

ISSUER DIRECT CORP
Form 10-Q
November 01, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: September 30, 2012
or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from: _____ to _____

ISSUER DIRECT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation)	1-10185 (Commission File Number)	26-1331503 (I.R.S. Employer Identification No.)
---	--	---

500 Perimeter Park Drive, Suite D, Morrisville NC 27560
(Address of Principal Executive Office) (Zip Code)

(919) 481-4000
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Edgar Filing: ISSUER DIRECT CORP - Form 10-Q

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date 1,932,425 shares of common stock were issued and outstanding as of November 1, 2012.

PART I - FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements.</u>	3
	<u>Consolidated Balance Sheets as of September 30, 2012 (Unaudited) and December 31, 2011</u>	3
	<u>Unaudited Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2012 and 2011</u>	4
	<u>Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2012 and 2011</u>	5
	<u>Notes to Unaudited Consolidated Financial Statements</u>	6
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	11
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	20
<u>Item 4.</u>	<u>Controls and Procedures.</u>	20

PART II – OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings.</u>	21
<u>Item 1A.</u>	<u>Risk Factors.</u>	21
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	21
<u>Item 3.</u>	<u>Defaults Upon Senior Securities.</u>	21
<u>Item 4.</u>	<u>Mine Safety Disclosure.</u>	21
<u>Item 5.</u>	<u>Other Information.</u>	21
<u>Item 6.</u>	<u>Exhibits.</u>	22
	<u>Signatures</u>	23

Exhibit 31.1	CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002	
Exhibit 31.2	CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002	
Exhibit 32.1	CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002	
Exhibit 32.2	CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002	

EX-101.INS	XBRL INSTANCE DOCUMENT	
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA	
EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE	
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE	
EX-101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE	
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE	

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM FINANCIAL STATEMENTS

1.

ISSUER DIRECT CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,099,088	\$ 862,386
Accounts receivable, (net of allowance for doubtful accounts of \$171,600 and \$125,987, respectively)	565,157	361,191
Deferred project costs	-	76,106
Deferred income tax asset – current	34,094	135,000
Other current assets	59,304	35,093
Total current assets	1,757,643	1,469,776
Furniture, equipment and improvements, net	53,573	66,611
Deferred income tax – noncurrent	64,000	64,000
Intangible assets (net of accumulated amortization of \$161,083 and \$79,166, respectively)	458,112	109,029
Other noncurrent assets	12,069	22,074
Total assets	\$ 2,345,397	\$ 1,731,490

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 48,759	\$ 103,566
Accrued expenses	64,124	39,324
Accrued litigation	-	130,000
Deferred revenue	85,176	177,708
Line of credit	255,000	-
Total current liabilities	453,059	450,598
Other long term liabilities	105,198	69,287
Total liabilities	558,257	519,885
Stockholders' equity:		
Preferred stock, \$0.001 par value, 30,000,000 shares authorized, no shares issued and outstanding as of September 30, 2012 and December 31, 2011.	-	-
Common stock \$0.001 par value, 100,000,000 shares authorized, 1,932,425 and 1,752,175 shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively.	1,932	1,752

Edgar Filing: ISSUER DIRECT CORP - Form 10-Q

Additional paid-in capital	2,124,496	1,741,744
Accumulated deficit	(339,288)	(531,891)
Total stockholders' equity	1,787,140	1,211,605
Total liabilities and stockholders' equity	\$ 2,345,397	\$ 1,731,490

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

Table of Contents

ISSUER DIRECT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Revenues	\$1,215,511	\$891,576	\$3,120,544	\$2,509,003
Cost of services	340,832	379,357	1,106,966	1,048,568
Gross profit	874,679	512,219	2,013,578	1,460,435
Operating costs and expenses:				
General and administrative	323,139	281,236	990,649	771,401
Sales and marketing	167,748	99,301	606,154	250,152
Depreciation and amortization	32,523	14,900	104,020	39,900
Total operating costs and expenses	523,410	395,437	1,700,823	1,061,453
Net operating income	351,269	116,782	312,755	398,982
Other income (expense):				
Interest income (expense), net	(678)	1,687	3,348	6,547
Total other income (expense)	(678)	1,687	3,348	6,547
Net income before taxes	350,591	118,469	316,103	405,529
Income tax expense	137,000	47,388	123,500	60,012
Net income	\$213,591	\$71,081	\$192,603	\$345,517
Income per share - basic	\$0.11	\$0.04	\$0.10	\$0.20
Income per share - fully diluted	\$0.11	\$0.04	\$0.10	\$0.20
Weighted average number of common shares outstanding - basic	1,931,438	1,752,107	1,892,703	1,759,079
Weighted average number of common shares outstanding - fully diluted	2,001,266	1,763,970	1,956,262	1,767,667

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

Table of Contents

ISSUER DIRECT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine months ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$192,603	\$345,517
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	104,020	39,900
Bad debt expense	60,819	99,819
Deferred income taxes	100,906	60,012
Stock-based expense	327,858	69,505
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(264,785)	(368,085)
Decrease (increase) in deposits and prepaids	51,900	(84,552)
Increase (decrease) in accounts payable	(54,807)	82,287
Increase (decrease) in accrued expenses	(69,289)	55,713
Increase (decrease) in deferred revenue	(92,532)	35,080
Net cash provided by operating activities	356,693	335,196
Cash flows from investing activities:		
Purchase of property and equipment	(9,065)	(42,941)
Acquisition of intangible assets	(281,000)	(40,000)
Net cash used in investing activities	(290,065)	(82,941)
Cash flows from financing activities:		
Proceeds from exercise of stock options	30,825	-
Repurchase of common stock	-	(36,545)
Payment of dividend	(115,751)	-
Advance from line of credit	275,000	-
Repayment on line of credit	(20,000)	-
Net cash provided by (used in) financing activities	170,074	(36,545)
Net change in cash	236,702	215,710
Cash – beginning	862,386	504,713
Cash – ending	\$1,099,088	\$720,423
Supplemental disclosure for non-cash investing and financing activities:		
Cash paid for interest	\$9,126	29
Cash paid for income taxes	\$22,594	\$-
Non-cash activities:		
Common stock issued for acquisition of customer list	\$140,000	-

