

Risk Factors Comparison 2025-03-06 to 2024-02-26 Form: 10-K

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The following risk factors and other information included throughout this Form 10-K, including those risks identified in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” represent our view of some of the most important risks we face. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any of the events or circumstances described in the following risk factors actually occurs, our business, operating results and financial condition could be materially adversely affected. Refer to the cautionary note regarding forward-looking statements at the beginning of Part 1 of this Form 10-K.

RISKS RELATED TO OUR BUSINESS If our security measures, or those of our third-party data center hosting facilities, cloud computing platform providers or third-party service partners are compromised or breached, or if personal information of our clients or their employees is accessed or obtained, our services and HCM solution may be perceived as not being secure, our brand could be damaged, our services may be disrupted, and customers may curtail or stop using our services, all of which could reduce our revenue and earnings, increase our expenses, and expose us to legal claims and regulatory actions. Our solution involves the collection, storage and transmission of clients’ and their employees’ confidential and proprietary information, including personal identifying information such as social security numbers and HIPAA data with respect to our consumer health care administration services, as well as financial and payroll data. This type of data is highly sensitive and is regulated by laws in all jurisdictions governing the security and privacy of personal information. HCM software is often targeted in cyber-attacks, including computer viruses, worms, phishing attacks, malicious software programs and other information security breaches due to the sensitive nature of the data, which could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our clients’ sensitive data or otherwise disrupt our clients’ or other third parties’ business operations. If cybercriminals are able to circumvent our security measures, or if we are unable to detect an intrusion into our systems and contain such intrusion in a reasonable amount of time, our clients’ sensitive data may be compromised, as well as our intellectual property and other confidential business information. In addition to malicious acts by third parties, unauthorized access to or breach of our systems could occur through employee error or employee malfeasance. Certain of our employees have access to sensitive information about our clients’ employees. While we conduct background checks of our employees and limit access to systems and data, it is possible that one or more of these individuals may circumvent these controls, resulting in a security breach. Although we have security measures in place to protect client information and prevent data loss and other security breaches, these measures could be breached as a result of third-party action, employee error, third-party or employee malfeasance or otherwise. Because the techniques used to obtain unauthorized access or to sabotage systems change frequently, we may not be able to anticipate these techniques and implement adequate preventative or protective measures. In addition, our customers may not have adequate security measures in place to protect their data that is stored on our services. Because we do not control our customers or third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the integrity or security of such transmissions or processing. While we currently maintain a cyber liability insurance policy, the coverage limits of our cyber liability insurance may be inadequate or coverage under our cyber liability insurance policy may not be available in the future on acceptable terms, or at all. In addition, our cyber liability insurance policy may not cover all claims made against us, and defending a suit, regardless of its merit, could be costly and divert management’s attention from our business and operations. Moreover, if a high profile security breach occurs with respect to another SaaS provider in our market, our clients and potential clients may lose trust in the security of the SaaS business model generally, which could adversely impact our ability to retain clients or attract new ones. Any actual or perceived breach of our security could damage our reputation, cause existing clients and resellers to terminate our services, prevent future clients from doing business with us and result in regulatory liability and third-party liability, any of which could adversely affect our business and results of operations. We ~~generate~~ **have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future, fail to remediate the identified material weakness, or otherwise** revenues by providing tax processing services to enable businesses to file ~~fail to maintain an effective system of internal control, all of which, if they occur, may result in material misstatements of our financial statements. In connection with the preparation of our Annual Report for Employee Retention Tax Credits under the year ended December 31, CARES Act. Such regulations were originally expected to expire in 2024 and 2025, which, following their expiration, will adversely impact our revenues and abuses of this program may require government intervention, that could adversely affect the timing of our processing services and delay or otherwise materially affect our future revenue and cash collections. Since the introduction of the Employee Retention Tax Credits in 2021, we have received~~ **identified a material weakness in our internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. See Item 9A. Controls and Procedures included in Item II of this Annual Report for more information about the identified material weakness. We are in the process of designing and implementing measures to improve our internal controls over financial reporting and remediate the identified material weakness. However, we cannot predict the success of these measures nor give assurance that these measures will remediate the material weakness or prevent additional material weaknesses or significant deficiencies in our internal controls over financial reporting of our tax processing revenues from occurring. If our remediation measures are insufficient to**

