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward given its risk category. An investment in the company may produce below market returns and/or deficits.

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