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

Table of Contents

ISSUER DIRECT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Accounting Policies

Basis of Presentation

The unaudited interim balance sheet as of September 30, 2012 and statements of operations and cash flows for the three and nine-month periods ended September 30, 2012 and 2011 included herein have been prepared in accordance with the instructions for Form 10-Q under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Article 10 of Regulation S-X under the Exchange Act. In the opinion of the management, they include all normal recurring adjustments necessary for a fair presentation of the financial statements. Results of operations reported for the interim periods are not necessarily indicative of results for the entire year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements. The interim financial information should be read in conjunction with Issuer Direct Corporation’s (the “Company’s”) 2011 audited financial statements filed on Form 10-K.

Certain reclassifications have been made to prior period amounts to conform to the current period presentation. All reclassifications have been applied consistently for the periods presented.

Note 2. Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Direct Transfer, LLC and QX Interactive, LLC. Significant intercompany accounts and transactions are eliminated in consolidation.

Common Stock Split

On October 31, 2011, the Company effected a one-for-ten reverse stock split to shareholders of record as of October 31, 2011. All share and per share information has been retroactively adjusted to reflect the stock split. The number of authorized shares of the Company's common stock and its par value remain unchanged. Outstanding stock incentive awards are adjusted to give effect to the reverse split and the shares available for future grants were proportionately reduced.

Earnings per Share (EPS)

Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Revenue Recognition

We recognize revenue in accordance with SEC Staff Accounting Bulletin No. 104, “Revenue Recognition,” which requires that: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured. We recognize

revenue when services are rendered or delivered, where collectability is probable. Deferred revenue primarily consists of upfront payments for annual service contracts, and is recognized throughout the year as the services are performed.

Deferred Costs

For all customer sales arrangements in which we defer the recognition of revenue, we also defer the associated costs, such as the personnel or expenses incurred with third parties to perform the services.

Allowance for Doubtful Accounts

We initially record our provision for doubtful accounts based on our historical experience and then adjust this provision at the end of each reporting period based on a detailed assessment of our accounts receivable and allowance for doubtful accounts.

Table of Contents

ISSUER DIRECT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, the valuation of goodwill and intangible assets, and stock based compensation. Actual results could differ from those estimates.

Income Taxes

We comply with FASB ASC No. 740 – Income Taxes which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amounts expected to be realized. For any uncertain tax positions, we recognize the impact of a tax position, only if it is more likely than not of being sustained upon examination, based on the technical merits of the position. Our policy regarding the classification of interest and penalties is to classify them as income tax expense in our financial statements, if applicable. At the end of each interim period, we estimate the effective tax rate we expect to be applicable for the full fiscal year and this rate is applied to our results for the interim year to date period. We recorded income tax expense of \$137,000 and \$47,388 during the three-month periods ended September 30, 2012 and 2011, respectively, and income tax expense of \$123,500 and \$60,012 during the nine-month periods ended September 30, 2012 and 2011, respectively.

Fair Value Measurements

As of September 30, 2012 and December 31, 2011, we do not have any financial assets or liabilities that are required to be, or that we elected to measure, at fair value.

We comply with the authoritative guidance for fair value provisions applicable to nonfinancial assets and nonfinancial liabilities. Our assets and liabilities that are subject to these provisions include our intangible assets, consisting of goodwill, domain names and software, and our long-lived assets.

We believe that the fair value of our financial instruments, which consist of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts.

Stock-based compensation

We account for stock-based compensation under the authoritative guidance for stock compensation. The authoritative guidance for stock compensation requires that companies estimate the fair value of share-based payment awards on the date of the grant using an option-pricing model. The cost is to be recognized over the period during which an employee is required to provide service in exchange for the award. The authoritative guidance for stock compensation also requires the benefit of tax deductions in excess of recognized compensation expense to be reported as a financing

cash flow, rather than as an operating cash flow as prescribed under previous accounting rules. This requirement reduces net operating cash flows and increases net financing cash flows in periods subsequent to adoption.

The Company recognized stock based compensation expense of \$61,255 and \$25,914 during the three-month periods ended September 30, 2012 and 2011, respectively. The Company recognized stock based compensation expense of \$327,858 and \$69,505 during the nine-month periods ended September 30, 2012 and 2011, respectively.

Recent Accounting Pronouncements

The adoption of recently issued accounting pronouncements did not have a material effect on our financial position or results from operations. We do not expect recently issued accounting pronouncements that are not yet effective will have a material effect on our financial position or results of operations upon adoption.

Table of Contents

ISSUER DIRECT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 3: Intangible Assets

The Company acquired rights to all customer contracts of privately held SEC Compliance Services, Inc. (“SECCS”) on January 4, 2012. The purchase price of \$425,000 consisted of cash proceeds of \$285,000 and 70,000 shares of common stock with a value of \$140,000 based on the Company’s stock price of \$2.00 per share on the close of business on January 4, 2012. The Company borrowed \$275,000 from its line of credit to finance the transaction. The Company is amortizing the purchase price of \$425,000 over its estimated useful life of five years.

Note 4: Stockholders’ Equity

Preferred Stock

On March 26, 2012, the Company filed a Certificate of Amendment to the Certificate of Designation for the Series A and B Convertible Preferred Stock (the “Amendment”). Under the terms of the Amendment, the Series A and Series B Designations were removed. As a result, at September 30, 2012, the Company has 30,000,000 shares of Preferred Stock authorized, with no shares designated, issued, or outstanding. On June 29, 2012, the shareholders of the Company approved a reduction in the par value of the Preferred Stock from \$1.00 per share to \$0.001 per share, which became effective on July 16, 2012.