address the support material weakness or additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, we may not detect errors provide our customers as a tax processor in a timely manner filing for Employee Retention Tax Credits. Employee Retention Tax Credits were originally expected to expire during 2024 and 2025; however, our financial statements it is possible that the government could be misstated make changes to or revoke the program prior to its scheduled expiration. In January 2024, the United States House we could face a loss of confidence by stakeholders, Representatives passed the Tax Relief for or American Families and Workers Act of 2024 we could be subject to regulatory scrutiny, sanctions, or litigation, any of which sets an expiration date of January 31..... from support provided to customers who would could harm otherwise undergo ERTC claim processing. Given this, investors should not expect our tax processing revenues from ERTC filings to continue beyond 2024, and any earlier expiration or our business revocation of the ERTC program, including the moratorium described above, will have an adverse effect on our financial condition and, results of operation operations. Further, we have entered into deferred payment arrangements with some customers and referral partners whereby collections from the customer are expected to be received upon the customer's future receipt of their tax credit. Given the deferred nature of such receipts there is risk pertaining to our or ability to collect such amounts in the market price future. In certain situations, the tax authorities could have the ability to challenge the validity of a business' filing or our securities could challenge our calculations or find other deficiencies in our filings that could expose us to uncertain penalties or damages. We have a history of losses, and we cannot be certain that we will achieve or sustain profitability. We have historically incurred losses since our inception. We experienced a net loss from continuing operations of \$ 9-11. 2-8 million in the fiscal year ended December 31, 2023-2024. At December 31, 2023-2024, our accumulated deficit was \$ 290-307. 4-2 million and total stockholders' equity was \$ 191-197. 7-3 million. We expect to continue to incur operating losses as a result of expenses associated with the continued development and expansion of our business. Such expenses include among others, transaction costs associated with acquisitions, sales and marketing, research and development, consulting and support services and other costs relating to the development, marketing and sale and service of our products that may not generate revenue until later periods, if at all. Any failure to increase revenue or manage our cost structure as we implement initiatives to grow our business could prevent us from achieving or sustaining profitability. In addition, our ability to achieve profitability is subject to a number of the risks and uncertainties discussed below, many of which are beyond our control, including the impact of the current economic environment. We cannot be certain that we will be able to achieve or sustain profitability on a quarterly or annual basis. Privacy concerns and laws and other regulations may limit the effectiveness of our applications and adversely affect our business. Our products are subject to various complex laws and regulations on the federal, state and local levels, including those governing data security and privacy. The regulatory framework for privacy issues is rapidly evolving and will remain uncertain as more jurisdictions adopt laws and regulations regarding the collection, processing, storage and disposal of personal information. In the United States, the laws include regulations promulgated by the Federal Trade Commission, the Health Insurance Portability and Accountability Act of 1996, state data breach notification laws, and state security and privacy laws such as the California Consumer Privacy Act, as amended by the California Privacy Rights Act, (the " CCPA ") and the Illinois Biometric Information Privacy Act (" IBIPA ") governing biometric data. Some of these laws, such as the CCPA and IBIPA, grant consumers private right of actions for data breaches or violations as applicable. Additionally, new privacy legislation became effective throughout 2023 in various many other states in which we operate including Virginia, Colorado, Utah and Connecticut. These laws track significant portions of existing laws but include differences that may or may not increase our compliance burden. Additional states may adopt privacy laws in the future that may increase our compliance burden. Further, because some of our Reseller clients have clients in the European Union utilizing Asure' s Time and Attendance product, the GDPR may impact our processing of certain client and client employee information. Failure to comply with laws, including security and privacy laws, could subject us to liability, fines, lawsuits and could require us to change our applications in order to comply. In addition to governmental regulation, self- regulatory standards may place additional burdens on us. Many of our customers expect us to meet voluntary certification or other standards established by third parties as well as other audited measures and controls. If we are unable to maintain these certifications or meet these standards, it could adversely affect our ability to provide our solutions to certain customers and could harm our business. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our products or services, and could limit adoption of our cloud- based solutions. Furthermore, certain of our products use client data to provide value to our solutions, aid in efficiency and reduce human error. Evolving privacy requirements and privacy concerns could restrict our ability to store and process data, which may impact our ability to offer our services thereby reducing demand. Enforcement actions and investigations could also impact us through increased costs, regulatory penalties, or restrictions on our business. The adoption of new or interpretation of..... adverse effect on our financial condition. We have acquired and plan to continue to acquire from time to time our Reseller Partners' businesses that have licensed our proprietary software and other complementary businesses either through stock acquisition or through an asset purchase of their client service agreements and related assets. These acquisitions could prove difficult to integrate, result in unknown or unforeseen liabilities, disrupt our business, dilute stockholder value and ownership and adversely affect our operating results and financial condition. Acquisitions and investments involve numerous risks, including: • potential failure to achieve the expected benefits of the combination or acquisition; • difficulties in, and the cost of, integrating operations, technologies, services, platforms and personnel; • diversion of financial and managerial resources from existing operations; • the potential entry into new markets in which we have little or no experience or where competitors may have stronger market positions; • potential write- offs of acquired assets or investments, and potential financial and credit risks associated with acquired customers; • potential loss of key employees of the acquired company; • inability to generate sufficient revenue to offset acquisition or investment costs; • inability to maintain relationships with customers and partners of the acquired business; • difficulty of transitioning the acquired technology onto our existing platforms and customer acceptance of multiple platforms

