

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

ISSUER DIRECT CORP

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Year Ended: December 31, 2019



Delaware

(State or Other Jurisdiction of Incorporation)

1-10185

(Commission File Number)

26-1331503

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

One Glenwood Avenue, Suite 1001, Raleigh, NC 27603

(Address of Principal Executive Office) (Zip Code)

(919) 481-4000

(Registrant's telephone number, including area code)

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

Title of each class

Name of each exchange on which registered

Common Stock, par value \$0.001 per share

NYSE American.

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

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2019, the last business day of the registrant's second fiscal quarter, was approximately \$43,260,762 based on the closing price reported on the NYSE American as of such date.

As of February 27, 2020, the number of outstanding shares of the registrant's common stock was 3,786,398.

Portions of the registrant's definitive proxy statement relating to its 2020 annual meeting of stockholders (the "2020 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2020 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the year to which this report relates.

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CAUTIONARY STATEMENT

All statements, other than statements of historical fact, included in this Form 10-K, including without limitation the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Business," are, or may be deemed to be, forward-looking statements. Such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Issuer Direct Corporation, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements contained in this Form 10-K.

In our capacity as Company management, we may from time to time make written or oral forward-looking statements with respect to our long-term objectives or expectations which may be included in our filings with the Securities and Exchange Commission (the "SEC"), reports to stockholders and information provided in our web site.

The words or phrases "will likely," "are expected to," "is anticipated," "is predicted," "forecast," "estimate," "project," "plans to continue," "believes," or similar expressions identify "forward-looking statements." Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. We wish to caution you not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We are calling to your attention important factors that could affect our financial performance and could cause actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

The following list of important risk factors is not all-inclusive, and we specifically decline to undertake an obligation to publicly revise any forward-looking statements that have been made to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. Among the factors that could have an impact on our ability to achieve expected operating results and growth plan goals and/or affect the market price of our stock are:

- Dependence on key personnel.
- Fluctuation in quarterly operating results related to transaction-based revenue.
- Our ability to successfully integrate and operate acquired or newly formed entities, ventures and or subsidiaries.
- Changes in laws and regulations that affect our operations and demand for our products and services.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Financial Data in XBRL, Current Reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available, free of charge, in the investor relations section of our website at www.issuerdirect.com.

The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

Company Overview

Issuer Direct Corporation and its subsidiaries are hereinafter collectively referred to as "Issuer Direct", the "Company", "We" or "Our" unless otherwise noted). Our corporate offices are located at One Glenwood Ave., Suite 1001, Raleigh, North Carolina, 27603.

We announce material financial information to our investors using our investor relations website, SEC filings, investor events, news and earnings releases, public conference calls, webcasts and social media. We use these channels to communicate with our investors and the public about our company, our products and services and other related matters. It is possible that information we post on some of these channels could be deemed to be material information. Therefore, we encourage investors, the media and others interested in our company to review the information we post to all of our channels, including our social media accounts.

Issuer Direct® is a premier provider of communications and compliance technology solutions that are designed to help organizations tell their stories globally. Issuer Direct's principal platform, Platform id.TM, empowers users by thoughtfully integrating the most relevant tools, technologies and products, thus eliminating the complexity associated with producing and distributing their business communications and financial information.

We work with a diverse customer base, which includes not only corporate issuers and private companies, but also investment banks, professional firms, such as investor relations and public relations firms, as well as the accounting and legal communities. We also sell products and services to others in the financial services industry, including brokerage firms and mutual funds. Our customers and their service providers utilize Platform id. and related solutions from document creation all the way to dissemination to regulatory bodies, news outlets, financial platforms and their shareholders. Private companies primarily use our news distribution and webcasting products and services to disseminate their message globally. Platform id.'s intelligent subscription platform guides thousands of customers through the process of communicating their message to a large audience.

We also work with several select stock exchanges by making available certain parts of our platform under agreements to integrate our offerings within their products. We believe such partnerships will yield increased exposure to a targeted customer base that could impact our revenue and overall brand in the market.

In order to provide a good representation of our business and reflect our *platform first* engagement strategy, we report revenue in two revenue streams: (i) Platform and Technology and (ii) Services. Set forth below is an infographic depicting the modules included in Platform id. and the services we provide:



Platform and Technology

As our cloud-based subscription business continues to mature, we expect the Platform and Technology portion of our business to continue to increase over the next several years, both in terms of overall revenue and as compared to the Services portion of our business. Platform and Technology revenue grew to 66% of total revenue during 2019, compared to 60%, 56% and approximately 44% of our revenue for the years ending December 31, 2018, 2017 and 2016, respectively. In 2019, growth in our Platform & Technology revenue stream was led by the acquisition of the VisualWebcaster Platform (“VWP”) in our webcasting business as well as increased subscriptions of Platform id. as a result of our focus on a *platform first* engagement strategy and converting customers which historically relied on us for services work to utilizing Platform id. While our ACCESSWIRE® news distribution offering showed some overall growth in 2019, it had represented a majority of the year over year growth in our Platform and Technology revenue for fiscal years 2017 and 2018.

We plan to continue to invest in both our current Platform id. offerings as well as additional offerings that we intend to incorporate into our Platform and Technology offerings. These new offerings will further help establish Platform id. and our strategy of bringing the issuer and investor closer together. One offering is helping public issuers better understand the shareholder composition of their company, which we believe is an area that is underserved by the market today.

Platform id.

Platform id. is our cloud-based subscription platform that efficiently and effectively helps our customers manage their events when seeking to distribute their messaging to key constituents, investors, markets and regulatory systems around the globe. Platform id. consists of several related but distinct shareholder communications and compliance modules that public companies utilize every quarter when they have requirements to meet reporting obligations as well as fair disclosure to the markets.

Within most of our target markets, customers require several individual services and/or software providers to meet their investor relations, communications and compliance needs. We believe Platform id. can address all of these needs in a single, secure, cloud-based platform - one that offers a customer control, increases efficiencies, demonstrates clear value and, most importantly, delivers consistent and compliant messaging from one centralized platform.

Communications Modules

ACCESSWIRE

Our press release offering, which is marketed under the brand ACCESSWIRE, is a cost-effective, Regulation Fair Disclosure ("FD") news dissemination and media outreach service. The ACCESSWIRE product offering focuses on press release distribution for both private and public companies globally. We believe ACCESSWIRE is becoming a competitive alternative to the traditional newswires because we have been able to integrate customer editing features and improve the targeting and growing analytics reporting systems as well as increase its dissemination distribution footprint. We believe this strategy will enable us to add new customers for 2020 and beyond. We have also been able to maintain flexible pricing by offering our customers the option to pay per release or enter into longer-term, flat-fee subscriptions. Currently, ACCESSWIRE is available within Platform id. as part of a subscription, or as a stand-alone module.

On July 3, 2018, we completed the acquisition of Filing Services Canada Inc. ("FSCwire"), which not only increased our customer base, but more importantly increased the global footprint, distribution capabilities and editorial team of our press release business. During the latter part of 2018, we completed the integration of FSCwire and rebranded it as ACCESSWIRE Canada, and are now focused on offering those customers the full suite of products included in Platform id.

ACCESSWIRE is dependent upon several key partners for news distribution, some of which are also partners that we rely on for other investor outreach offerings. During the second quarter of 2019, one of our key partners made an industry-wide decision to no longer accept investor commentary content. A significant portion of our historical ACCESSWIRE revenue was generated from this type of content, as further discussed in the Results of Operations below. As part of our efforts to expand our customer base during the second half of 2018, we began to market ACCESSWIRE more heavily towards public and private company news issuers, which we believe will mitigate the impact of the loss of the investment commentary content long-term. Absent of the investment commentary business, our ACCESSWIRE news business grew 44% during 2019 compared to the prior year. Further disruption in any of our partnerships could have a materially adverse impact on our ACCESSWIRE and overall business.

Professional Conference Organizer (PCO) Module

At the end of 2018, we released a new module to Platform id., centered around the professional conference organizer ("PCO") . This subscription is being licensed to investor conference organizers, which in the aggregate we believe hold an estimated 1,000 plus events a year. This cloud-based product is integrated within Platform id. and enhances our communications module subscription offerings of newswire, newsrooms, webcasting and shareholder targeting.

This cloud-based platform, which is now available as a mobile app, offers organizers, issuers and investors the ability to register, request and approve one-on-one meetings, manage schedules, perform event promotion and sponsorship, print attendee badges and manage lodging. By combining this module with the other components of Platform id. (particularly webcasting and newswire modules), we believe it gives us a unique offering for PCOs that is not available elsewhere in the market.

We believe entering this business expands our current Platform and Technology revenue base, and as an adjacency, should assist in making Platform id. an platform of choice for investment banks, issuers and investors.

Investor Network

Over the past few years, we have been focused on refining the model of digital distribution of our customers' message to the investment community and beyond. This is being accomplished by integrating our shareholder outreach module, Investor Network, into and with Platform id. Most of the customers subscribing to this module today are historical PrecisionIR ("PIR") – Annual Report Service ("ARS") users, as well as new customers purchasing the entire Platform id. subscription. We have migrated some of the customers from the traditional ARS business into this new digital subscription business. However, there can be no assurances these customers will continue using this digital platform in the long term if market conditions or shareholder interest is not present.

Webcasting

The earnings event industry is a highly competitive space with the majority of the business being driven from practitioners in investor relations and communications firms. We estimate there are over 5,000 companies in North America conducting earnings events each quarter that include a teleconference, webcast or both as part of their events. Platform id. also incorporates other elements of the earnings event, including earnings date/call announcement, earnings press release and SEC Form 8-K filings. There are a handful of our competitors that can offer this integrated full service solution today. However, we believe our real-time event setup and integrated approach offers a more effective way to manage the process as well as attract an audience of investors.

We have also attempted to differentiate our offering by investing time and financial resources developing and integrating systems and processes within Platform id. and creating an application programming interface (“API”). This API allows customers, such as financial content sites and investment banks, to query an industry or a single company’s current and past earnings calls and present those webcasts on their platforms. Initially, this has been broadly distributed via our Investor Network platform, with expectations that customers will license this dataset for their platforms in the future. We believe this offering will further increase our brand awareness.

Additionally, as a commitment to broadening the reach of our webcast platform, all events are broadcast live within our shareholder outreach module, which helps drive new audiences and give companies the ability to view their analytics and engagement of each event. We believe these analytics, which will be a component of our Insight and Analytics module, will increase the demand for our webcasting platform among the corporate issuer community.

On January 3, 2019, we acquired VWP from Onstream Media Corporation. VWP is a leading cloud-based webcast, webinar and training platform that delivers live and on-demand streaming of events to audiences of all sizes. VWP allows customers to create, produce and deliver events, which we feel integrates well into Platform id. We believe by acquiring VWP we have significantly strengthened our webcasting product and Platform id. offering as well as acquired over 120 customers, ranging from small private companies to Fortune 500 companies. The VWP technology enables us the ability to host thousands of additional webcasts each year, expanding and diversifying our webcast business from our historical earnings based events to include corporate meetings, training sessions and town hall type events. As we expand our platform, it is vital for us to have solutions that service both our core public companies but also a growing segment of private customers.