Common Stock

As discussed in Note 3, the Company issued 70,000 shares of common stock with a value of \$140,000 to the former shareholders of SECCS on January 4, 2012 as part of the consideration given for the purchase of assets obtained from SECCS.

Restricted Common Stock

On April 2, 2012, the Company issued grants for a total of 95,000 restricted shares of the Company’s common stock (the “Awards”) to its executive officers and certain other employees. The Awards vest over periods up to two years as stated in the Award Agreements, and will accelerate in the event of a Corporate Transaction, as such term is defined in the Award Agreements. In the event a grantee’s relationship with the Company is terminated for any reason, vesting will immediately cease. These Awards are not part of the 2010 Equity Incentive Plan.

Dividends

On April 2, 2012, the Company’s Board of Directors approved and declared a quarterly cash dividend of \$0.03 per share. The dividend was paid on May 3, 2012 to shareholders of record as of April 19, 2012.

On July 3, 2012, the Company’s Board of Directors approved and declared a quarterly cash dividend of \$0.03 per share. The dividend was paid on August 3, 2012 to shareholders of record as of July 18, 2012.

On October 3, 2012, the Company’s Board of Directors approved and declared a quarterly cash dividend of \$0.03 per share. The dividend is payable on November 2, 2012 to shareholders of record as of October 17, 2012.

The Company has recorded all payments of dividends as a reduction of additional paid in capital, as the company has an accumulated deficit through September 30, 2012.

Note 5: Stock Options

Increase in number of shares authorized under the 2010 Equity Incentive Plan (the "Plan")

On January 20, 2012, the Company's Board of Directors approved an increase in the number of shares authorized under the Plan from 220,416 to 420,416. This increase was ratified by the shareholders of the Company on June 29, 2012.

Table of Contents

ISSUER DIRECT CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

Issuance of stock options

The Company issued non-qualified stock options to purchase 10,000 shares of common stock to a consultant on January 1, 2012, which were vested immediately with an exercise price of \$2.30 per share. The Company issued non-qualified stock options to purchase a total of 105,000 shares of common stock with an exercise price of \$0.01 per share on January 20, 2012 to four former employees and consultants of SECCS. The options will vest through December 31, 2012 upon the achievement of specified milestones related to the execution of annual contracts for XBRL services or revenue targets. The Company issued incentive stock options to employees to purchase 31,000 shares of common stock on April 2, 2012 with an exercise price of \$3.33 per share, and a vesting period of one year. The Company also issued non-qualified stock options to purchase 5,000 shares of common stock to a consultant on July 1, 2012, which were vested immediately with an exercise price of \$2.81 per share.

On July 6, 2012, the Company elected Andre Boisvert to its Board of Directors. The Company granted Mr. Boisvert a non-qualified option to purchase 40,000 shares of common stock with an exercise price of \$2.81 per share and a vesting period of four years. Furthermore, in the event of a Change of Control (as such term is defined in the Plan) of the Company while Mr. Boisvert is a member of the Board of Directors, he will receive compensation equal to two percent of the amount of cash, equity, or combination thereof received by the Company as of the closing of the Change of Control.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2012:

Exercise Price	Options Outstanding		Options Exercisable
	Number	Weighted Average Remaining Contractual Life (in Years)	Number
\$0.01	105,000	9.31	0
\$1.70	16,000	8.65	16,000
\$1.87	3,000	8.65	3,000
\$2.10	66,500	7.86	40,250
\$2.30	15,000	9.23	15,000
\$2.31	16,500	7.86	16,500
\$2.81	45,000	5.32	7,500
\$3.33	28,500	9.50	0
Total	295,500	8.26	98,250

Note 6: Operations and Concentrations

For the three and nine-month periods ended September 30, 2012 and 2011, we earned revenues (as a percentage of total revenues) in the following categories:

Edgar Filing: ISSUER DIRECT CORP - Form 10-Q

Revenue Streams	Three months ended				Nine months ended			
	September 30,		September 30,		September 30,		September 30,	
	2012	2011			2012	2011		
Compliance and reporting services	64.4	% 59.9	%		57.8	% 49.1	%	
Printing and financial communication	9.4	% 15.4	%		14.0	% 16.7	%	
Fulfillment and distribution	11.2	% 16.0	%		14.0	% 19.9	%	
Software licensing	4.0	% 1.8	%		4.7	% 2.9	%	
Transfer agent services	11.0	% 6.9	%		9.5	% 11.4	%	
Total	100.0	% 100.0	%		100.0	% 100.0	%	

Table of Contents

ISSUER DIRECT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

No customers accounted for more than 10% of the operating revenues during the three or nine-month periods ended September 30, 2012 or 2011. We did not have any customers that comprised more than 10% of our total accounts receivable balances at September 30, 2012 or December 31, 2011.

We do not believe we had any financial instruments that could have potentially subjected us to significant concentrations of credit risk. A portion of our revenues are paid at the beginning of the month via credit card or in advance by check, the remaining accounts receivable amounts are generally due within 30 days, none of which is collateralized.

Note 7: Litigation

On June 24, 2011, Kinder Investments, LP (“Kinder”), a former holder of five shares of the Company’s Series A preferred stock, sued the Company, its current officers and directors, and its outside legal counsel, claiming the Company falsely forced the redemption of Kinder’s preferred stock without paying \$1,075,000 in accumulated dividends and other amounts it believed was due. The Company believed the claims were without merit and retained legal counsel and disputed the claims. The Company settled the litigation on February 22, 2012 on favorable terms without admitting any liability. The Company recorded litigation expense of \$206,263 during the year ended December 31, 2011, of which \$130,000 was recorded as an accrued liability at December 31, 2011. All amounts were paid during the first three months of fiscal 2012, and therefore there was no accrual as of September 30, 2012.