on a temporary or permanent basis; • increasing or maintaining the security standards for acquired technology consistent with our other services; • potential unknown liabilities associated with the acquired businesses including regulatory noncompliance; • negative impact to our results of operations because of the depreciation and amortization of amounts related to acquired intangible assets, fixed assets and deferred compensation; • additional stock based compensation; • the loss of acquired deferred revenue and unbilled deferred revenue; • delays in customer purchases due to uncertainty related to any acquisition; • ineffective or inadequate controls, procedures and policies at the acquired company; • potential additional cybersecurity and compliance risks resulting from entry into new markets; and • the tax effects of any such acquisitions. Any of these risks could have an adverse effect on our business, operating results and financial condition. To facilitate these acquisitions or investments, we may seek equity or debt financing, which may not be available on terms favorable to us, or at all, which may affect our ability to complete acquisitions or investments. If we finance acquisitions by issuing equity or convertible or other debt securities or loans, or issue equity as consideration for an acquisition, our existing stockholders may be diluted, or we could face constraints related to the terms of, and repayment obligations related to, the incurrence of indebtedness. **Our failure** If we are unable to **comply with existing** release timely updates to reflect changes in wage and hour laws, tax, privacy, benefit and other laws and regulations that our products help our clients address, the market acceptance of our products may be **result in** adversely-- **adverse effects** affected and our revenues could decline. Our solutions are affected by changes in wage and hour laws, tax, privacy, benefit and other laws and regulations and generally must be updated regularly to maintain their accuracy, compliance and competitiveness. Although we believe our SaaS platform provides us with flexibility to release updates in response to these changes, we cannot be certain that we will be able to make the necessary changes to our solutions and release updates on a **timely basis, or at all.....** developments or respond to future technologies, our business, **service** operating results and financial results will be adversely affected. Our future success relies on our capacity to attract new clients and increase revenue from existing clients, necessitating the ongoing improvement and innovation of our products. The timely completion, introduction, and market acceptance of enhancements or new features are crucial factors for success. Inability to meet client needs, develop/ acquire successful features, or navigate market challenges could adversely affect our business, operating results, and financial condition. **Our and failure to comply with licensing requirements or changing laws and regulations through modifications, developments, and enhancements to our** products, designed to operate across various platforms and **utilizing** Internet tools and protocols, require..... their agreements with us or reduce the services purchased, our revenue will decline and..... risk. The loss of these funds could have a material adverse effect on our business, **financial condition** and results of operations. **Our services** We invest our funds held for clients in high quality, investment-grade marketable securities, money markets, and other cash equivalents. However, these funds held for clients are subject to **various laws** general market, interest rate, credit, and liquidity risks **regulations including COBRA, HIPAA, laws and regulations promulgated by state wage and hour authorities, anti- money laundering regulations, and licensure requirements**. These risks **Failure to comply with the multiple laws and regulations that impact us may result in civil liability from our clients for noncompliance, regulatory fines, and loss of reputation in the event of a public regulatory investigation or consent order or civil lawsuit.** **Moreover, may many** Our services are subject to various laws and regulations including COBRA, HIPAA, laws and regulations promulgated by state wage and hour authorities and anti- money laundering regulations. Failure to comply with the multiple laws and regulations that impact us may result in civil liability from our clients for noncompliance, regulatory fines, and loss of reputation in the event of a public regulatory investigation or consent order or civil lawsuit. Moreover, many of our solutions are designed to assist our clients with their compliance with myriad government regulations and laws that continually change. For example, regulatory changes in 2020 in response to the COVID- 19 pandemic necessitated multiple product modifications to accommodate changes relevant to the collection and remittance of payroll tax, including payroll tax deferments. The introduction of new regulatory requirements or changes in interpretation of existing laws or regulations could increase our cost of doing business. As with the development changes necessitated with new regulations in response to COVID- 19, changing regulatory requirements may require the introduction of new applications or enhancements, or may make new modifications or new applications more expensive or could prevent the introduction of new applications. Changes in laws could also impact applications under development, rendering them in applicable or obsolete mid- development which could result in wasted time and development money. **Furthermore, we could fail to renew expiring licenses or have active licenses suspended or revoked for noncompliance with rules or regulations issued by the licensing bodies.** Any failure to anticipate and respond to these legal regulations and changes and provide tools and applications to solve for these changes in a timely fashion could adversely affect our reputation and affect our business and results of operations. **We Our software and solutions** may be subject **not function adequately, which could damage our reputation and give rise to claims against us, lawsuits which could harm our business and operating results.** Our software and solutions are complex and operate in an environment of **intricate federal, governmental investigations state and local regulations that pertain to human resources, taxes, payroll, benefits** and other proceedings areas of the Human Capital Management marketplace. **To the extent to which our software contains defects or errors our clients might assert claims against us in the future alleging that could adversely affect our business, financial condition and results of operations.** We are sometimes the **they** subject of claims **suffered damages due to a defect, error or** lawsuits, governmental investigations and other **failure** legal and regulatory proceedings in the ordinary course of **our software or solutions** business, including those involving, among others, breach of contract, tortious conduct and employment law matters. The results of any **While our agreements with our clients may contain provisions intended to limit our exposure to** such claims, **they may not** lawsuits, or other **be effective in limiting** exacerbated during periods of unusual financial market volatility. Any loss or **our exposure. A successful claim for product or service inability- liability brought against us could result in substantial cost** to result in substantial cost to us. We maintain insurance to cover such claims, however, it may be inadequate or may not be available in the future on acceptable terms or at all. In addition, the cost of defending a suit, regardless of its merit, could be costly and divert management's attention. We depend