Investor Relations Content

Our investor relations content network is another component of Platform id., which is used to create the investor relations’ tab of a company’s website. This investor relations content network is a robust series of data feeds including news feeds, stock feeds, fundamentals, regulatory filings, corporate governance and many other components which are aggregated from a majority of the major exchanges and news distribution outlets around the world. Customers can subscribe to one or more of these data feeds or as a component of a fully designed and hosted website for pre-IPO companies, SEC reporting companies and partners seeking to display our content on their corporate sites. The clear benefit to our investor relations module is its integration into Platform id. As such, companies can produce content for public distribution and it is automatically linked to their corporate website, distributed to targeted groups and placed into our data feed partners.

Compliance Modules

Platform id.’s disclosure reporting module is a document conversion, editing and filing offering which is designed for reporting companies and professionals seeking to insource the document drafting, editing and filing processes to the SEC’s EDGAR system. This module is available in both a secure public cloud within our Platform id. subscription as well as in a private cloud option for corporations, mutual funds and the legal community looking to further enhance their internal document process. As this module has begun to be adopted by our customers, we have seen a negative impact on our legacy disclosure conversion services business. However, the margins associated with our Platform and Technology business compared to our Services business are higher and align with our long-term strategy, and as such, we believe this module will have a positive impact on our compliance business going forward.

Toward the end of 2017, we completed upgrades to our disclosure reporting product to include tagging functionality that meets newly mandated SEC requirements. On June 28, 2018, the SEC voted to adopt rules mandating the use of Inline XBRL (Inline Extensible Business Reporting Language or “iXBRL”) for the submission of financial statement information to the SEC. The new requirements for iXBRL have a three-year phase in which began for large accelerated filers that use U.S. GAAP on June 15, 2019, and will begin for all other accelerated filers to begin reporting for fiscal periods ending on or after June 15, 2020 and for all other filers to begin reporting for fiscal periods ending on or after June 15, 2021. These upgrades also include meeting new SEC mandates for foreign filers that compile financial statements using International Financial Reporting Standards (“IFRS”) to be able to utilize our cloud-based platform. Beginning in 2018, foreign filers with fiscal year’s ending on or after December 15, 2017, are now required to report their financial statements in XBRL with the SEC. Platform id. has adopted the new IFRS taxonomy into and with its new disclosure upgrade for iXBRL to ensure our customers are able to meet these new mandates.

Our whistleblower module is an add-on product within Platform id. This system delivers secure notifications and basic incident workflow management processes that align with a company's corporate governance whistleblower policy. As a supported and subsidized bundle product of the New York Stock Exchange ("NYSE") offerings, we are able to gain relationships with new IPO customers and other larger cap customers listed on the NYSE.

A valued subscription add-on in our Platform id offering is the ability for our customers to gain access to real-time information about their shareholders, stock ledgers and reports and to issue new shares from our cloud-based stock transfer module. Managing the capitalization table of a public company or pre-IPO company is a cornerstone of corporate governance and transparency, and as such companies and community banks have chosen us to assist with their stock transfer needs, including bond offerings and dividend management. This is an industry which has experienced declining overall revenues as it was affected by the replacement of paper certificates with digital certificates. However, we have been focused on selling subscriptions of the stock transfer component of our platform, allowing customers to gain access to our cloud-based system in order to move shares or query shareholders, which we believe has resulted in a more efficient process for both our customers and us.

Our proxy module is marketed as a fully integrated, real-time voting platform for our customers and their shareholders of record. This module is utilized for every annual meeting or special meeting we manage for our customers and offers both full-set mailing and notice of internet availability options.

Services

As we focus on expanding our cloud-based subscription business, we expect to see decreases in the overall revenues associated with our Services business, absent additional acquisitions which may occur in the future. Typically, Services revenues relate to activities where substantial resources are required to perform the work for our customers and/or hard goods are utilized as part of the engagement. To date, most of our Services have been related to converting and editing SEC documents and XBRL tagging, which has been our core disclosure business over the last 13 years, and completing SEDAR (the Canadian equivalent of EDGAR) filings. Services also include telecommunications services and print, fulfillment and delivery of stock certificates, proxy materials or annual reports depending on each customer's engagement. Services are not required, but are optional for customers that utilize our Platform id and are invoiced as used.

Our investor outreach and engagement offering, formerly known as ARS, was acquired from PIR in 2013. The ARS business has existed for over 20 years primarily as a physical hard copy delivery service of annual reports and prospectuses. We continue to operate a portion of this legacy system for customers who opt to take advantage of physical delivery of material. Additionally, we continue to attempt to migrate the install base over to subscriptions of our digital outreach engagement module within Platform id. We believe we will continue to see further attrition of both customers and revenues in this category as we focus our efforts on our Platform and Technology business.

Our overall strategy includes:

Expansion of Current Customers

We expect to continue to see demand for our products within our customer base. As we continue to transition from a services oriented business, our focus is to migrate customer contracts over to subscription-based contracts for our entire Platform id offering. We believe this will help us move from a transaction based revenue model to a recurring subscription-based revenue model, which may give us more consistent, predictable revenue patterns and hopefully creates longer lasting customer relationships. Additionally, as part of our customer expansion efforts, we are committed to working beyond the single point of contact and into the entire C suite (CEO, CFO, IRO, Corporate Secretary, etc.) of an organization which we believe will help drive subscription revenues.

Focus on Organic Growth

Our primary growth strategy continues to be selling our cloud-based offerings via Platform id to new customers under a subscription arrangement, whereas in the past we were inclined to sell a single point solution. Selling a subscription of Platform id allows us to provide our customers with a competitively priced, complete solution for their communications and compliance needs. Our strategy of selling our cloud-based offerings via Platform id to all customers under a subscription agreement should benefit us by moving away from selling individual solutions within highly commoditized markets that are experiencing pricing pressures.

New Offerings

During 2020 and going forward, we will continue to innovate, improve and build new applications into and with our platform, with the ultimate objective of developing applications in combination, that are not offered by our competitors. As a company focused on technology offerings, we understand the importance of advancements and fully appreciate the risks and consequences of losing our market position - a very common mistake many technology companies have made. The pursuit of technological innovation is and has been a part of our overall strategy as an organization over the last several years.

Each year we bring to market certain platform upgrades, add-ons, and new offerings that we believe will round out our overall platform solutions. We believe our innovation and technological efficiencies continue to be a competitive advantage and focus for us.

Part of our continued strategy from 2019 is to bring to market our insight and analytics engine for our Platform id product offering, which we began testing with a close group of professionals and customers in late 2018. The insights and analytics component of Platform id will give our customers the ability to see shareholder and investor engagement from the source, (i.e. at a conference, road show, earnings event, corporate website, Investor Network, affiliate networks and thousands of distribution points from our already robust news distribution network.), which we believe will enable them to better assess the effectiveness of investor outreach programs and target potential investors more effectively. This module's success relies on access to raw historical data, from both our customers and investors in order to tie together patterns and insights. Being in the conference business, adding improved IR tools and selling subscriptions are all the right steps in order to gather this data to run through our engines and analytics systems. We believe we have gathered enough data for the analysis to be meaningful and plan to make this module available in 2020.

Acquisition Strategy

We will continue to evaluate complimentary verticals and systems that we can integrate well into our current platforms. These opportunities typically need to be accretive and consistent with what we have done in the past. We will continue to maintain our product and technology focus, so it is likely we will look for acquisitions in areas we currently generate revenues and/or see clear opportunities to leverage our strengths to disrupt existing markets. In these potential transactions, we will look for recurring long-term revenues, customers, and leading technologies that will further enhance our overall market position.

Sales and Marketing

During 2020, we will continue to strengthen our brands in the market by working aggressively to expand our new customer footprint and continue to cross sell to increase average revenue per user. Since our platform, systems and operations are built to handle growth, we can leverage them to produce consistently high margins and increased cash flows without a proportional increase in our capital or operating expenses.

Our sales organization is responsible for generating new customer opportunities and expanding our current customers. We ended 2019 with a multi-tier organization of sales personnel, made up of Strategic Account Managers and Business Development Managers. We believe this structured approach is the most efficient and effective way to reach new customers and also grow our current install base. The total compensation packages for these teams are heavily weighted with commission compensation to incent sales. All members of the team have sales quotas. As of December 31, 2019, we employed 20 full-time equivalent sales personnel compared to 16 as of December 31, 2018. During the first quarter of 2020, we have also created a new inbound digital sales and marketing group to manage all inbound leads, e-commerce and digital marketing focused on the portions of our platform we believe can be purchased online.

Our marketing organization has been focused on both new customer acquisition as well as campaigns to educate current customers on the advantages of our entire Platform id. Additionally, our marketing team has expanded their focus on investor conferences, strategic exchange partnerships and private company marketing activities in order to continue to scale our business long term.

Additionally, our management team plays a critical role in our sales process, assisting the organization and customers with new offerings, cross selling opportunities and channel development; because our overall organization is small, we benefit from this approach and believe this is key to our future success.

We will continue to make investments in our technology as we transition our business from a historically service-oriented business to a cloud-based subscription organization. In all of our offerings, quality, support, and scalability as well as the need to preserve the confidential content of our customers are of utmost importance and part of our core values.

Since 2018, we continue to maintain agreements with security consulting firms to identify, address and create policies and plans which enable us to mitigate our cybersecurity and information vulnerabilities on both a short-term and long-term basis. We believe having a strong cyber and information security policy is not only necessary to maintain our current business model but also important to attract new customers. We plan to continue to work closely with these firms and others to ensure our security policies meet our customers' needs and requirements.

Industry Overview

Our industry benefits from increased regulatory requirements and the need for platforms and systems to manage these new regulations. Additionally, the industry, along with cloud-based technologies, have matured considerably over the past several years, whereby corporate issuers and communication professionals are seeking platforms and systems to do some, if not all the work themselves. We believe we are well positioned in this new environment to benefit from software licensing and further advancements of Platform id.

The business services industry as it relates to compliance and communications is highly fragmented, with hundreds of independent service companies that provide a range of financial reporting, document management services and with a wide range of printing and technology software providers. The demands for many of our services historically have been cyclical and reliant on capital market activity. Over the past few years, we have invested in several new product offerings beyond our traditional compliance reporting and transaction services business. We believe these new offerings will afford us the ability to reduce our revenue seasonality and provide a new baseline of recurring annualized contracts under our new subscription-based business.

According to a 2018 Burton-Taylor Media Intelligence report, the global communications technology market is \$4.1+ billion in annual spend. This total consists of spending on press releases, earnings events, engagement and targeting and investor relations platforms globally. The key drivers of growth in our industry relate to changing regulatory requirements, new innovated platform technologies and typical industry consolidations. We believe we have a significant competitive advantage as a result of our technology and workflow automation solutions.

Competition

Despite some significant consolidation in recent years, our industry remains both highly fragmented and extremely competitive. The success of our products and services are generally based on price, quality and the ability to service customer demands. Management has been focused on offsetting these risks relating to competition as well as the seasonality by introducing our cloud-based subscription platforms, with higher margins, clear competitive advantages and scalability to withstand market and pricing pressures.

We also review our operations on a regular basis to balance growth with opportunities to maximize efficiencies and support our long-term strategic goals. We believe by blending our workflow technologies with our legacy service offerings we are able to offer a comprehensive set of products and solutions to each of our customers within one platform that most competitors cannot offer today.