Note 8: Line of Credit

On December 16, 2011, the Company renewed their working capital line of credit (the “Line of Credit”), and increased the amount available from \$200,000 to \$450,000. The Line of Credit has an interest rate equal to the 30 day LIBOR rate plus 4.5%, and was therefore 4.72% at September 30, 2012. The Line of Credit has a twelve month term, and automatically renews on the anniversary. The company owed \$255,000 on the line of credit as of September 30, 2012. No amounts were owed on the line of credit at December 31, 2011.

Note 9: Subsequent Events

None

Table of Contents

ITEM MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
2. OPERATIONS.

The discussion of the financial condition and results of operations of the Company set forth below should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this Form 10-Q. This Form 10-Q contains forward-looking statements that involve risks and uncertainties. The statements contained in this Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27a of the Securities Act and Section 21e of the Exchange Act. When used in this Form 10-Q, or in the documents incorporated by reference into this Form 10-Q, the words “anticipate,” “believe,” “estimate,” “intend” and “expect” and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements include, without limitation, the statements regarding the Company’s strategy, future sales, future expenses, future liquidity and capital resources. All forward-looking statements in this Form 10-Q are based upon information available to the Company on the date of this Form 10-Q, and the Company assumes no obligation to update any such forward-looking statements. The Company’s actual results could differ materially from those discussed in this Form 10-Q. Factors that could cause or contribute to such differences (“Cautionary Statements”) include, but are not limited to, those discussed in Item 1. Business — “Risk Factors” and elsewhere in the Company’s Annual Report on Form 10-K, which are incorporated by reference herein and in this report. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on the Company’s behalf, are expressly qualified in their entirety by the Cautionary Statements.

Overview

Issuer Direct Corporation (Issuer Direct Corporation and its business are hereinafter collectively referred to as “Issuer Direct”, the “Company”, “We” or “Our” unless otherwise noted).

The Company strives to be a market leader and innovator of disclosure management solutions and cloud-based compliance technologies. With a focus on corporate issuers, the Company alleviates the complexity of maintaining compliance with its integrated portfolio of products and services that enhance companies' ability to efficiently produce and distribute their financial and business communications both online and in print.

We work with a diverse client base in the financial services industry, including brokerage firms, banks, mutual funds, corporate issuers, shareholders and specialty firms such as accountants and the legal community. For example, corporate issuers utilize our cloud-based technologies and services from document creation all the way to dissemination to regulatory bodies and shareholders. With this example, we generate revenue from all of our services during the lifecycle.

On January 4, 2012, the Company acquired the rights to all customer contracts, of SEC Compliance Services, Inc. (“SECCS”). We purchased the rights to the customer contracts of New York Stock Transfer on May 10, 2012 and on September 5, 2012 the Company acquired the assets of Firelace, Inc. a cloud-based accounting platform operated under the name Merchants Mirror.

We continue to focus on both the organic growth of our revenue streams as well as evaluating potential acquisitions that would complement our core business operations and accelerate our overall mission of providing a complete solution for all corporate issuers.

Revenue Sources

The Company's core businesses operate within the financial compliance sector, including but not limited to financial reporting, print and production, proxy tabulation and solicitation as well as the safeguarding of shareholder records through traditional transfer agent services. These services are designed to offer issuers a comprehensive set of solutions for complying and communicating their messages to their audiences. Our offerings are classified into four areas of corporate focus: (1) Disclosure Reporting, (2) Shareholder Communications, (3) Proxy Services, and (4) Direct Transfer. These four core business streams comprise our Disclosure Management System (DMS).

Disclosure Management System –

Our Disclosure Management System (DMS) is a business process outsourcing (BPO) model. Whereby we act under contract as a back-office extension of the corporate issuer's management and board of directors. Our disclosure process aims to uniquely create efficiencies not previously possible in areas of normal regulatory business functions of the public markets, where we can clearly improve processes, streamline complexities, while reducing expenditures, generally associated with reporting and disclosure requirements. Our disclosure management system is the only secure workflow technology available today that allows officers, directors and compliance professionals the ability to manage the entire back-office functions of their respective companies from one interface.

Table of Contents

Disclosure Reporting

As a fully registered Securities and Exchange Commission Filing Agent, we assist corporate issuers, mutual funds, law firms, resellers, and individuals with all of their securities filing needs. Many U.S. companies are required to file corporate documents with the Securities and Exchange Commission (“SEC”); including registration statements, annual reports, quarterly reports, prospectuses, information statements, material event filings, proxy statements, ownership documents, and more.

Since 2009, the SEC has been phasing in requirements for companies who must file public reports with the SEC to supplement their disclosure reporting requirements with XBRL (eXtensible Business Reporting Language) filings. XBRL is a freely available XML-based specification that uses accepted financial reporting standards and practices to exchange financial statements across all software and technologies, including the Internet. It is an XML-based framework that provides the financial community a standards-based method to prepare, publish in a variety of formats, and reliably extract and automatically exchange financial statements of publicly held companies. XBRL is not about establishing new accounting standards but enhancing the usability of the ones that we have through the digital language of business, XML.

The SEC phase in approach began in 2009 and ended June 2011, requiring all reporting companies to file quarterly reports on Form 10-Q and annual reports on Form 10-K, 20-F and 40-F in interactive data.

We market our interactive reporting directly under the brand Issuer Direct and to our resellers under the brand Issuer Services and QX Interactive. Our strategy over the next three to five years is to increase our core disclosure business from the filing agent community both in XBRL and EDGAR filings.

Financial Printing

As one of the only financial printers in the southeast, we are focused on both corporate issuers and mutual funds.

We pride ourselves on having our typeset, design, print and fulfillment operations under one roof; giving compliance professionals the ability to meet regulatory deadlines and take advantage of our technology and on demand facilities to communicate their message with markets, shareholders and other vital constituents.