on data centers and computing infrastructure operated by third parties, and any disruption in these operations or changes of these providers could adversely affect our business. We rely on hosted infrastructure partners, such as Amazon Web Services and to a lesser extent, data center providers, to provide third-party hosted environments for our applications. While we control and have access to our servers, client funds could have an adverse impact on our cash position and could require us to obtain additional sources of liquidity, and could have a material adverse effect on our business, financial condition and results of operations. The markets in which we participate are highly competitive located in our hosted environments, and if we do not control the operations of these facilities results could be adversely affected. The owners of market for payroll and HCM solutions is fragmented, highly competitive and rapidly changing. Our competitors vary, and include (i) our main competitors, such as ADP, Paychex, UKG,..... transfers. In addition, these banks have no obligation to renew their agreements with us on commercially reasonable terms, if at all. If these..... agreements with us on commercially reasonable terms. If we are not able to renew these contracts on commercially reasonable terms, we may be required to transfer our servers and other infrastructure to new data facilities, and we may incur significant costs and possible service interruption in doing so. We may not have adequately distributed our systems within our hosted infrastructure partner's environment to prevent in any regional disruption or interference at our hosted infrastructure partners from adversely impacting our operations and our business. Our SaaS hosting network infrastructure is a critical part of our business operations. Our clients access our HCM software through a standard web browser and depend on us for fast and reliable access to our products. Our software is proprietary, and we rely on third-party data center hosting facilities and the expertise of members of our engineering and software development teams for the continued performance of our software. We have experienced, and may in the future experience, disruptions in our computing and communications infrastructure. Factors that may cause such disruptions include: • human error; • security breaches; • telecommunications outages from third-party providers; • computer viruses; • acts of terrorism, war, sabotage or other intentional acts of vandalism, including cyber attacks; • unforeseen interruption or damages experienced in moving hardware to a new location, including government-imposed travel restrictions; • fire, earthquake, flood, the spread of major epidemics and other natural disasters; and • power loss. Although we generally back up our client databases hourly, and store our data in more than one geographically distinct location at least weekly, we do not currently offer immediate access to disaster recovery locations in the event of a disaster or major outage. Thus, in the event of any of the factors described above, or other failures of our computing infrastructure, clients may not be able to access their data for lengthy periods of time and it is possible that client data from recent transactions may be permanently lost or otherwise compromised. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. Moreover, some of our agreements include performance guarantees and service level standards that obligate us to provide credits, refunds or termination rights in the event of a significant disruption in our SaaS hosting network infrastructure or other technical problems that relate to the functionality or design of our software. We may be required to incur debt to meet future capital requirements of our business. Should we be required to incur debt, the restrictions imposed by the terms of such debt could adversely affect our financial condition and our ability to respond to changes in our business. If we incur debt, we may be subject to the following risks: • our vulnerability to adverse economic conditions may be heightened; • our flexibility in planning for, or reacting to, changes in our business may be limited; • our debt covenants may affect our flexibility in planning for, and reacting to, changes in the economy and in our industry; • higher levels of debt may place us at a competitive disadvantage compared to our competitors or prevent us from pursuing opportunities; • covenants contained in the agreements governing our indebtedness may limit our ability to borrow additional funds and make certain investments; • a significant portion of our cash flow could be used to service our indebtedness; and • our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes may be impaired. We cannot assure you that our leverage and such restrictions will not materially and adversely affect our ability to finance our future operations or capital needs or to engage in other business activities. Volatility and weakness in bank and capital markets may adversely affect credit availability and related financing costs for us. Banking and capital markets have recently and may in the future experience periods of volatility and disruption. If the disruption in these markets is prolonged, our ability to refinance, and the related cost of refinancing, some or all of our debt could be adversely affected. Although we currently can access the bank and capital markets, there is no assurance that such markets will continue to be a reliable source of financing for us. These factors, including the tightening of credit markets, could adversely affect our ability to obtain cost effective financing. Increased volatility and disruptions in the financial markets also could make it more difficult and more expensive for us to refinance outstanding indebtedness and to obtain financing. In addition, the adoption of new statutes and regulations, the implementation of recently enacted laws, or new interpretations or the enforcement of older laws and regulations applicable to the financial markets or the financial services industry could result in a reduction in the amount of available credit or an increase in the cost of credit. Disruptions in the financial markets can also adversely affect our lenders, insurers, customers, and other counterparties. Any of these results could have a material adverse effect on our business, financial condition, and results of operations, such as ADP, Paychex, UKG, Paylocity, Paycor, Paycom, Ceridian, iSolved, and Gusto, (ii) competitors to Asure Time & Attendance, such as UKG, Paychex, ADP and Time Simplicity and (iii) primary competitors to our tax management solutions, such as Ceridian and ADP. Several of our competitors are larger, have greater name recognition, longer operating histories, larger marketing budgets and significantly greater resources than we do, and are able to devote greater resources to the development, promotion and sale of their products and services. Some of our competitors could offer HCM solutions bundled as part of a larger product offering. In addition, many of our competitors have established marketing relationships, access to larger customer bases, and major distribution agreements with consultants, system integrators, and resellers. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition. As a result, our competitors may be able to develop products and services better received by our markets or may be