We believe we are positioned to be the public company platform of choice as a cost-effective alternative to both small regional providers and global providers. We also believe we benefit from our location in Raleigh, North Carolina, as we do not experience significant competition for sales, customer service, or production personnel.

Customers

Our customers include a wide variety of public and private companies, mutual funds, law firms, brokerage firms, investment banks, individuals, and other institutions. For the year ended December 31, 2019, we worked with 2,169 publicly traded customers and 2,691 private customers, compared to 2,103 publicly traded customers and 2,265 private customers for the year ended December 31, 2018. We did not have any customers during the year ended December 31, 2019 that accounted for more than 10% of our revenue or more than 10% of our year end accounts receivable balance as of December 31, 2019.

Employees

As of December 31, 2019, we employed seventy-nine employees and engaged six independent contractors, none of which are represented by a union. Our employees work in our corporate offices in North Carolina and in other offices throughout North America.

Facilities

Our headquarters are located in Raleigh, North Carolina. In October 2019, we began a new lease for 9,766 square feet of office space, which expires December 31, 2027. As part of our acquisition of VWP, we assumed a three-year lease for an office in Ft. Lauderdale, Florida and a short term lease for an office in New York City, New York. Additionally, we have an office in Salt Lake City, Utah which is also on a short term lease.

Insurance

We maintain both a general business liability policy and an errors and omissions policy specific to our industry and operations. We believe that our insurance policies provide adequate coverage for all reasonable risks associated with operating our business. Additionally, we maintain a Directors and Officers insurance policy, which is standard for our industry and size. We also maintain key person life insurance on our C level executives, and other key individuals.

Regulations

The securities and financial services industries generally are subject to regulation in the United States and elsewhere. Regulatory policies in the United States and the rest of the world are tasked with safeguarding the integrity of the securities and financial markets with protecting the interests of both issuers and shareholders.

In the United States, corporate issuers are subject to regulation under both federal and state laws, which often require public disclosure and regulatory filings. At the federal level, the SEC regulates the securities industry, along with the Financial Industry Regulatory Authority, or FINRA, formally known as NASD, and NYSE market regulations, various stock exchanges, and other self-regulatory organizations ("SRO").

In the European Union (EU), the securities and reporting authorities tend to be based on exchanges as well as individual country disclosure requirements. We currently work with our stock exchange partners to deliver our solutions. We believe this is the best approach as this market is highly complex and divided in comparison to our North American markets.

We operate our filing agent business and transfer agent business under the supervision and regulations of the SEC.

Our transfer agency business, Direct Transfer, LLC, is subject to certain regulations, which are governed, without limitation by the SEC, with respect to registration with the SEC, annual reporting, examination, internal controls, tax reporting and escheatment services. Our transfer agency is currently approved to handle the securities of NYSE, NASDAQ and OTC securities.

Our mission is to assist corporate issuers with these regulations, communication and compliance of rules imposed by regulatory bodies. The majority of our business involves the distribution of content, either electronically or on paper, to governing bodies and shareholders alike. We are licensed under these regulations to disseminate, communicate and or solicit on behalf of our customers, the issuers.

ITEM 1A. RISK FACTORS.

Forward-Looking and Cautionary Statements

Investing in our common stock involves a high degree of risk. Prospective investors should carefully consider the following risks and uncertainties and all other information contained or referred to in this Annual Report on Form 10-K before investing in our common stock. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you could lose some or all of your investment.

Risks related to our business

Legislative and regulatory changes can influence demand for our solutions and could adversely affect our business.

The market for our solutions depends in part on the requirements of the SEC and other regulatory bodies. Any legislation or rulemaking substantially affecting the content or method of delivery of documents to be filed with these regulatory bodies could have an adverse effect on our business. In addition, evolving market practices in light of regulatory developments could adversely affect the demand for our solutions. Uncertainty caused by political change in the United States and European Union (particularly Brexit) heightens regulatory uncertainty in these areas. For example, the White House and Congressional leadership have publicly announced a goal of repealing or amending parts of the Dodd Frank Act, as well as certain regulations affecting the financial services industry. New legislation, or a significant change in rules, regulations, directives or standards could reduce demand for our products and services. Regulatory changes could also increase expenses as we modify our products and services to comply with new requirements and retain relevancy, impose limitations on our operations, and increase compliance or litigation expense, each of which could have a material adverse effect on our business, financial condition and results of operations.

The environment in which we compete is highly competitive, which creates adverse pricing pressures and may harm our business and operating results if we cannot compete effectively.

Competition across all of our businesses is intense. The speed and accuracy with which we can meet customers' needs, the price of our services and the quality of our products and supporting services are factors in this competition.

Some of our competitors have longer operating histories, greater name recognition, more established customer bases and significantly greater financial, technical, marketing and other resources than we do. As a result, they may be able to respond more quickly and effectively than we can to new or changing market demands and requirements. We could also be negatively impacted if our competitors reduce prices, add new features, form strategic alliances with other companies, or are acquired by other companies with greater available resources.

These competitive pressures to any aspect of our business could reduce our revenue and earnings.

Our revenue growth rate in the recent period relating to our Platform and Technology business may not be indicative of this business segment's future performance.

We experienced a revenue growth rate of 24% from 2018 to 2019, 21% from 2017 to 2018 and 49% from 2016 to 2017 with respect to our Platform and Technology revenue stream. In 2019, much of the growth came from the acquisition of VWP in January 2019 and FSCwire in July 2018, while the previous years' growth was due to the success of our ACCESSWIRE business. Our historical revenue growth rate of the Platform and Technology revenue stream is not indicative of future growth, and we may not achieve similar revenue growth rates in future periods. You should not rely on our revenue or revenue growth for any prior quarterly or annual periods as any indication of our future revenue or revenue growth. If we are unable to maintain consistent revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve and maintain profitability.

The success of our cloud-based software largely depends on our ability to provide reliable solutions to our customers. If a customer were to experience a product defect, a disruption in its ability to use our solutions or a security flaw, demand for our solutions could be diminished, we could be subject to substantial liability and our business could suffer.

Our Platform and Technology solutions are complex and we often release new features. As such, our solutions could have errors, defects, viruses or security flaws that could result in unanticipated downtime for our customers and harm our reputation and our business. Internet-based software may contain undetected errors or security flaws when first introduced or when new versions or enhancements are released. We might from time to time find such defects in our solutions, the detection and correction of which could be time consuming and costly. Since our customers use our solutions for important aspects of their business, any errors, defects, disruptions in access, security flaws, viruses, data corruption or other performance problems with our solutions could hurt our reputation and may damage our customers' businesses. If that occurs, customers could elect not to renew, could delay or withhold payment to us or may make warranty or other claims against us, which could result in an increase in our provision for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation. We could also lose future sales. In addition, a security breach of our solutions could result in our future business prospects being materially adversely impacted.

A substantial portion of our business is derived from our ACCESSWIRE brand, which is dependent on technology and key partners.

As noted, our ACCESSWIRE brand has been vital to the increase in revenue associated with our Platform and Technology revenue stream. ACCESSWIRE is dependent upon several key partners for news distribution, some of which are also partners that we rely on for other shareholder communications services. During the second quarter of 2019, one of our key partners made an industry-wide decision to no longer accept investor commentary content. A significant portion of our historical ACCESSWIRE revenue was generated from this type of content, which has significantly affected revenue going forward. Further disruption in any of these partnership relationships could have a material adverse impact on our business and financial results and the inability to procure new key partners could impact the growth of the ACCESSWIRE brand, particularly with respect to public company news distribution. Additionally, ACCESSWIRE is highly dependent on technology and any performance issues with this technology could have a material impact on our ability to serve our customers and thus our ability to generate revenue.

Failure to manage our growth may adversely affect our business or operations.

Since 2013, we have experienced overall growth in our business, customer base, employee headcount and operations, and we expect to continue to grow our business over the next several years. This growth places a significant strain on our executive management team and employees and on our operating and financial systems. To manage our future growth, we must continue to scale our business functions, improve our financial and management controls and our reporting systems and procedures and expand and train our work force. In particular, we grew from twenty-four employees and contractors as of December 31, 2012 to eighty-five as of December 31, 2019. We anticipate that additional investments in sales personnel, infrastructure and research and development spending will be required to:

- scale our operations and increase productivity;
- address the needs of our customers;
- further develop and enhance our existing solutions and offerings; and
- develop new technology.

We cannot assure you that our controls, systems and procedures will be adequate to support our future operations or that we will be able to manage our growth effectively. We also cannot assure you that we will be able to continue to expand our market presence in the United States and other current markets or successfully establish our presence in other markets. Failure to effectively manage growth could result in difficulty or delays in deploying customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties, and any of these difficulties could adversely impact our business performance and results of operations.

If we are unable to retain our key employees and attract and retain other qualified personnel, our business could suffer.

Our ability to grow and our future success will depend to a significant extent on the continued contributions of our key executives, managers and employees. In addition, many of our individual technical and sales personnel have extensive experience in our business operations and/or have valuable customer relationships that would be difficult to replace. Their departure, if unexpected and unplanned, could cause a disruption to our business. Our competition for these individuals is intense in certain areas of our business. We may not succeed in identifying and retaining the appropriate personnel in key positions. Further, competitors and other entities have in the past recruited and may in the future attempt to recruit our employees, particularly our sales personnel. The loss of the services of our key personnel, the inability to identify, attract and retain qualified personnel in the future or delays in hiring qualified personnel, particularly technical and sales personnel, could make it difficult for us to manage our business and meet key objectives, such as the timely introduction of new technology-based products and services, which could harm our business, financial condition and operating results.

If we fail to keep our customers' information confidential or if we handle their information improperly, our business and reputation could be significantly and adversely affected.

If we fail to keep customers' proprietary information and documentation confidential, we may lose existing customers and potential new customers and may expose them to significant loss of revenue based on the premature release of confidential information. While we have security measures in place to protect customer information and prevent data loss and other security breaches, these measures may be breached as a result of third-party action, employee error, malfeasance or otherwise. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

In addition, our service providers (including, without limitation, hosting facilities, disaster recovery providers and software providers) may have access to our customers' data and could suffer security breaches or data losses that affect our customers' information.

If an actual or perceived security breach or premature release occurs, our reputation could be damaged and we may lose future sales and customers. We may also become subject to civil claims, including indemnity or damage claims in certain customer contracts, or criminal investigations by appropriate authorities, any of which could harm our business and operating results. Furthermore, while our errors and omissions insurance policies include liability coverage for these matters, if we experienced a widespread security breach that impacted a significant number of our customers for whom we have these indemnity obligations, we could be subject to indemnity claims that exceed such coverage.

We must adapt to rapid changes in technology and customer requirements to remain competitive.

The market and demand for our products and services, to a varying extent, have been characterized by:

- Technological change;
- Frequent product and service introductions; and
- Evolving customer requirements.

We believe that these trends will continue into the foreseeable future. Our success will depend, in part, upon our ability to:

- Enhance our existing products and services;
- Gain market acceptance.
- Successfully develop new products and services that meet increasing customer requirements; and

To achieve these goals, we will need to continue to make substantial investments in sales and marketing. We may not:

- Have sufficient resources to make these investments;
- Be successful in developing product and service enhancements or new products and services on a timely basis, if at all; or
- Be able to market successfully these enhancements and new products once developed.