Today we produce a comprehensive array of documents for many of the nation's leading corporations, mutual funds, law firms, and investment banks. Our financial printing expertise gives us the edge in the market - giving customers the confidence and time to focus on their business execution. Our production staff has a deep understanding of the regulatory requirements that drive many of the printed materials that are distributed today - such as the new Summary Prospectus for funds and Notice and Access for corporate issuers.

During the year we are continuing to leverage our post-sale fulfillment and iFUND platform to a broader base of clientele. This technology when combined with our Print-on-Demand (POD) production environment gives us a leg up on the competition in the literature fulfillment marketplace. Our technological advancements make our process more efficient and transparent to multiple parties and at the same time forms one interface. As regulations continue to change and companies opt to print fewer and fewer large run projects, we expect print on demand to be a greater portion of our print business; this would include summary prospectuses for our mutual fund and broker clients, custom notice & access cards for corporate issuers, reminder mailings, and short run production on a one to one or one to many delivery method.

We foresee continued success with our mutual fund and ETF clients as well as significant opportunities to service a broader base of larger corporate issuers in the coming years. Additionally, we continue to explore very strategic relationships' with niche markets that service a segment of the marketplace in which we believe we can be a leader both short and long term.

Shareholder Communications

As part of our commitment to shareholder disclosure and improved corporate transparency, we continue to expand our core news wire services into a comprehensive shareholder communication system that assist not only our client's investor relations departments but also market disseminators and financial portals.

Table of Contents

During the three months ended September 30, 2012, we continued the transition of certain content from our former partnership, into our internally developed product set referred to as 'Market Streams'. This development effort will result in longer term margin improvements in this segment and less reliance on third party providers. We intend to license portions of our data business to other providers and disseminators that are seeking a competitive replacement in the market.

Our offerings include a blend of proprietary Market Stream Cloud datasets (formally our datafeed technologies):

Stock Charting & Fundamentals – We deliver both real-time and delayed stock quotes, interactive charts and fundamental data for over 14,000 listed companies. Our interactive charts have embedded vitals such as corporate actions, news streams as well as other customizable alerts that are presented in the chart tip window. Our Market Stream is one of the only fundamental data sets that leverage XBRL as a source for specific corporate data.

Compliance Stream – Our compliance stream technology delivers SEC compliant Edgar filings to corporate issuers investor relations systems in a variety of formats. The stream provides an embedded XBRL viewer for financial analysis, and easy downloadable formats such as HTML, and PDF. It also offers a social share option for each filing, whereby users can share, copy, save and print official company filings right from the Market Stream.

News Stream – Our cloud-based news stream is more than just a system to serve press releases in real-time. It analyzes, stores and matches key fundamental data, about each company and delivers it back to corporate investor relations systems as well as to key industry professionals that wish to harness the power of our Profile+ system. Our network approach thinks beyond just news content and incorporates additional relevant mediums, such as blogs, analyst reports and social tagging and sharing systems.

Additionally, our shareholder communications business offers additional cloud-based product suites that provide both corporate issuer and market data distribution partners the ability to connect to our market data cloud to access virtually hundreds of customizable data sets for thousands of public companies, as well as the compliance driven modules of whistleblower, Profile+ and our e-Notify request system.

Proxy Services

Our Proxy system, branded as iProxyDirect, is a comprehensive technology platform that encompasses issuers, shareholders, banks, brokers and vital constituents during the proxy process. iProxyDirect is one of the only voting platforms where corporate issuers, mutual funds, and mutual fund administrators can setup, manage, communicate and monitor the entire proxy process from one online system. iProxyDirect offers Notice & Access options, material on demand fulfillment, digital delivery, and secure document hosting and real-time voting.

Direct Transfer

We operate our transfer agent business under the brand Direct Transfer, which is a wholly owned subsidiary. Our shareholder services business provides a complete array of agency and registrar services beyond traditional transfer activities. By combining our online workflow technologies, corporate issuers and their constituents can manage, issue, monitor, communicate and disseminate all facets of shareholder information within minutes.

Our commitment to compliance and safeguarding of information goes beyond our SSAE 16 business process. We maintain our client's books and records in the manner we would expect ours to be managed, and that second-to-none service has enabled us to sustain our valued clients, withstand regulatory change and competitiveness by other providers. Corporate issuers have the ability to take advantage of the following:

Edgar Filing: ISSUER DIRECT CORP - Form 10-Q

Issue, manage and monitor all corporate stock of the company online
Issue physical certificates, book entry as well as DWAC FAST electronic participation
Print on Demand Digital Certificate Library
Communicate with shareholders with the click of a mouse with e-Notify
Setup, monitor and direct an annual meeting and proxy vote
Warrant, escrow and rights offerings
Corporate re-org services including CUSIP, FINRA and state filing needs

Table of Contents

Our Brands & Subsidiaries

Issuer Direct
 Issuer Services
 Direct Transfer (Wholly owned subsidiary – Direct Transfer, LLC.)
 iTransfer (formally New York Stock Transfer)
 iProxy Direct
 iR Direct
 XBRL Check
 QX Interactive (Wholly owned subsidiary – QX Interactive, LLC.)