able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or client requirements. In addition, current and potential competitors have established, and might in the future establish, partner or form other cooperative relationships with vendors of complementary products, technologies or services to enable them to offer new products and services, to compete more effectively or to increase the availability of their products in the marketplace. New competitors or relationships might emerge that have greater market share, a larger client base, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources, and larger sales forces than we have, which could put us at a competitive disadvantage. In light of these advantages, current or potential clients might accept competitive offerings in lieu of purchasing our offerings. We expect intense competition to continue for these reasons, and such competition could negatively impact our sales, profitability or market share. Our clients could have insufficient funds to cover payments we have made on their behalf or credit that we have extended to them in connection with the services that we have provided, resulting in financial loss to us. Our payroll processing service involves moving significant funds from our clients' account to employees and taxing authorities. We debit our clients' accounts prior to disbursements; however, due to ACH banking regulations, funds previously credited to our accounts could be reversed after our payment of amounts due to employees and taxing authorities. Therefore, the risk exists that a client's funds will be insufficient to cover the amount paid on its behalf. Should such clients default on their obligations, we might be required to advance substantial funds to cover such obligations. Additionally, we may be the target of deliberate fraud with fraudsters attempting to exploit the payroll payment process by posing as legitimate businesses and deliberately underfunding their payroll obligations. If required to advance substantial amounts of funds to cover payment obligations of our clients, we may need to seek additional sources of short-term liquidity, which may not be available on reasonable terms, which could have a material, adverse effect on our business, financial condition and results of operations. We grant credit to customers in the ordinary course of business, exposing us to the credit risk of our customers. In the course of our sales to customers, we may encounter difficulty collecting accounts receivable, which could adversely impact our operating results and financial condition. We maintain reserves for potential credit losses. However, these reserves are based on our judgment and a variety of factors and assumptions. We perform credit evaluations of our customers' financial condition and follow the terms of our AML BSA program to verify clients and their beneficial owners. However, our evaluation of the creditworthiness of customers may not be accurate if they do not provide us with timely and accurate financial information or if their situations change after we evaluate their credit. While we attempt to monitor these situations carefully, adjust our allowances for doubtful accounts as appropriate and take measures to collect accounts receivable balances, we have written down accounts receivable and written off doubtful accounts in prior periods and may be unable to avoid additional write-downs or write-offs of doubtful accounts in the future. Such write-downs or write-offs could negatively affect our operating results for the period in which they occur, and could harm our financial condition. If the banks that currently provide ACH and wire transfers fail to properly transmit ACH, exit the payroll industry, or terminate their relationship with us or limit our ability to process funds or we are not able to increase our ACH capacity with our existing and new banking partners, our ability to process funds on behalf of our clients and our financial results and liquidity could be adversely affected. We currently have agreements with banks and third party ACH processors to execute ACH and wire transfers to support our client payroll, benefit and tax services. If one or more of the banks fails to process ACH transfers on a timely basis, or at all, then our relationship with our clients could be harmed and we could be subject to claims by a client with respect to the failed transfers. In addition, **these banks**. Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported operating results. A change in accounting standards or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business. The use of open-source software in our applications may expose us to risks and harm our intellectual property rights. The use of open-source software in our products may expose us to additional risks and harm our intellectual property rights. There have been claims in the past challenging the ownership of open-source software against companies that incorporate such software into their products or applications. As a result, we could be subject to intellectual property related claims around ownership rights to what we believe to be open-source software. In addition, if we were to combine our applications with open-source software in a certain manner, we could, under certain of the open-source licenses, be required to release the source code of our applications. If we inappropriately use open-source software, we may be required to redesign our applications, discontinue the sale of our applications or take other remedial actions, which could adversely impact our business, operating results or financial condition. We may be adversely affected by failure of third parties in providing their services. We rely on multiple third-party service providers to provide services to our clients as part of our service offerings. Service providers include for example our banking and ACH transaction partners, mail services, outsourced consumer health care administration service providers, and Amazon Web Services hosting services. Failure of these providers to deliver their services in a compliant, timely manner could result in material disruption to our business, result in reputational damage, expose us to greater liability from our clients than we can recover from the third parties, any of which may adversely affect our results of operations. Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an "ownership change" occurs if there is a cumulative change in our ownership by "5% shareholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules apply under state tax laws. In the event that it is determined that we have in the past experienced ownership changes, or if we experience one or more ownership changes as a result of future transactions in our stock, then we may be limited in our ability to use our net operating loss carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn. Any such