Further, our products and services may be rendered obsolete or uncompetitive by new industry standards or changing technology.

Our business could be harmed if we do not successfully manage the integration of any business that we have acquired or may acquire in the future.

These risks include:

- the difficulty of integrating the operations and personnel of the acquired businesses into our ongoing operations;
- the potential disruption of our ongoing business and distraction of management;
- the difficulty in incorporating acquired technology and rights into our products and technology;
- unanticipated expenses and delays relating to completing acquired development projects and technology integration;
- a potential increase in our indebtedness and contingent liabilities, which could restrict our ability to access additional capital when needed or to pursue other important elements of our business strategy;
- the management of geographically remote units;
- the establishment and maintenance of uniform standards, controls, procedures and policies;
- the impairment of relationships with employees and customers as a result of any integration of new management personnel;
- risks of entering markets or types of businesses in which we have either limited or no direct experience;
- the potential loss of key employees or customers of the acquired businesses; and
- potential unknown liabilities, such as liability for hazardous substances, or other difficulties associated with acquired businesses.

Revenue from Platform id. subscriptions and many of our service contracts is recognized ratably over the term of the contract or subscription period. As a result, downturns or upturns in sales may not be immediately reflected in our operating results.

We generally recognize subscription and support revenue from customers ratably over the terms of their subscription agreements, which are typically on a quarterly or annual cycle and automatically renew for additional periods. As a result, a substantial portion of the revenue we report in each quarter will be derived from the recognition of deferred revenue relating to subscription agreements entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be immediately reflected in our revenue results for that quarter. This decline, however, will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our solutions and potential changes in our rate of renewals may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our subscription revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term. In addition, we may be unable to adjust our cost structure to reflect the changes in revenue, which could adversely affect our operating results.

We cannot accurately predict subscription renewal or upgrade rates and the impact these rates may have on our future revenue and operating results.

Our business depends substantially on customers renewing their subscriptions with us, specifically Platform id., and expanding their use of our products. Our customers have no obligation to renew their subscriptions for our products after the expiration of their initial subscription period. Given our limited operating history with respect to our Platform and Technology revenue stream, we may be unable to accurately predict our revenue retention rate. In addition, our customers may renew for shorter contract lengths, lower prices or fewer users. We cannot accurately predict new subscription or expansion rates and the impact these rates may have on our future revenue and operating results. Our renewal rates may decline or fluctuate as a result of a number of factors, including customer dissatisfaction with our service, customers' ability to continue their operations and spending levels and deteriorating general economic conditions. If our customers do not renew their subscriptions for our products, purchase fewer solutions at the time of renewal, or negotiate a lower price upon renewal, our revenue will decline and our business will suffer. Our future success also depends in part on our ability to sell additional solutions and products, more subscriptions or enhanced editions of our products to our current customers. If our efforts to sell additional solutions and products to our customers are not successful, our growth and operations may be impeded. In addition, any decline in our customer renewals or failure to convince our customers to broaden their use of our products would harm our future operating results.

Although we have generated positive cash flows for the past 12 years, we have incurred operating losses in the past and may do so again in the future.

The Company has incurred operating losses in the past and may do so again in the future. At December 31, 2019, the Company had \$3,837,000 of retained earnings. Although we have generated positive cash flows from operations for the past twelve years, there can be no assurances that we will be able to do so in the future. As we continue to invest in our cloud-based technologies and sales and marketing teams, we could experience fluctuations in our cash flows from operations and retained earnings and there are no guarantees that our business can continue to generate the current revenue levels.

We continue to transition our business from a services company to a software as a service company, which makes it difficult to predict our future operating results.

In 2015, we began our transition from a services company to a software as a service company. As a result of this transition, our ability to forecast our future operating results is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. We have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties (which we use to plan our business) are incorrect or change due to changes in our markets, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

We are subject to general litigation and regulatory requirements that may materially adversely affect us.

From time to time, we may be involved in disputes or regulatory inquiries that arise in the ordinary course of business. We expect that the number and significance of these potential disputes may increase as our business expands and we grow larger. While most of our agreements with customers limit our liability for damages arising from our solutions, we cannot assure you that these contractual provisions will protect us from liability for damages in the event we are sued. Although we carry general liability insurance coverage, our insurance may not cover all potential claims to which we are exposed or may not be adequate to indemnify us for all liability that may be imposed. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time, and result in the diversion of significant operational resources. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, financial condition, results of operations and prospects.

New and existing laws make determining our income tax rate complex and subject to uncertainty.

The computation of our provision for income tax is complex, as it is based on the laws of multiple taxing jurisdictions and requires significant judgment on the application of complicated rules governing accounting for tax provisions under U.S. generally accepted accounting principles. Additionally, provisions for income tax for interim quarters are based on forecasts of our U.S. and non-U.S. effective tax rates for the year and contain numerous assumptions. Various items cannot be accurately forecasted and future events may be treated as discrete to the period in which they occur. Our provision for income tax can be materially impacted by things such as changes in our business, internal restructuring and acquisitions, changes in tax laws and accounting guidance and other regulatory, legislative developments, tax audit determinations, changes in uncertain tax positions, tax deductions attributed to equity compensation and changes in our determination for a valuation allowance for deferred tax assets. For all of these reasons, our actual income taxes may be materially different than our provision for income tax.

We are subject to U.S. and foreign data privacy and protection laws and regulations as well as contractual privacy obligations, and our failure to comply could subject us to fines and damages and would harm our reputation and business.

We manage private and confidential information and documentation related to our customers' finances and transactions, often prior to public dissemination. The use of insider information is highly regulated in the United States and abroad, and violations of securities laws and regulations may result in civil and criminal penalties. In addition, we are subject to the data privacy and protection laws and regulations adopted by federal, state and foreign legislatures and governmental agencies. Data privacy and protection is highly regulated and may become the subject of additional regulation in the future. Privacy laws restrict our storage, use, processing, disclosure, transfer and protection of non-public personal information by our customers or collected from visitors of our website. We strive to comply with all applicable laws, regulations, policies and legal obligations relating to privacy and data protection. However, it is possible that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure, or perceived failure, by us to comply with federal, state or international laws, including laws and regulations regulating privacy, payment card information, personal health information, data or consumer protection, could result in proceedings or actions against us by governmental entities or others.

The regulatory framework for privacy and data protection issues worldwide is evolving, and various government and consumer agencies and public advocacy groups have called for new regulation and changes in industry practices, including some directed at providers of mobile and online resources in particular. Our obligations with respect to privacy and data protection may become broader or more stringent. If we are required to change our business activities or revise or eliminate services, or to implement costly compliance measures, our business and results of operations could be harmed.

Our business may be affected by factors outside of our control.

Our ability to increase sales and deliver and sell our service offerings profitably is subject to a number of risks, including changes to corporate disclosure requirements, regulatory filings and distribution of proxy materials, competitive risks such as the entrance of additional competitors into our market, pricing and competition and risks associated with the marketing of new services in order to remain competitive.

If potential customers take a long time to evaluate the use of our products, we could incur additional selling expenses and require additional working capital.

The acceptance of our services depends on a number of factors, including the nature and size of the potential customer base, the effectiveness of our system, and the extent of the commitment being made by the potential customer, and is difficult to predict. Currently, our sales and marketing expenses per customer are fairly low. If potential customers take longer than we expect to decide whether to use our services and require that we travel to their sites, present more marketing material, or spend more time in completing the sales process, our selling expenses could increase, and decrease our profitability.

The seasonality of business makes it difficult to predict future results based on specific quarters.

A greater portion of our printing, distribution and solicitation of proxy materials business will be processed during the second quarter of our fiscal year. Therefore, the seasonality of our revenue makes it difficult to estimate future operating results based on the results of any specific quarter and could affect an investor's ability to compare our financial condition and results of operations on a quarter-by-quarter basis. To balance the seasonal activity of print, distribution and solicitation of proxy materials, we will attempt to continue to grow other revenues linked to predictable periodic activity that is cyclical in nature.

If we are unable to successfully develop and timely introduce new technology-based products or enhance existing technology-based products, our business may be adversely affected.

In the past few years, we have expended significant resources to develop and introduce new technology-based products and improve and enhance our existing technology-based products in an attempt to maintain or increase our sales. The long-term success of new or enhanced technology-based products may depend on a number of factors including, but not limited to, the following: anticipating and effectively addressing customer preferences and demand, the success of our sales and marketing efforts, timely and successful development, changes in governmental regulations and the quality of or defects in our products.

The development of our technology-based products is complex and costly, and we typically have multiple technology-based products in development at the same time. Given the complexity, we occasionally have experienced, and could experience in the future, delays in completing the development and introduction of new and enhanced technology-based products. Problems in the design or quality of our products or services may also have an adverse effect on our brand, business, financial condition, and operating results. Unanticipated problems in developing technology-based products could also divert substantial development resources, which may impair our ability to develop new technology-based products and enhancements of such products, and could substantially increase our costs. If new or enhanced product and service introductions are delayed or not successful, we may not be able to achieve an acceptable return, if any, on our development efforts, and our business may be adversely affected.

Risks Related to Our Common Stock; Liquidity Risks

The price of our common stock may fluctuate significantly, which could lead to losses for stockholders.

The stock prices of smaller public companies can experience extreme price and volume fluctuations. These fluctuations often have been unrelated or out of proportion to the operating performance of such companies. We expect our stock price to be similarly volatile. These broad market fluctuations may continue and could harm our stock price. Any negative change in the public's perception of our prospects or companies in our market could also depress our stock price, regardless of our actual results. Factors affecting the trading price of our common stock may include:

- variations in operating results;
- announcements of strategic alliances or significant agreements by the Company or by competitors;
- recruitment or departure of key personnel;
- litigation, legislation, regulation of all or part of our business; and
- changes in the estimates of operating results or changes in recommendations by any securities analyst that elect to follow our common stock.

If securities or industry analysts issue an adverse opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us adversely change their recommendation regarding our common stock, or provide more favorable relative recommendations about our competitors, the trading price of our common stock could decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the trading price of our common stock or trading volume to decline.

The market price of our common stock may be adversely affected by market conditions affecting the stock markets in general, including price and trading fluctuations on the NYSE American.

Market conditions may result in volatility in the level of, and fluctuations in, market prices of stocks generally and, in turn, our common stock and sales of substantial amounts of our common stock in the market, in each case being unrelated or disproportionate to changes in our operating performance. A weak global economy could also contribute to extreme volatility of the markets, which may have an effect on the market price of our common stock.

We do not intend to pay dividends for the foreseeable future.

We paid dividends in 2012, part of 2013 and from the fourth quarter of 2015 through the third quarter of 2018. In the fourth quarter of 2018, we announced that we would no longer be declaring quarterly dividends for the foreseeable future in order to invest such money in our business. There can be no assurances that dividends will be paid in the future in the form of either cash or stock.

Our Board of Directors has the ability without stockholder approval to issue shares of preferred stock with terms detrimental to the holders of our common stock.

We currently have authorized but unissued "blank check" preferred stock. Without the vote of our shareholders, the Board of Directors may issue such preferred stock with both economic and voting rights and preferences senior to those of the holders of our common stock. Any such issuances may negatively impact the ultimate benefits to the holders of our common stock in the event of a liquidation event and may have the effect of preventing a change of control and could dilute the voting power of our common stock and reduce the market price of our common stock.