Results of Operations

Comparison of results of operations for the three and nine months ended September 30, 2012 and 2011

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenue Streams				
Compliance and reporting services				
Revenue	\$782,287	\$533,571	\$1,804,806	\$1,231,639
Gross Margin	\$581,457	\$337,200	\$1,237,377	\$769,903
Gross Margin %	74	% 63	% 69	% 63
Printing and financial communication				
Revenue	\$113,913	\$137,374	\$436,565	\$418,319
Gross Margin	\$79,160	\$63,687	\$268,712	\$202,988
Gross Margin %	69	% 46	% 62	% 49
Fulfillment and distribution				
Revenue	\$136,634	\$142,518	\$438,293	\$499,744
Gross Margin	\$66,306	\$71,116	\$177,348	\$237,578
Gross Margin %	49	% 50	% 40	% 48
Software licensing				
Revenue	\$48,328	\$16,269	\$145,344	\$73,765
Gross Margin	\$47,828	\$14,944	\$143,600	\$70,572
Gross Margin %	99	% 92	% 99	% 96
Transfer agent services				
Revenue	\$134,349	\$61,844	\$295,536	\$285,536
Gross Margin	\$99,928	\$25,272	\$186,541	\$179,394
Gross Margin %	74	% 41	% 63	% 63
Total				
Revenue	\$1,215,511	\$891,576	\$3,120,544	\$2,509,003
Gross Margin	\$874,679	\$512,219	\$2,013,578	\$1,460,435
Gross Margin %	72	% 58	% 65	% 58

Table of Contents

Revenues

Total revenue increased by \$323,935, or 36%, to \$1,215,511 during the three-month period ended September 30, 2012, as compared to \$891,576 during the same period of fiscal 2011. Total revenue increased by \$611,541, or 24%, to \$3,120,544 during the nine-month period ended September 30, 2012, as compared to \$2,509,003 during the same period of fiscal 2011. The overall increases in revenue during the three and nine-month periods ended September 30, 2012 as compared to the same periods of fiscal 2011 are primarily attributable to increases in revenue from compliance and reporting services of \$248,716 and \$573,167, respectively.

Compliance and reporting service revenue increased \$248,716, or 47%, during the three-month period ended September 30, 2012, as compared to the same period in fiscal 2011. Compliance and reporting services revenue increased by \$573,167, or 47% during the nine-month period ended September 30, 2012. These increases are primarily attributable to two factors. First, most of our clients are smaller reporting companies. Therefore under the SEC's three-year mandate for companies to begin filing quarterly and annual reports in XBRL, most of our clients were first required to file for periods ended after June 15, 2011. Therefore, we had very little revenue from XBRL services prior to the second quarter of 2011. Secondly, effective for all periods ended after June 15, 2012, smaller reporting companies were required to add detail footnote tagging to their quarterly and annual filings. This has led to significant revenue opportunities for us, as we have been able to significantly increase the amount of revenue per filing. In addition to these two factors, we have also significantly increased the number of clients for whom we perform XBRL services, both organically and through the acquisition of customers from SEC Compliance Services, Inc. in January 2012. As most of our clients are now under annual contracts, we anticipate that revenue from XBRL services will be more recurring in nature in the future, and we intend to continue to increase revenue from these services through new client acquisition.

Printing and financial communication revenue decreased \$23,461 during the three-month period ended September 30, 2012 as compared to the same period in fiscal 2011, and increased \$18,246 during the nine-month period ended September 30, 2012 as compared to the same period in fiscal 2011. Revenue from printing, particularly from our iFUND platform, tends to be somewhat project oriented, and will therefore fluctuate from period to period based on the timing of projects. We will continue to focus on obtaining more recurring revenues, particularly from our Print-On-Demand services.

Fulfillment and distribution revenue decreased by \$5,884 and \$61,541, respectively, during the three and nine-month periods ended September 30, 2012 as compared to the same period in fiscal 2011. Similar to revenue from printing services, fulfillment and distribution revenue tends to be somewhat project oriented, and will therefore fluctuate from period to period based on the timing of projects.

Software licensing revenues increased by \$32,059 and \$71,579, respectively, during the three and nine-month periods ended September 30, 2012 as compared to the same period in fiscal 2011 as we performed more proxy services through our iProxyDirect software in fiscal 2012. The timing of proxy services requested from our clients can be difficult to predict, and therefore revenue from this source can fluctuate significantly between quarters.

Transfer agent revenue increased by \$72,505 and \$10,000, respectively, during the three and nine-month periods ended September 30, 2012, primarily due to the purchase of the clients of New York Stock Transfer in May 2012, and due to an increased number of corporate action engagements in the third quarter of 2012. Historically, corporate action services are tied to a transaction that results in a project-based engagement, therefore the timing and predictability of this type of revenue becomes difficult to forecast. We do anticipate that corporate actions will be a continuing source of revenue in the future.

No customers accounted for more than 10% of the operating revenues during the three or nine-month periods ended September 30, 2012 or September 30, 2011.

Table of Contents

Cost of Revenues and Gross Margin

Cost of revenues consist primarily of direct labor costs, third party licensing, print production materials, postage, and outside services directly related to the delivery of services to our customers. Cost of revenues decreased slightly by \$38,525, or 10%, in the three-month period ended September 30, 2012 as compared to the same period in fiscal 2011. Gross margins for the three-month period ended September 30, 2012 improved to 72% of revenue as compared to 58% of revenue in the same period of fiscal 2011.

We achieved margins of 74% from our compliance and regulatory services during the three-month period ended September 30, 2012 as compared to 63% in the same period of fiscal 2011, primarily due to our XBRL service offerings. Although pricing pressures in the market are accelerating quicker than we anticipated, we have been able to significantly improve our margins from our XBRL services as we have gained significant operational efficiencies over the past year as we become more experienced in performing these services.

We achieved margins of 69% from our printing and financial communications services during the three-month period ended September 30, 2012 as compared to 46% in the same period of fiscal 2011, as we continue to shift to higher margin projects from our iFUND and Print-on-Demand services.

Gross margins from our fulfillment and distribution services decreased slightly to 49% during the three-month period ended September 30, 2012 as compared to 50% in the same period of fiscal 2011.

Gross margins from our software licensing increased to 99% during the three-month period ended September 30, 2012 as compared to 92% in the same period of fiscal 2011, primarily due to higher revenue in fiscal 2012.

Gross margins from our transfer agent services increased to 74% during the three-month period ended September 30, 2012 as compared to 41% in the same period of fiscal 2011. The increase in margin is primarily due to the increase in revenue previously discussed, as cost for our transfer agent department consist largely of fixed costs.