limitations on the ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, operating results, and financial condition. Inability to maintain the third-party licensed software we use in our applications at the current costs could result in increased costs or reduced service levels, which could adversely affect our business. We use certain third-party software in our applications that we obtain from other companies and will continue to rely on such third party software. If we were required to find alternatives to such software for whatever reason, it may be expensive to replace, and could require significant investment of time and resources to find alternatives and integrate with our software. Additionally, error or issues in that software could adversely affect our own software and errors or defects may not be readily apparent to us, resulting in a failure of our applications. Evolving regulation of the Internet, changes in the infrastructure underlying the Internet or interruptions in Internet access may adversely affect our business, operating results and financial condition by increasing our expenditures and causing client dissatisfaction. Our services depend on the ability of our registered users to access the Internet. Currently, this access is provided by companies that have significant market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies and government-owned service providers. Laws or regulations that adversely affect the growth, popularity or use of the Internet, including changes to laws or regulations impacting Internet neutrality, could decrease the demand for our products, increase our operating costs, require us to alter the manner in which we conduct our business and / or otherwise adversely affect our business. For example, in 2017 the Federal Communications Commission (the “ FCC ”) adopted an order repealing rules that prohibit Internet service providers (“ ISPs ”) from blocking or throttling Internet traffic, and from engaging in practices that prioritize particular Internet content in exchange for payment (also known as “ paid prioritization ”). In October 2023, the FCC proposed to reclassify ISPs as a Title II telecommunications service under Title II of the Communications Act and reinstate net neutrality obligations on ISPs. The impact of these rules, if adopted, remains uncertain and further judicial review is likely. A number of states, including California, have also taken executive action or passed legislation seeking to reestablish net neutrality, and there are efforts within Congress to pass federal legislation to codify uniform net neutrality requirements. Changes in regulatory requirements or uncertainty associated with the regulatory environment could delay or cause us to experience discriminatory or anti-competitive behavior, which could adversely affect the sale of our products and services. In addition, the rapid and continual growth of traffic on the Internet has resulted at times in slow connection and download speeds of Internet users. Our business may be harmed if the Internet infrastructure cannot handle our clients’ demands or if hosting capacity becomes insufficient. If our clients become frustrated with the speed at which they can utilize our products over the Internet, our clients may discontinue the use of our software and choose not to renew their contracts with us. Further, the performance of the Internet has also been adversely affected by viruses, worms, hacking, phishing attacks, denial of service attacks and other similar malicious programs, as well as other forms of damage to portions of its infrastructure, which have resulted in a variety of Internet outages, interruptions and other delays. These service interruptions could diminish the overall attractiveness of our products to existing and potential users and could cause demand for our products to suffer. The adoption of new or interpretation of existing money service business statutes and money transmitter statutes at the federal and state level could subject us to additional regulation and related expense and necessitate changes to our business model. The adoption of new money transmitter or money service business statutes in new jurisdictions, changes in regulators’ interpretations of existing statutes, or disagreement by regulators of our interpretation of such statutes or regulations could require additional registrations or licensing, limit certain of our business activities until we are properly licensed and expose us to financial penalties. These occurrences could also require change to the manner in which we conduct some aspects of our money movement business, client funds investment strategy or our overall business strategy. Although we maintain that we are not a money service business or money transmitter at the federal level, we proactively registered with FinCEN and adopted an Anti-Money Laundering Policy and compliance program designed to mitigate the risk of our services and application being utilized for illegal purposes including money laundering and to assist in detecting fraud. We are licensed **or are pursuing licensure** in any jurisdiction that requires a payroll processor to be licensed under state money transmission laws. ~~Due to the constantly evolving regulatory landscape, we continuously monitor state legislative developments and shifting interpretations of transmission laws, proactively seeking licensure where required.~~ The statutes governing our money transmitter licenses subject us to routine examinations from the regulatory agencies overseeing these licenses. If these examinations reveal violations of the money transmitter license and those violations cannot be remediated, we may be subject to civil and criminal fines and penalties and we could lose our license to provide our services in those jurisdictions, all of which could have a material adverse effect on our business. Further, should states or jurisdictions where we are not licensed or pursuing licenses determine that that we are a money service business or money transmitter, we could be subject to civil and criminal fines, penalties, registration fees, cost of **surety bonds or other security, reputational damage and other negative consequences that may have an adverse effect on our financial condition.** Adverse tax laws or regulations could be enacted, or existing laws could be applied to us or our clients, which could increase the costs of our services and adversely impact our business. The application of federal, state, and local tax laws to services provided electronically often involve complex issues and significant judgment. New laws or changes to existing income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, possibly with retroactive effect, and could be applied solely or disproportionately to services provided over the Internet. These enactments could adversely affect our business, results of operations and financial condition due to the inherent cost increase. Moreover, each state has different rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that change over time. We review these rules and regulations periodically and, when we believe we are subject to sales and use taxes in a particular state, we may voluntarily engage state tax authorities to determine how to comply with that state’s rules and regulations. We cannot, however, assure you that we will not be subject to sales and use taxes or related penalties for past sales in states where we currently believe no such taxes are required. If one or more taxing authorities determines that taxes should have, but have not, been paid with respect to our services, we might be liable for past taxes and the associated interest and penalty charges, in