Future sales and issuances of our capital stock or rights to purchase capital stock could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to decline.

Our certificate of incorporation authorizes us to issue up to 20,000,000 shares of common stock. Future sales and issuances of our capital stock or rights to purchase our capital stock could result in substantial dilution to our existing stockholders. We may sell common stock, convertible securities and other equity securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, investors may be materially diluted, which could result in downward pressure on the price of our common stock. New investors in subsequent transactions could gain rights, preferences and privileges senior to those of holders of our common stock. In addition, if outstanding stock options are exercised or when outstanding restricted stock units are settled in shares, current shareholders will experience dilution.

We will continue to incur significantly increased costs and devote substantial management time as a result of operating as a public company.

As a public company, we incur significant legal, accounting and other expenses that would not be incurred as a private company. For example, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), and are required to comply with the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Act, as well as rules and regulations subsequently implemented by the SEC and the New York Stock Exchange, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Compliance with these requirements has increased our legal and financial compliance costs and made some activities more time consuming and costly. Many of these costs recur annually. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results.

A failure to maintain adequate internal controls over our financial and management systems could cause errors in our financial reporting, which could cause a loss of investor confidence and result in a decline in the price of our common stock.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. If we have a material weaknesses or significant deficiency in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. Effective internal controls are necessary for us to produce reliable financial reports and are important to prevent fraud. As a result, our failure to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act on a timely basis could result in us being subject to regulatory action and a loss of investor confidence in the reliability of our financial statements, both of which in turn could cause the market value of our common stock to decline and affect our ability to raise capital.

Because we are a smaller reporting company, our independent registered public accounting firm was not required to and did not perform an audit of our internal control over financial reporting for the fiscal year ended December 31, 2019.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTY.

Our headquarters are located in Raleigh, North Carolina. In October 2019, we began a new lease for 9,766 square feet of office space, which expires December 31, 2027. As part of our acquisition of VWP, we assumed a three-year lease for an office in Ft. Lauderdale, Florida and a short term lease for an office in New York City, New York. Additionally, we have an office in Salt Lake City, Utah which is also on a short term lease.

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we may be involved in litigation that arises through the normal course of business. As of the date of this filing, we are neither a party to any litigation nor are we aware of any such threatened or pending litigation that might result in a material adverse effect to our business.

ITEM 4. MINE SAFETY DISCOLSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market for common stock

Our common stock is listed on the NYSE American under the symbol "ISDR". The following table sets forth for the periods indicated the high and low closing prices of our common stock for the following periods.

	High	Low
Year ended December 31, 2019		
Quarter Ended March 31, 2019	\$ 13.85	\$ 11.35
Quarter Ended June 30, 2019	13.27	10.25
Quarter Ended September 30, 2019	11.39	8.90
Quarter Ended December 31, 2019	\$ 12.75	\$ 10.10
Year ended December 31, 2018		
Quarter Ended March 31, 2018	\$ 18.50	\$ 15.75
Quarter Ended June 30, 2018	20.45	15.85
Quarter Ended September 30, 2018	20.65	13.75
Quarter Ended December 31, 2018	\$ 15.60	\$ 10.00

Holders of Record

As of December 31, 2019, there were approximately 150 registered holders of record of our common stock and 3,786,398 shares outstanding.

Issuer Purchases of Equity Securities

On August 7, 2019, the Company publicly announced a share repurchase program under which the Company is authorized to repurchase up to \$1,000,000 of its common shares. As of December 31, 2019, the Company repurchased a total of 76,170 shares at an aggregate cost of \$769,000 (not including commissions of \$4,000) as shown in the table below (\$ in 000's, except share or per share amounts):

Shares Repurchased				
Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
August 7 -31, 2019	22,150	\$ 9.34	22,150	\$ 793
September 1-30, 2019	2,830	\$ 10.00	2,830	\$ 765
October 1-31, 2019	39,363	\$ 10.44	39,363	\$ 354
November 1-30, 2019	11,827	\$ 10.43	11,827	\$ 231
December 1-31, 2019	—	—	—	\$ 231
Total	<u>76,170</u>	<u>\$ 10.10</u>	<u>76,170</u>	<u>\$ 231</u>

Dividends

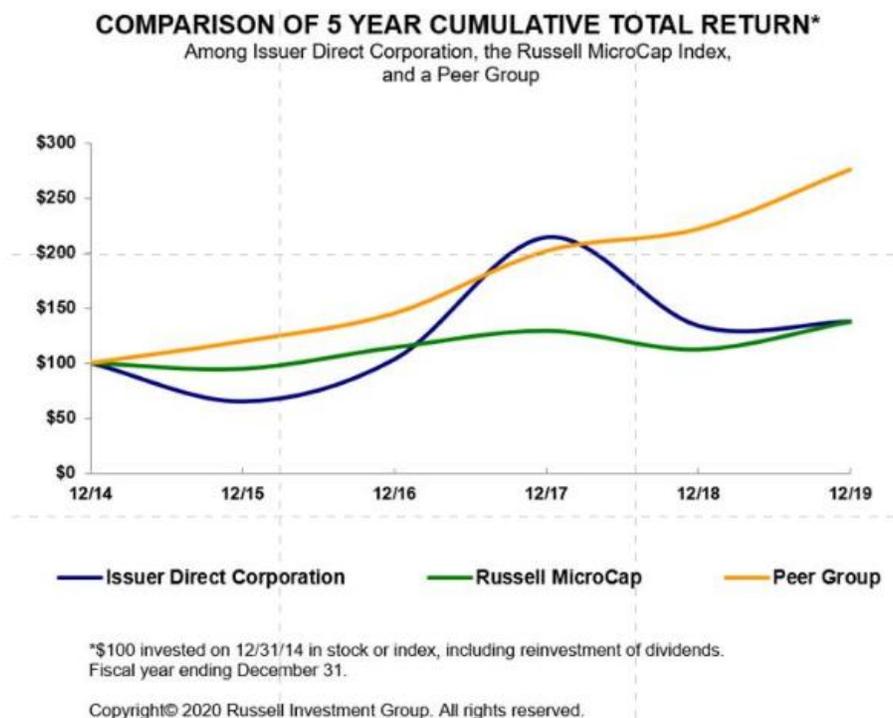
We did not pay any dividends during the year ended December 31, 2019. During the year ended December 31, 2018, we paid dividends totaling \$460,000 or \$0.15 per share. There can be no assurances that dividends will be paid in the future. The declaration and payment of dividends in the future will be determined by our Board of Directors in light of conditions then existing, including our earnings, financial condition, capital requirements and other factors.

COMPARISON OF CUMULATIVE TOTAL RETURN

Performance Comparison Graph

This chart compares the five-year cumulative total return on our common stock with that of the Russell MicroCap index and a custom peer group, which was selected by the Company. The chart assumes \$100 was invested on December 31, 2014, in our common stock, the Russell MicroCap index and the peer group, and that any dividends were reinvested. The Peer Group is composed of: Broadridge Financial Solutions Inc., Cision, Ltd., and Workiva, Inc. The peer group index utilizes the same method of presentation and assumptions for the total return calculation as does Issuer Direct Corporation (ISDR) and the Russell MicroCap index. All companies in the peer group index are weighted in accordance with their market capitalizations.

The Company makes no representation to the peer group market caps being similar to that of Issuer Direct, however these peers do represent a fair and accurate list of the companies that Issuer Direct competes with that are in fact public.



	12/14	12/15	12/16	12/17	12/18	12/19
Issuer Direct Corporation	100.00	64.98	103.40	214.41	133.76	137.77
Russell MicroCap	100.00	94.84	114.16	129.19	112.29	137.48
Peer Group	100.00	119.66	145.22	201.81	221.94	276.05

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6. SELECT FINANCIAL DATA.

Our selected consolidated financial data shown below should be read together with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and respective notes included in Item 8. "Financial Statements and Supplementary Data." The data shown below are not necessarily indicative of results to be expected for any future period.

Summary of Operations for the periods ended December 31, 2019 and 2018 (in 000's).

	Year Ended December 31,	
	2019	2018
Statement of Operations		
Revenue	\$ 16,295	\$ 14,232
Cost of revenues	5,080	4,103
Gross profit	11,215	10,129
Operating costs	10,741	8,966
Operating income	474	1,163
Interest income, net	321	47
Income before taxes	795	1,210
Income tax expense	109	373
Net income	\$ 686	\$ 837

Concentrations:

For the years ended December 31, 2019 and 2018, we generated revenues from the following revenue streams as a percentage of total revenue:

	2019	2018
Revenue Streams		
Platform and Technology	65.6%	60.4%
Services	34.4%	39.6%
Total	100.0%	100.0%

Percentages:

Change expressed as a percentage increase for the years ended December 31, 2019 and 2018 (\$ in 000's):

	2019	2018	% change
Revenue Streams			
Platform and Technology	\$ 10,696	\$ 8,593	24.4%
Services	5,599	5,639	(0.7)%
Total	\$ 16,295	\$ 14,232	14.5%

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Except for the historical information contained herein, the matters discussed in this Form 10-K include certain forward-looking statements that involve risks and uncertainties, which are intended to be covered by safe harbors. Those statements include, but are not limited to, all statements regarding our and management's intent, belief and expectations, such as statements concerning our future and our operating and growth strategy. We generally use words such as "believe," "may," "could," "will," "intend," "expect," "anticipate," "plan," and similar expressions to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons including our ability to implement our business plan, our ability to raise additional funds and manage consumer acceptance of our products, our ability to broaden our customer base, our ability to maintain a satisfactory relationship with our suppliers and other risks described in our reports filed with the Securities and Exchange Commission, including Item 1A of this Report on Form 10-K. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and our future results, levels of activity, performance or achievements may not meet these expectations. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, the factors set forth under the Risk Factors section of this report. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. All forward-looking statements made in this Form 10-K are based on information presently available to our management. We do not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in our expectations, except as required by law.

Results of Operations

Comparison of results of operations for the years ended December 31, 2019 and 2018 (in 000's):

Revenue Streams	2019	2018
Platform and Technology		
Revenue	\$ 10,696	\$ 8,593
Gross margin	\$ 7,860	\$ 6,780
Gross margin %	73%	79%
Services		
Revenue	5,599	5,639
Gross margin	3,355	3,349
Gross margin %	60%	59%
Total		
Revenue	\$ 16,295	\$ 14,232
Gross margin	\$ 11,215	\$ 10,129
Gross margin %	69%	71%

Revenues

Total revenue increased by \$2,063,000, or 14%, to \$16,295,000 during the year ended December 31, 2019, as compared to \$14,232,000 in 2018. Customers obtained from our acquisitions of VWP and FSCwire contributed \$2,175,000 of revenue during the year ended December 31, 2019 compared to 2018. A portion of this revenue is recognized in the Platform and Technology revenue stream and a portion in the Services revenue stream.