Cost of revenues increased by \$58,398, or 6%, in the nine-month period ended September 30, 2012 as compared to the same period in fiscal 2011. However, overall gross margins increased by \$553,142, or 38%, to \$2,013,578 during the nine-month period ended September 30, 2012 as compared to \$1,460,435 in the same period of fiscal 2011. Gross margins for the nine-month period ended September 30, 2012 increased to 65% of revenue compared to 58% of revenue during the same period of fiscal 2011.

Furthermore, we achieved margins of 69% from our compliance and regulatory services during the nine-month period ended September 30, 2012 as compared to 63% in the same period of fiscal 2011, primarily due to our XBRL service offerings. Although pricing pressures in the market are accelerating quicker than we anticipated, we have been able to significantly improve our margins from our XBRL services as we have gained significant operational efficiencies over the past year as we become more experienced in performing these services.

We achieved margins of 62% from our printing and financial communications services during the nine-month period ended September 30, 2012 as compared to 49% in the same period of fiscal 2011, as we have shifted to higher margin projects from our iFUND and Print-on-Demand services.

Gross margins from our fulfillment and distribution services decreased to 40% during the nine-month period ended September 30, 2012 as compared to 48% in the same period of fiscal 2011, as a lower portion of our revenue was earned from news distribution services which typically achieve relatively high margins.

Gross margins from software licensing remained relatively high, and were 99% and 96% during the nine-month periods ended September 30, 2012 and 2011, respectively.

Table of Contents

Gross margins from our transfer agent services were 63% for both the nine-month periods ended September 30, 2012 and 2011.

Costs related to compliance and reporting services are related principally to direct labor costs and third party vendor costs.

Costs related to printing and financial communications fluctuate periodically as the cost of the services and materials fluctuate, and can also vary significantly based on the variables of any one project. We strive to maintain reasonable margins for these services, but market demands, and inventory levels play a significant impact in our overall ability to attract new business.

We incur direct labor costs for software licensing, as all development is performed in-house. To date, costs have not been significant. We intend to increase our development efforts in the coming quarters to further enhance our intellectual property and market position in both our shareholder communications and disclosure management business.

To date, costs for transfer agent services have also been minimal, in proportion to this growing revenue stream. We will devote additional resources to this service offering as we expand these services in future periods.

Operating Expenses

General and Administrative Expense

General and administrative expenses consist primarily of salaries, stock based compensation, insurance, fees for professional services, general corporate expenses and facility and equipment expenses. General and administrative expenses increased \$41,903 and \$219,248, respectively, during the three and nine-month periods ended September 30, 2012 as compared to the same periods in fiscal 2011. The increase in the three-month period ended September 30, 2012 is primarily due to an increase in personnel related expenses of \$88,382. The increase during the nine-month period ended September 30, 2012 is primarily due to an increase in personnel related expenses of \$243,672.

The increase in personnel related expenses is largely due to increases in stock based compensation of \$42,793 and \$157,835, respectively, during the three and nine month periods ended September 30, 2012 as compared to the same periods of fiscal 2011. During the first and third quarters of fiscal 2012, we issued stock options to a consultant for investor relation services that were immediately vested. During the second quarter of fiscal 2012, we issued grants for a total of 95,000 restricted shares of the Company's common stock to its executive officers and certain other employees. 20,000 of these shares were vested immediately, resulting in an immediate expense. The remainder of the increase is primarily due to merit increases, and the hiring of key information technology resources.

Table of Contents

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries, stock based compensation, sales commissions, sales consultants, advertising expenses, and marketing expenses. Sales and marketing expenses for the three and nine-month periods ended September 30, 2012 increased by \$68,447 and \$356,002, respectively, as compared to the same periods of fiscal 2011.

The increase in sales and marketing expense is almost entirely attributable to the hiring of five former employees and consultants of SEC Compliance Services, Inc. ("SECCS") in January 2012, including our Vice President of Sales. Salaries and consulting fees increased \$73,177 and \$240,777, respectively, during the three and nine-month periods ended September 30, 2012 as compared to the same periods of fiscal 2011 primarily due to the hiring of these five individuals, along with higher commissions based on higher sales. Furthermore, we issued options to purchase our common stock to certain former employees and consultants of SECCS which vest upon the achievement of milestones related to executing annual contracts for XBRL services or revenue thresholds. As a result, stock based compensation within sales and marketing expense increased \$92,697, during the nine-month period ended September 30, 2012 as compared to the same periods in fiscal 2011. The investments we have made in our sales and marketing efforts have led to significant revenue growth in fiscal 2012 as previously discussed, and we do not anticipate any significant increases in our sales and marketing expenses to support our current business model.

Depreciation and Amortization

Depreciation and amortization expenses during the three-month period September 30, 2012 increased to \$35,523 as compared to \$14,900 during the same period of fiscal 2011. Depreciation and amortization expenses during the nine-month period ended September 30, 2012 increased to \$104,020 as compared to \$39,900 during the same period of fiscal 2011. We acquired certain assets, primarily the rights to all customer contracts, of SECCS on January 4, 2012. We are amortizing the purchase price of \$425,000 over its estimated useful life of five years, which attributed to an increase in amortization expense in fiscal 2012.

Interest Income, Net

Net interest income (expense) of (\$678) and \$1,687 during the three-month periods ended September 30, 2012 and 2011, respectively, and \$3,348 and \$6,547 during the nine-month periods ended September 30, 2012 and 2011, respectively, consisted primarily of finance charges to customers with past due balances that we are reasonably assured that we will collect, and were offset by interest payable on our outstanding line of credit in fiscal 2012.

Income tax benefit

We recorded income tax expense of \$137,000 and \$47,388, respectively, during the three-month periods ended September 30, 2012 and 2011 based on our effective tax rate on the profits for the periods. We recorded income tax expense of \$123,500 and \$60,012, respectively, during the nine-month periods ended September 30, 2012 and 2011 based on our effective tax rate on the profits for the periods.