addition to taxes going forward, which may adversely affect our business, sales activity, results of operations and financial condition. Political, economic and social factors may materially adversely affect our business and financial results. Trade, monetary and fiscal policies, and political and economic conditions may substantially change, and credit markets may experience periods of constriction and volatility. A slowdown in the economy or other negative changes, including in employment levels, the level of interest rates or the level of inflation, may have a negative impact on our businesses. In addition, as our operating costs increase due to inflationary pressure or otherwise, we may not be able to offset these increases by corresponding price increases for our products and solutions. Clients may react to worsening conditions by reducing their spending on HCM services or renegotiating their contracts with us, which may adversely affect our business and financial results.

RISKS RELATED TO OUR SECURITIES. Sales, or the potential for sales, of a substantial number of shares of our common stock in the public market, including sales done by us in connection with financing activities or by our existing stockholders, could cause our stock price to fall. The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to raise capital through the sale of equity securities in the future at **a time and at a price that we deem appropriate**. Our common stock has traded in low volumes. We cannot predict whether an active trading market for our common stock will ever develop. Historically, our common stock has experienced a lack of trading liquidity. In the absence of an active trading market:

- an investor may have difficulty buying and selling our common stock at all or at the price one considers reasonable; and
- market visibility for shares of our common stock may be limited, which may have a depressive effect on the market price for shares of our common stock and on our ability to raise capital or make acquisitions by issuing our common stock.

Our stock price has been, and likely will continue to be, volatile. The market price of our common stock has in the past been and is likely to continue in the future to be, volatile. During the fiscal year ended December 31, **2023-2024**, the Nasdaq closing price of one share of our common stock fluctuated from a low of \$ **6.83-92** to a high of \$ **16-10.83-41**. During the fiscal year ended December 31, **2022-2023**, the Nasdaq closing price of one share of our common stock fluctuated from a low of \$ **5-6.04-83** to a high of \$ **10-16.50-83**. The market price of our common stock may be influenced by many factors, some of which are beyond our control, including:

- announcements regarding the results of expansion or development efforts by us or our competitors;
- announcements regarding the acquisition of businesses or companies by us or our competitors;
- technological innovations or new products and services developed by us or our competitors;
- changes in domestic or foreign laws and regulations affecting our industry
- issuance of new or changed securities analysts' reports and / or recommendations applicable to us or our competitors;
- changes in financial or operational estimates or projections;
- additions or departure of our key personnel;
- actual or anticipated fluctuations in our quarterly financial and operating results and degree of trading liquidity in our common stock; and
- political or economic uncertainties, including rising interest rates or inflation, ongoing international conflicts and other developments that affect the equity trading markets.

In addition, stock markets generally have experienced significant price and volume volatility. This volatility has had a substantial effect on the market prices of securities of many public companies for reasons frequently unrelated or disproportionate to the operating performance of the specific companies. **Sales, or the potential for..... at a price that we deem appropriate**. We do not intend to pay dividends for the foreseeable future, and you must rely on increases in the market price of our common stock for returns on equity investment. For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Accordingly, investors must be prepared to rely on sales of their common stock after price appreciation to earn an investment return, which may never occur. Investors seeking cash dividends should not purchase our common stock. Any determination to pay dividends in the future will be made at the discretion of our board of directors and will depend on our results of operations, financial condition, capital requirements, contractual restrictions, restrictions imposed by applicable law and other factors our board deems relevant. Our stockholder rights plan, or "poison pill," includes terms and conditions which could discourage a takeover or other transaction that stockholders may consider favorable. On October 28, 2009, stockholders of record at the close of business on that date received a dividend of one right (a "Right") for each outstanding share of common stock. Each Right entitles the registered holder to purchase one one-thousandth of a share of Series A junior participating preferred stock of the Company (the "Preferred Stock"), at a price of \$ 11.63 per one thousandth of a share of Preferred Stock, subject to adjustment (the "Exercise Price"). The Rights are not exercisable until the Distribution Date referred to below. The description and terms of the Rights are set forth in the Third Amended and Restated Rights Agreement between the Company and American Stock Transfer & Trust Company LLC, dated as of October 28, 2022, which extended the expiration date of the Rights to October 28, 2025. The Third Amended and Restated Rights Agreement imposes a significant penalty upon any person or group that acquires 4.9% or more (but less than 50%) of our then-outstanding common stock without the prior approval of the board of directors. Stockholders who own 4.9% or more of our then-outstanding common stock as of the close of business on the Record Date will not trigger the Third Amended and Restated Rights Agreement so long as they do not increase their ownership of the common stock after the Record Date by more than one-half of 1% of the then-outstanding common stock. A person or group that acquires shares of our common stock in excess of the above-mentioned applicable threshold, subject to certain limited exceptions, is called an "Acquiring Person." Any rights held by an Acquiring Person are void and may not be exercised. The Rights will not be exercisable until 10 days after a public announcement by us that a person or group has become an Acquiring Person. On the date (if any) that the Rights become exercisable (the "Distribution Date"), each Right would allow its holder to purchase one one-thousandth of a share of Preferred Stock for a purchase price of \$ 11.63. In addition, if a person or group becomes an Acquiring Person after the Distribution Date or already is an Acquiring Person and acquires more shares after the Distribution Date, all holders of Rights, except the Acquiring Person, may exercise their rights to purchase a number of shares of the common stock (in lieu of Preferred Stock) with a market value of twice the Exercise Price, upon payment of the purchase price. The Rights will expire on the earliest of (a) October 28, 2025, (b) the exchange or redemption of