Platform and Technology revenue increased \$2,103,000, or 24%, to \$10,696,000 for the year ended December 31, 2019, as compared to \$8,593,000 during 2018. A majority of the increase is due to the acquisitions of VWP and FSCwire, which accounted for a combined \$1,600,000 of the increase in Platform and Technology revenue during the year ended December 31, 2019. Additionally, we generated increased revenue from additional subscriptions of Platform id., as well as, increased ACCESSWIRE revenue, despite being negatively impacted by the industry-wide loss of the investment commentary business. The investment commentary business accounted for approximately \$403,000 of revenue during the year ended December 31, 2019, compared to approximately \$1,577,000 during 2018. We do not expect revenue from the investment commentary business in the future. Other than the impact of the investment commentary business and acquisition of FSCwire, ACCESSWIRE revenue increased 38% during the year ended December 31, 2019, compared to the same period of the prior year. These increases were offset by a decline in revenue from our shareholder outreach offering due to customer attrition as revenue of this offering is typically tied-in with contracts of our annual report distribution services. Platform and Technology revenue increased to 66% of total revenue during the year ended December 31, 2019, as compared to 60% in the prior year.

Services revenue decreased \$40,000, or less than 1%, during the year ended December 31, 2019, as compared to 2018. The decrease is partly due to a decline in revenue from our ARS services due to continued customer attrition as customers elect to leave the service or transition to digital fulfillment. We also experienced a decline in revenue from our transfer agent services due to a decline in corporate transactions, directives and actions. The timing of these corporate directives and actions are difficult to predict as they are controlled by our customers and the conditions of the market, and therefore fluctuate from year to year. These decreases were offset by increased revenue associated with the acquisitions of VWP and FSCwire, which accounted for a combined \$575,000 in Services revenue during the year ended December 31, 2019.

2019 Revenue Backlog

At December 31, 2019, our deferred revenue balance was \$1,812,000, a majority of which we expect to recognize over the next twelve months, compared to \$1,249,000 at December 31, 2018. Deferred revenue primarily consists of advance billings for subscriptions of our cloud-based products and pre-paid packages of our news distribution product, as well as, advance billings for annual contracts of legacy ARS services. The increase is primarily due to an increase in subscriptions of Platform id. During the year ended December 31, 2019, we entered into new contracts with 150 net, new or existing customers with annualized contract value of \$911,000. As of December 31, 2019, our total number of subscriptions of Platform id was 255, with a total annual contract value of \$2,033,000.

Cost of Revenues

Platform and Technology cost of revenues consists primarily of direct labor costs, newswire distribution costs, third party licensing and amortization of capitalized software costs related to platforms licensed to customers. Services costs of revenue consists primarily of direct labor costs, warehousing, logistics, print production materials, postage, and outside services directly related to the delivery of services to our customers. Cost of revenues increased by \$977,000, or 24%, during the year ended December 31, 2019, as compared to the same period of 2018. Overall gross margin increased \$1,086,000, or 11%, during the year ended December 31, 2019, compared to 2018. However, overall gross margin percentage decreased to 69% during the year ended December 31, 2019, as compared to 71% during the prior year. The increase in cost of sales and resulting decrease in gross margin percentage was primarily due to the addition of VWP, which has a lower gross margin than our legacy businesses. Additionally, newswire distribution costs increased as we expanded our distribution during the year, while newswire revenue did not increase at the same rate due to the loss of the investment commentary revenue, resulting in lower gross margins from our newswire business.

Gross margin percentage from Platform and Technology was 73% for the year ended December 31, 2019, as compared to 79% for 2018. The decrease in gross margin percentage is primarily attributable to the addition of revenue and costs associated with the acquisition of VWP as well as increased costs associated with our newswire business.

Gross margin percentage from our Services revenue was 60% for the year ended December 31, 2019 compared to 59% for 2018.

General and Administrative Expense

General and administrative expenses consist primarily of salaries, stock-based compensation, insurance, fees for professional services, general corporate expenses (including bad debt expense) and facility and equipment expenses. General and administrative expenses were \$5,086,000 for the year ended December 31, 2019, an increase of \$1,001,000, or 25%, as compared to the prior year. This increase is primarily due to additional costs associated with our acquisition of VWP of approximately \$500,000 and an increase in bad debt expense of \$394,000, a majority of which related to additional reserve for accounts receivable balances related to two significant investment commentary newswire customers. General and administrative expenses also increased due to an increase in corporate headcount as we position the Company for growth. These increases were offset by a decrease in stock compensation.

As a percentage of revenue, General and Administrative expenses were 31% for the year ended December 31, 2019, as compared to 29% for 2018.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries, stock based compensation, sales commissions, advertising expenses, tradeshow expenses and other marketing expenses. Sales and marketing expenses were \$3,551,000 for the year ended December 31, 2019, an increase of \$549,000, or 18%, as compared to the prior year. This increase is directly related to our investment in our sales and marketing initiatives with an increase in headcount and digital marketing.

As a percentage of revenue, sales and marketing expenses were 22% for the year ended December 31, 2019 compared to 21% for 2018.

Product Development

Product development expenses consist primarily of salaries, stock based compensation and licenses to develop new products and technology to complement and/or enhance Platform id. Product development costs decreased \$57,000, or 4%, to \$1,219,000 during the year ended December 31, 2019, as compared to 2018. The decrease is the result of lower employee-related and consulting expenses.

As a percentage of revenue, Product Development expenses were 7% for the year ended December 31, 2019, as compared to 9% for 2018.

Depreciation and Amortization

During the year ended December 31, 2019, depreciation and amortization expenses increased by \$282,000, or 47%, to \$885,000, as compared to \$603,000 during 2018. The increase is primarily due to amortization of intangible assets acquired in both the VWP and FSCwire acquisitions.

Interest income, net

Interest income, net, represents interest income on deposit and money market accounts, partially offset by the non-cash interest associated with the present value of the remaining anniversary payments of the Interwest acquisition.

Income Taxes

We recorded income tax expense of \$109,000 during the year ended December 31, 2019, compared to \$373,000 during the year ended December 31, 2018. During the year ended December 31, 2019, the Company's effective tax rate was favorably impacted by the research and development tax credit, foreign tax credits as well as a benefit related to the exercise of stock based compensation.

The aforementioned reasons, as well as state taxes, foreign statutory tax rate differentials are the reasons for the variance between the Company's effective tax rate and the statutory rate of 21%

Net Income

Net income for the year ended December 31, 2019 was \$686,000 as compared to \$837,000 in 2018. Although we achieved increases in revenue and gross margin, these increases were offset by higher operating expenses due to an increase in bad debt expense specifically related to two investment commentary customers and investments made to position ourselves for growth by increasing headcount, incurring costs related to acquisitions as well as continuing to invest in our cloud-based products. Depreciation and amortization expense increased as well, due to amortization associated with acquired intangible assets. The increase in operating expense was partially offset by an increase in interest income on deposit and money market accounts as well as a decrease in income tax expense due to favorable impacts related to foreign tax credits and benefits related to exercise of stock based compensation.

Liquidity and Capital Resources

As of December 31, 2019, we had \$15,766,000 in cash and cash equivalents and \$2,051,000 in net accounts receivable. Current liabilities at December 31, 2019, totaled \$3,840,000 including our accounts payable, deferred revenue, accrued payroll liabilities, income taxes payable, remaining payments for Interwest acquisition and other accrued expenses. At December 31, 2019, our current assets exceeded our current liabilities by \$14,166,000.

Effective October 3, 2019, the Company renewed its Line of Credit, which increased the term to two years, with all other provisions remaining the same. The amount of funds available for borrowing are \$3,000,000 and the interest rate is LIBOR plus 1.75%. As of December 31, 2019, the interest rate was 3.76% and the Company did not owe any amounts on the Line of Credit.

Disclosure about Off-Balance Sheet Arrangements

We do not have any transactions, agreements or other contractual arrangements that constitute off-balance sheet arrangements.

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.

Overall, the demand for our platforms continues to be stable in the majority of the segments we serve. In a portion of our business, we expect demand will continue to shift from traditional printed and service-based engagements to a cloud-based subscription model, as well as digital distribution offerings. We believe we are positioned well in this space to be both competitive and agile to deliver these solutions to the market. As we have seen over the last several quarters, the transition to digital platforms has had a negative effect on our Service revenue and this is a trend we expect will continue over the next few quarters.

One of our competitive strengths is that we have embraced cloud computing early on in our strategy. The transition to a platform subscription model has been and will continue to be key for our long-term sustainable growth.

We will continue to focus on the following key strategic initiatives during 2020:

- Expand our Platform and Technology business development and sales team,
- Continue to grow through acquisitions in areas of strategic focus,
- Expand customer base,
- Continue to migrate acquired businesses to our current platform,
- Continue to expand our newswire distribution,
- Invest in technology advancements and upgrades,
- Continue development of our Insight and Analytics module,
- Generate profitable sustainable growth,
- Generate cash flows from operations.

We believe there is significant demand for our products among the middle, small and micro-cap markets globally, as they seek to find better platforms and tools to disseminate and communicate their respective messages. We believe we have the product sets, platforms and capacity to meet their requirements.

We have invested and will continue to invest in our product sets, platforms and intellectual property development via internal development and acquisitions. These developments are key to our overall offerings in the market and necessary to keep our competitive advantages and sustain the next round of growth that management believes it can achieve. If we are successful in this development effort, we believe we can achieve increases in revenues per user as we move through 2020 and beyond.

Critical Accounting Policies and Estimates

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Significant intercompany accounts and transactions are eliminated in consolidation.

Revenue Recognition

Substantially all of the Company's revenue comes from contracts with customers for subscriptions to its cloud-based products or contracts to perform compliance or other services. Customers consist primarily of corporate issuers and professional firms, such as investor relations and public relations firms. In the case of our news distribution and webcasting offerings, our customers also include private companies. The Company accounts for a contract with a customer when there is an enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has economic substance, and collectability of the contract consideration is probable. The Company's revenues are measured based on consideration specified in the contract with each customer.

The Company's contracts include either a subscription to our entire platform or certain modules within our platform, or an agreement to perform services or any combination thereof, and often contain multiple subscriptions and services. For these bundled contracts, the Company accounts for individual subscriptions and services as separate performance obligations if they are distinct, which is when a product or service is separately identifiable from other items in the bundled package, and a customer can benefit from it on its own or with other resources that are readily available to the customer. The Company separates revenue from its contracts into two revenue streams: i) Platform and Technology and ii) Services. Performance obligations of Platform and Technology contracts include providing subscriptions to certain modules or the entire Platform id. system, distributing press releases on a per release basis or conducting webcasts on a per event basis. Performance obligations of Service contracts include obligations to deliver compliance services and annual report printing and distribution on either a stand ready obligation or on a per project or event basis. Set up fees for compliance services are considered a separate performance obligation and are satisfied upfront. Set up fees for our transfer agent module and investor relations content management module are immaterial. The Company's subscription and service contracts are generally for one year, with automatic renewal clauses included in the contract until the contract is cancelled. The contracts do not contain any rights of returns, guarantees or warranties. Since contracts are generally for one year, all of the revenue is expected to be recognized within one year from the contract start date. As such, the Company has elected the optional exemption that allows the Company not to disclose the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of each reporting period.

The Company recognizes revenue for subscriptions evenly over the contract period, upon distribution for per release contracts and upon event completion for webcasting events. For service contracts that include stand ready obligations, revenue is recognized evenly over the contract period. For all other services delivered on a per project or event basis, the revenue is recognized at the completion of the event. The Company believes recognizing revenue for subscriptions and stand ready obligations using a time-based measure of progress, best reflects the Company's performance in satisfying the obligations.