Net Income

Net income for the three-month period ended September 30, 2012 increased to \$213,591 as compared to \$71,081 in the same period of fiscal 2011. The increase in net income is primarily due to increases in revenue and gross margin as previously discussed, offset by increases in operating expenses and income tax expense.

Table of Contents

Net income for the nine-month period ended September 30, 2012 decreased to \$192,603 as compared to \$345,517 in the same period of fiscal 2011. Although we had higher revenues and gross margin in nine-month period ended September 30, 2012 as compared to the same periods in fiscal 2011 as discussed above, we realized lower income due to the increases in general and administrative and sales and marketing expenses discussed above. As previously discussed, much of the increases were due to stock based compensation and amortization expenses as opposed to cash expenses. We recorded stock based compensation of \$327,858 during the nine month period ended September 30, 2012, and depreciation and amortization expenses of \$104,020 during the nine month period ended September 30, 2012. However, the investments that we have made in our sales and marketing efforts have lead to revenue growth in 2012, particularly with our XBRL offerings.

Liquidity and Capital Resources

As of September 30, 2012, we had \$1,099,088 in cash and cash equivalents and \$565,157 net accounts receivable. Current liabilities at September 30, 2012, totaled \$453,059, including our line of credit, accounts payable, deferred revenue, accrued payroll liabilities, and accrued expenses. At September 30, 2012, our current assets exceeded our current liabilities by \$1,304,584.

During the nine months ended September 30, 2012, we borrowed \$275,000 under a working capital line of credit to purchase customer contracts from SECCS, and have repaid \$20,000, leaving a balance of \$255,000. We have \$195,000 of credit remaining available to us under this line of credit.

We manage our cash flow carefully with the intent to meet our obligations from cash generated from operations. There can be no assurance that cash generated from operations will be sufficient to fund our operating expenses, to allow us to continue paying dividends, or meet our other obligations, and there is no assurance that debt or equity financing will be available, or if available, that such financing will be upon terms acceptable to us. The Company believes it has sufficient cash to fund its operations for the next twelve months. However, should we need to raise additional capital, either for business expansion reasons and / or to meet certain debt obligations, the Company may opt to issue additional equity securities.

2012 Outlook

The following statements and certain statements made elsewhere in this document are based upon current expectations. These statements are forward looking and are subject to factors that could cause actual results to differ materially from those suggested here, including, without limitation, demand for and acceptance of our services, new developments, competition and general economic or market conditions, particularly in the domestic and international capital markets. Refer also to the Cautionary Statement Concerning Forward Looking Statements included in this report.

Our vision is to be a market leader of disclosure management solutions for compliance professionals, by providing a true single sourced model for issuers and the capital markets.

We pride ourselves on providing the best systems, the best service to our clients, the highest support to our staff; record results, higher returns to our shareholders, and higher rewards to our team members.

Our strategy is focused on maximizing long-term shareholder value by driving profitable growth, continuing our focus on productivity, and acquiring and integrating complementary businesses.

Table of Contents

For the remaining part of fiscal 2012, we will continue to focus on expanding our existing customer relationships as well as acquiring new customers. With our acquisition of the customers of SEC Compliance Services, Inc. in January 2012, we increased the number of corporate issuers for whom we perform services to over 600. Therefore, we anticipate that our revenues will increase in 2012 as compared to 2011. In addition to increasing our client base, we expect to see growth in our XBRL revenue as we enter into new annual contracts with issuers that include detail footnote tagging. As a result, we achieved growth in our XBRL revenue in the third quarter of 2012, and anticipate similar revenue in the fourth quarter of 2012. We also expect to achieve an overall increase in revenue from our other service offerings.

However, consistent with our results for the three and nine month periods ended September 30, 2012, we are experiencing increases in our operating expenses to support the customers acquired from SEC Compliance Services. We believe that our unique offerings yield a competitive advantage in the marketplace even though we operate in a competitive sector. We anticipate further consolidation in the marketplace of financial printers and suppliers in 2012 and beyond, which may result in pricing pressures; however, we believe our unique combination of business offerings will provide us the opportunity to increase our overall market share. We will continue to evaluate strategic partnerships and / or acquisitions as opportunities arise.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

3.

Not applicable

ITEM 4. CONTROLS AND PROCEDURES.

4.

As of the end of the period covered by this quarterly report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer conducted an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934). Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective and have not changed since its most recent annual report.

Changes in Internal Control over Financial Reporting

We regularly review our system of internal control over financial reporting to ensure we maintain an effective internal control environment. There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II – OTHER INFORMATION

ITEM LEGAL PROCEEDINGS.

1.

From time to time the Company may be subject to litigation from third parties. However, the Company is neither the plaintiff or defendant in any actions at the time of this filing.

ITEM RISK FACTORS.

1A.

There have been no material changes to our risk factors as previously disclosed in our most recent 10-K filing.

ITEM UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

2.

None.

ITEM DEFAULTS UPON SENIOR SECURITIES.

3.

Not applicable.

ITEM MINE SAFETY DISCLOSURE.

4.

Not applicable.

ITEM OTHER INFORMATION.

5.

None.

21

Table of Contents

ITEMEXHIBITS.

6.

(a) Exhibits.

Exhibit

Number Description

<u>31.1</u>	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
<u>31.2</u>	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
<u>32.1</u>	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
<u>32.2</u>	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema Document.**
101.CAL	XBRL Taxonomy Calculation Linkbase Document.**
101.LAB	XBRL Taxonomy Label Linkbase Document.**
101.PRE	XBRL Taxonomy Presentation Linkbase Document.**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. **

* filed or furnished herewith

** submitted electronically herewith

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ISSUER DIRECT CORPORATION

Date: November 1, 2012

By: /s/ Brian R. Balbirnie
Brian R. Balbirnie
Chief Executive Officer

By: /s/ Wesley Pollard
Wesley Pollard
Chief Financial Officer