the Rights, (c) consummation of a merger or consolidation or sale of assets resulting in expiration of the Rights, (d) the consummation of a reorganization transaction entered that the board of directors determines will help prevent an “Ownership Change,” as defined in Section 382 of the Code and protect our net operating losses, (e) the repeal of Section 382 of the Internal Revenue Code or any successor statute, or any other change, if the board of directors determines the Third Amended and Restated Rights Agreement is no longer necessary for the preservation of tax benefits, or (f) the beginning of a taxable year to which the board of directors determines that no tax benefits may be carried forward. We may, at our option and with the approval of the board of directors, at any time prior to the close of business on the earlier of (i) the tenth day following the first date of public announcement by us or an Acquiring Person that an Acquiring Person has become such or such later date as may be determined by action of a majority of the members of the board of directors then in office and publicly announced by us or (ii) October 28, 2025, redeem all but not less than all the then outstanding Rights at a redemption price of \$ 0.067 per Right (such redemption price being herein referred to as the “Redemption Price”). We may, at our option, pay the Redemption Price either in common stock (based on the current per share market price thereof) or cash; provided, that if the board of directors authorizes redemption of the Rights on or after the time a person becomes an Acquiring Person, then such authorization shall require the concurrence of a majority of the members of the board of directors then in office. In addition, after a person becomes an Acquiring Person the board of directors may exchange the Rights (other than Rights owned by the Acquiring Person or its affiliates), in whole or in part, at an exchange ratio of one common share per Right (subject to adjustment). The Rights have certain anti-takeover effects, including potentially discouraging a takeover that stockholders may consider favorable. The Rights will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by the board of directors. On the other hand, the Rights should not interfere with any merger or other business combination approved by the board of directors since the Rights may be redeemed by us at the Redemption Price prior to the date ten days after the public announcement that a person or group has become the beneficial owner of 4.9% or more of the common stock, and any securities which a person or any of such person’s affiliates may be deemed to have the right to acquire pursuant to any merger or other acquisition agreement between us and such person may be excluded from the calculation of their beneficial ownership if such agreement has been approved by the board of directors prior to them becoming an Acquiring Person. Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of our management and board of directors. Our restated certificate of incorporation, as amended, and third amended and restated bylaws, as amended, contain provisions that could have the effect of delaying or preventing changes in control or changes in our management or our board of directors. These provisions include: • no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates; • in addition to our current stockholder rights plan, the ability of our board of directors to further issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer; • the requirement that a special meeting of stockholders may be called only by the Chairman of the board of directors, the Chief Executive Officer or the Secretary at the request of the board of directors or upon the written request, stating the purpose of the meeting, of stockholders who together own of record 10% of the outstanding shares of each class of stock entitled to vote at such meeting, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and • advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders’ meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of us. We are also subject to certain anti-takeover provisions under Delaware law. Under Delaware law, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. We have not opted out of this provision of Delaware law. Our business could be negatively affected as a result of actions of activist stockholders, and such activism could impact the trading value of our securities. Stockholders may, from time to time, engage in proxy solicitations or advance stockholder proposals, or otherwise attempt to effect changes and assert influence on our board of directors and management. Activist campaigns that contest or conflict with our strategic direction or seek changes in the composition of our board of directors could have an adverse effect on our operating results and financial condition. A proxy contest would require us to incur significant legal and advisory fees, proxy solicitation expenses and administrative and associated costs and require significant time and attention by our board of directors and management, diverting their attention from the pursuit of our business strategy. Any perceived uncertainties as to our future direction and control, our ability to execute on our strategy, or changes to the composition of our board of directors or senior management team arising from a proxy contest could lead to the perception of a change in the direction of our business or instability which may result in the loss of potential business opportunities, make it more difficult to pursue our strategic initiatives, or limit our ability to attract and retain qualified personnel and business partners, any of which could adversely affect our business and operating results. If individuals are ultimately elected to our board of directors with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our stockholders. We may choose to initiate, or may become subject to, litigation as a result of the proxy contest or matters arising from the proxy contest, which would serve as a further distraction to our board of directors and management and would require us to incur significant additional costs. In addition, actions such as those described above could cause significant fluctuations in our stock price based upon temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.