For bundled contracts, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on observable prices at which the Company separately sells the subscription or services. If a standalone selling price is not directly observable, the Company uses the residual method to allocate any remaining costs to that subscription or service. The Company regularly reviews standalone selling prices and updates these estimates if necessary.

The Company invoices its customers based on the billing schedules designated in its contracts, typically upfront on either a monthly, quarterly or annual basis or per transaction at the completion of the performance obligation. Deferred revenue for the periods presented was primarily related to subscription and service contracts, which are billed upfront, quarterly or annually, however the revenue has not yet been recognized. The associated deferred revenue is generally recognized ratably over the billing period. Deferred revenue as of December 31, 2019 and 2018 was \$1,812,000 and \$1,249,000, respectively, and is expected to be recognized within one year. Revenue recognized for the year ended December 31, 2019 and 2018, that was included in the deferred revenue balance at the beginning of each reporting period, was approximately \$1,249,000 and \$887,000, respectively. Accounts receivable related to contracts with customers was \$2,051,000 and \$1,593,000 as of December 31, 2019 and 2018, respectively. Since substantially all of the contracts have terms of one year or less, the Company has elected to use the practical expedient regarding the existence of a significant financing.

Costs to obtain contracts with customers consist primarily of sales commissions. As of December 31, 2019 and 2018, the Company has capitalized \$21,000 and \$18,000 of costs to obtain contracts that are expected to be amortized over more than one year. For contract costs expected to be amortized in less than one year, the Company has elected to use the practical expedient allowing the recognition of incremental costs of obtaining a contract as an expense when incurred. The Company has considered historical renewal rates, expectations of future renewals and economic factors in making these determinations.

Accounts Receivable and Allowance for Doubtful Accounts

The Company monitors outstanding receivables based on factors surrounding the credit risk of specific customers, historical trends, and other information. Credit is granted on an unsecured basis. The allowance for doubtful accounts is estimated based on an assessment of the Company's ability to collect on customer accounts receivable. There is judgment involved with estimating the allowance for doubtful accounts and if the financial condition of the Company's customers were to deteriorate, resulting in their inability to make the required payments, the Company may be required to record additional allowances or charges against revenues. The Company generally writes-off accounts receivable against the allowance when it determines a balance is uncollectible and no longer actively pursues its collection.

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.

Capitalized Software

Costs incurred to develop our cloud-based platform products and disclosure management system components are capitalized when the preliminary project phase is complete, management commits to fund the project and it is probable the project will be completed and used for its intended purposes. Once the software is substantially complete and ready for its intended use, the software is amortized over its estimated useful life. Costs related to design or maintenance of the software are expensed as incurred. The Company capitalized \$20,000 and \$21,000 during the years ended December 31, 2019 and 2018, respectively. The Company recorded amortization expense of \$843,000 and \$813,000 during the years ended December 31, 2019 and 2018, respectively, \$783,000 and \$795,000 of which is included in Cost of revenues on the Consolidated Statements of Income. The remaining amount of \$60,000 and \$18,000 for the years ended December 31, 2019 and 2018, respectively, is included in Depreciation and amortization.

Impairment of Long-lived Assets

In accordance with the authoritative guidance for accounting for long-lived assets, assets such as property and equipment, trademarks, and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of an asset group exceeds fair value of the asset group.

Lease Accounting

We determine if an arrangement is a lease at inception. Our operating lease agreements are primarily for office space and are included within Other long-term assets and Other long-term liabilities on the consolidated balance sheets.

Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Our variable lease payments consist of non-lease services related to the lease. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. ROU assets also include any lease payments made and exclude lease incentives. Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term.

Fair Value Measurements

ASC Topic 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Assets and liabilities recorded at fair value in the financial statements are categorized based upon the hierarchy of levels of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities at the reporting date. Generally, this includes debt and equity securities that are traded in an active market. Our cash and cash equivalents are quoted at Level 1.
- Level 2 – Observable inputs other than Level 1 prices such as quote prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Generally, this includes debt and equity securities that are not traded in an active market.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

As of December 31, 2019 and 2018, we believe that the fair value of our financial instruments other than cash and cash equivalents, such as, accounts receivable, our line of credit, notes payable, and accounts payable approximate their carrying amounts.

Translation of Foreign Financial Statements

The financial statements of the foreign subsidiaries of the Company have been translated into U.S. dollars. All assets and liabilities have been translated at current rates of exchange in effect at the end of the period. Income and expense items have been translated at the average exchange rates for the year or the applicable interim period. The gains or losses that result from this process are recorded as a separate component of other accumulated comprehensive income (loss) until the entity is sold or substantially liquidated.

Business Combinations, Goodwill and Intangible Assets

We account for business combinations under FASB ASC No. 805 – Business Combinations and the related acquired intangible assets and goodwill under FASB ASC No. 350 – Intangibles – Goodwill and Other. The authoritative guidance for business combinations specifies the criteria for recognizing and reporting intangible assets apart from goodwill. We record the assets acquired and liabilities assumed in business combinations at their respective fair values at the date of acquisition, with any excess purchase price recorded as goodwill. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Intangible assets consist of client relationships, customer lists, distribution partner relationships, software, technology and trademarks that are initially measured at fair value. At the time of the business combination, trademarks are considered an indefinite-lived asset and, as such, are not amortized as there is no foreseeable limit to cash flows generated from them. The goodwill and intangible assets are assessed annually for impairment, or whenever conditions indicate the asset may be impaired, and any such impairment will be recognized in the period identified. The client relationships (7-10 years), customer lists (3 years), distribution partner relationships (10 years), non-compete agreements (5 years) and software and technology (3-6 years) are amortized over their estimated useful lives.

Recently adopted accounting pronouncements

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a ROU model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard was effective for the Company on January 1, 2019, which is also the day we elected to adopt the new standard. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. We chose the effective date as our date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019. We elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification of those leases in place as of January 1, 2019. See the table below for the impact of adoption of the lease standard on our balance sheet accounts as of the day of adoption, January 1, 2019 (\$ in 000's):

	<u>As Previously Reported</u>	<u>New Lease Standard Adjustment</u>	<u>As Adjusted</u>
ROU asset	\$ -	\$ 102	\$ 102
Lease liability	-	135	135
Deferred rent	33	(33)	-

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not believe that we face material market risk with respect to our cash or cash equivalents, which totaled \$15,766,000 and \$17,222,000 at December 31, 2019 and 2018, respectively. We did not hold any marketable securities as of December 31, 2019 or 2018.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by this Item 8 are set forth in Item 15 of this Annual Report. All information which has been omitted is either inapplicable or not required.

Our balance sheets as of December 31, 2019 and 2018, and the related statements of income, comprehensive income, stockholders' equity and cash flows for the two years ended December 31, 2019 and 2018, together with the independent registered public accountants' reports thereon appear beginning on Page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Management's Annual Report Regarding Internal Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes, in accordance with generally accepted accounting principles. The effectiveness of any system of internal control over financial reporting is subject to inherent limitations and therefore, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of future periods are subject to the risk that the controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of our management, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act") were effective as of December 31, 2019, to ensure that information required to be disclosed in reports that are filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Inherent Limitations over Internal Controls

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Report of Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations ("COSO") updated Internal Control—Integrated Framework (2013). Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2019.

There were no changes in our internal controls that could materially affect the disclosure controls and procedures subsequent to the date of their evaluation, nor were there any material deficiencies or material weaknesses in our internal controls. As a result, no corrective actions were required or undertaken.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item is set forth under the headings "Directors, Executive Officers and Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's 2020 Proxy Statement to be filed with the U.S. Securities and Exchange Commission ("SEC") within 120 days after December 31, 2019 in connection with the solicitation of proxies for the Company's 2020 annual meeting of shareholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth under the heading "Executive Compensation" and under the subheadings "Board Oversight of Risk Management," "Compensation of Directors," "Director Compensation-2019" and "Compensation Committee Interlocks and Insider Participation" under the heading "Directors, Executive Officers and Corporate Governance" in the Company's 2020 Proxy Statement to be filed with the SEC within 120 days after December 31, 2019 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item is set forth under the headings "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the Company's 2020 Proxy Statement to be filed with the SEC within 120 days after December 31, 2019 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item is set forth under the heading "Review, Approval or Ratification of Transactions with Related Persons" and under the subheading "Board Committees" under the heading "Directors, Executive Officers and Corporate Governance" in the Company's 2020 Proxy Statement to be filed with the SEC within 120 days after December 31, 2019 and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is set forth under the subheadings "Fees Paid to Auditors" and "Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services Performed by the Independent Registered Public Accounting Firm" under the proposal "Ratification of Appointment of Independent Registered Public Accounting Firm" in the Company's 2020 Proxy Statement to be filed with the SEC within 120 days after December 31, 2019 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS.

(a) Financial Statements

The financial statements listed in the accompanying index (page F-1) to the financial statements are filed as part of this Annual Report on Form 10-K.

(b) Exhibits

Exhibit Number	Exhibit Description
3.1	Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Form S-3 filed on May 10, 2017)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on February 12, 2014)
10.1	2014 Equity Incentive Plan (incorporated by reference to Annex A to the Schedule 14A filed on April 2, 2014)
10.2	Executive Employment Agreement dated April 30, 2015 with Brian R. Balbirnie (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on May 5, 2014)
10.3	Executive Employment Agreement dated November 19, 2015 with Steven Knerr (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on November 19, 2015)
10.4	Incentive Stock Option Grant and Agreement dated November 19, 2015 with Steven Knerr (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on November 19, 2015)
10.5	Indemnification Agreement dated November 19, 2015 with Steven Knerr (incorporated by reference to Exhibit 10.3 to the Form 8-K filed on November 19, 2015)
10.6	First Amendment to 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on June 13, 2016)
10.7	First Amendment to Executive Employment Agreement dated May 4, 2017 with Brian R. Balbirnie (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on May 5, 2017)
10.8	First Amendment to Executive Employment Agreement dated May 4, 2017 with Steven Knerr (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on May 5, 2017)
10.9	Stock Purchase Agreement dated October 2, 2017 with Kurtis D. Hughes (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on October 3, 2017)
10.10	Stock Purchase Agreement dated July 3, 2018 with ACCESSWIRE Canada Ltd. and Fred Gautreau (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on July 5, 2018)
10.11	Stock Repurchase Agreement dated November 28, 2018 with EQS Group AG (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on December 4, 2018)
10.12	Asset Purchase Agreement dated January 3, 2019 with Onstream Media Corporation (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on January 3, 2019)
21.1	Subsidiaries of the Registrant.*
23.1	Consent of Independent Registered Public Accounting Firm.*
31.1	Rule 13a-14(a) Certification of Principal Executive Officer.*
31.2	Rule 13a-14(a) Certification of Principal Financial Officer.*
32.1	Section 1350 Certification of Principal Executive Officer.*
32.2	Section 1350 Certification of Principal Financial Officer.*

* Filed herewith

(c) Financial Statement Schedules omitted
None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 27, 2020

By: /s/ BRIAN R. BALBIRNIE
Brian R. Balbirnie
Chief Executive Officer, Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated as of the dates set forth below.

<u>Signature</u>	<u>Date</u>	<u>Title</u>
<u>/s/ Brian R. Balbirnie</u> Brian R. Balbirnie	February 27, 2020	Director, Chief Executive Officer (Principal Executive Officer)
<u>/s/ Steven Knerr</u> Steven Knerr	February 27, 2020	Chief Financial Officer (Principal Accounting Officer)
<u>/s/ William Everett</u> William Everett	February 27, 2020	Director, Chairman of the Board and Member of the Audit Committee and Strategic Advisory Committee
<u>/s/ J. Patrick Galleher</u> J. Patrick Galleher	February 27, 2020	Director, Chairman of the Compensation Committee and Strategic Advisory Committee
<u>/s/ Michael Nowlan</u> Michael Nowlan	February 27, 2020	Director, Chairman of the Audit Committee
<u>/s/ Eric Frank</u> Eric Frank	February 27, 2020	Director, Chairman of the Technology Oversight Committee and Member of the Compensation Committee

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Issuer Direct Corporation
Raleigh, North Carolina

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Issuer Direct Corporation and subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ CHERRY BEKAERT LLP

Raleigh, North Carolina
February 27, 2020

We have served as the Company's auditor since 2010.

ISSUER DIRECT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018

(in thousands, except share and per share amounts)

	December 31,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,766	\$ 17,222
Accounts receivable (net of allowance for doubtful accounts of \$700 and \$534, respectively)	2,051	1,593
Income tax receivable	48	90
Other current assets	141	89
Total current assets	18,006	18,994
Capitalized software (net of accumulated amortization of \$2,153 and \$1,310, respectively)	1,134	1,957
Fixed assets (net of accumulated depreciation of \$181 and \$452, respectively)	899	132
Right-of-use asset – leases (See Note 9)	2,127	—
Deferred tax asset	256	—
Other long-term assets	77	35
Goodwill	6,376	5,032
Intangible assets (net of accumulated amortization of \$4,937 and \$4,219, respectively)	3,515	2,802
Total assets	\$ 32,390	\$ 28,952
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 266	\$ 371
Accrued expenses	1,151	577
Note payable – short-term (net of discount of \$19 as of December 31, 2019) (See Note 4)	301	320
Income taxes payable	310	83
Deferred revenue	1,812	1,249
Total current liabilities	3,840	2,600
Note payable – long-term (net of discount of \$45 as of December 31, 2018) (See Note 4)	—	276
Deferred income tax liability	141	413
Lease liabilities – long-term (See Note 9)	2,309	—
Total liabilities	6,290	3,289
Commitments and contingencies (see Note 10)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, no shares issued and outstanding as of December 31, 2019 and 2018, respectively.	—	—
Common stock \$0.001 par value, 20,000,000 shares authorized, 3,786,398 and 3,829,572 shares issued and outstanding as of December 31, 2019 and 2018, respectively.	4	4
Additional paid-in capital	22,275	22,525
Other accumulated comprehensive loss	(16)	(17)
Retained earnings	3,837	3,151
Total stockholders' equity	26,100	25,663
Total liabilities and stockholders' equity	\$ 32,390	\$ 28,952

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

ISSUER DIRECT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	Years Ended December 31,	
	2019	2018
Revenues	\$ 16,295	\$ 14,232
Cost of revenues	5,080	4,103
Gross profit	<u>11,215</u>	<u>10,129</u>
Operating costs and expenses:		
General and administrative	5,086	4,085
Sales and marketing	3,551	3,002
Product development	1,219	1,276
Depreciation and amortization	885	603
Total operating costs and expenses	<u>10,741</u>	<u>8,966</u>
Operating income	474	1,163
Interest income, net	321	47
Net income before income taxes	795	1,210
Income tax expense	109	373
Net income	<u>\$ 686</u>	<u>\$ 837</u>
Income per share – basic	<u>\$ 0.18</u>	<u>\$ 0.25</u>
Income per share – diluted	<u>\$ 0.18</u>	<u>\$ 0.24</u>
Weighted average number of common shares outstanding – basic	3,839	3,415
Weighted average number of common shares outstanding – diluted	3,861	3,463

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

ISSUER DIRECT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	<u>Years Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Net income	\$ 686	\$ 837
Foreign currency translation adjustment	1	(51)
Comprehensive income	<u>\$ 687</u>	<u>\$ 786</u>

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

ISSUER DIRECT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018

(in thousands, except share and per share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2017	3,014,494	\$ 3	\$ 10,400	\$ 34	\$ 2,774	\$ 13,211
Stock-based compensation expense	—	—	629	—	—	629
Exercise of stock awards, net of tax	99,376	—	747	—	—	747
Shares issued upon acquisition of FSCwire (see Note 4)	3,402	—	62	—	—	62
Secondary stock offering (see Note 7)	927,418	1	13,322	—	—	13,323
Stock repurchase and retirement (see Note 7)	(215,118)	—	(2,635)	—	—	(2,635)
Dividends	—	—	—	—	(460)	(460)
Foreign currency translation	—	—	—	(51)	—	(51)
Net income	—	—	—	—	837	837
Balance at December 31, 2018	3,829,572	\$ 4	\$ 22,525	\$ (17)	\$ 3,151	\$ 25,663
Stock-based compensation expense	—	—	523	—	—	523
Exercise of stock awards, net of tax	32,996	—	—	—	—	—
Stock repurchase and retirement (see Note 7)	(76,170)	—	(773)	—	—	(773)
Foreign currency translation	—	—	—	1	—	1
Net income	—	—	—	—	686	686
Balance at December 31, 2019	<u>3,786,398</u>	<u>\$ 4</u>	<u>\$ 22,275</u>	<u>\$ (16)</u>	<u>\$ 3,837</u>	<u>\$ 26,100</u>

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

ISSUER DIRECT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share and per share amounts)

	Years Ended December 31,	
	2019	2018
Cash flows from operating activities		
Net income	\$ 686	\$ 837
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense	753	359
Depreciation and amortization	1,667	1,397
Deferred income taxes	(528)	(336)
Non-cash interest expense	25	25
Stock-based compensation expense	523	629
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(1,210)	(645)
Decrease (increase) in deposits and prepaid assets	362	743
Increase (decrease) in accounts payable	(117)	(322)
Increase (decrease) in deferred revenue	559	296
Increase (decrease) in accrued expenses	144	(114)
Net cash provided by operating activities	<u>2,864</u>	<u>2,869</u>
Cash flows from investing activities		
Purchase of acquired businesses, net of cash received (See Note 4)	(2,788)	(1,123)
Purchase of fixed assets	(420)	(51)
Capitalized software	(20)	(21)
Net cash used in investing activities	<u>(3,228)</u>	<u>(1,195)</u>
Cash flows from financing activities		
Payment for stock repurchase and retirement (see Note 7)	(773)	(2,635)
Payment on notes payable (See Note 4)	(320)	(288)
Proceeds from secondary stock offering (see Note 7)	—	13,323
Proceeds from exercise of stock options, net of income taxes	—	747
Payment of dividend	—	(460)
Net cash provided by (used in) financing activities	<u>(1,093)</u>	<u>10,687</u>
Net change in cash	(1,457)	12,361
Cash- beginning	17,222	4,917
Currency translation adjustment	1	(56)
Cash- ending	<u>\$ 15,766</u>	<u>\$ 17,222</u>
Supplemental disclosures:		
Cash paid for income taxes	<u>\$ 340</u>	<u>\$ 66</u>
Non-cash activities:		
Right-of-use assets obtained in exchange for lease liabilities	<u>\$ 2,856</u>	<u>\$ —</u>

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

Note 1: Description, Background and Basis of Operations*Nature of Operations*

Issuer Direct Corporation (the "Company" or "Issuer Direct") was incorporated in the state of Delaware in October 1988 under the name Docucon Inc. Subsequent to the December 13, 2007 merger with My EDGAR, Inc., the Company changed its name to Issuer Direct Corporation. Today, Issuer Direct is an industry-leading global communications and compliance company focusing on the needs of corporate issuers. Issuer Direct's principal platform, Platform id.™, empowers users by thoughtfully integrating the most relevant tools, technologies and products, thus eliminating the complexity associated with producing and distributing their business communications and financial information. The Company operates under several brands in the market, including Direct Transfer, PrecisionIR (PIR), Investor Network, Interwest and ACCESSWIRE. The Company leverages its securities compliance and regulatory expertise to provide a comprehensive set of services that enhance a customer's ability to communicate effectively with its shareholder base while meeting all reporting regulations required.

Note 2: Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant intercompany accounts and transactions are eliminated in consolidation.

Cash Equivalents

For purposes of the Company's financial statements, the Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

The Company monitors outstanding receivables based on factors surrounding the credit risk of specific customers, historical trends, and other information. Credit is granted on an unsecured basis. The allowance for doubtful accounts is estimated based on an assessment of the Company's ability to collect on customer accounts receivable. There is judgment involved with estimating the allowance for doubtful accounts and if the financial condition of the Company's customers were to deteriorate, resulting in their inability to make the required payments, the Company may be required to record additional allowances or charges against revenues. The Company generally writes-off accounts receivable against the allowance when it determines a balance is uncollectible and no longer actively pursues its collection.

The following is a summary of our allowance for doubtful accounts during the years ended December 31, 2019 and 2018 (in 000's):

	Year Ended December 31, 2019	Year Ended December 31, 2018
Beginning balance	\$ 534	\$ 425
Bad debt expense	753	359
Write-offs	(587)	(250)
Ending balance	<u>\$ 700</u>	<u>\$ 534</u>

Concentration of Credit Risk

Financial instruments and related items which potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivables. The Company places its cash and temporary cash investments with credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit of \$250,000. To reduce its risk associated with the failure of such financial institutions, the Company evaluates at least annually the rating of the financial institution in which it holds deposits. As of December 31, 2019, the total amount exceeding such limit was \$14,794,000. The Company also had cash-on-hand of \$305,000 in Europe and \$189,000 in Canada as of December 31, 2019.

We believe we did not have any financial instruments that could have potentially subjected us to significant concentrations of credit risk for any relevant period.

Substantially all of the Company's revenue comes from contracts with customers for subscriptions to its cloud-based products or contracts to perform compliance or other services. Customers consist primarily of corporate issuers and professional firms, such as investor relations and public relations firms. In the case of our news distribution and webcasting offerings, our customers also include private companies. The Company accounts for a contract with a customer when there is an enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has economic substance, and collectability of the contract consideration is probable. The Company's revenues are measured based on consideration specified in the contract with each customer.

The Company's contracts include either a subscription to our entire platform or certain modules within our platform, or an agreement to perform services or any combination thereof, and often contain multiple subscriptions and services. For these bundled contracts, the Company accounts for individual subscriptions and services as separate performance obligations if they are distinct, which is when a product or service is separately identifiable from other items in the bundled package, and a customer can benefit from it on its own or with other resources that are readily available to the customer. The Company separates revenue from its contracts into two revenue streams: i) Platform and Technology and ii) Services. Performance obligations of Platform and Technology contracts include providing subscriptions to certain modules or the entire Platform id. system, distributing press releases on a per release basis or conducting webcasts on a per event basis. Performance obligations of Service contracts include obligations to deliver compliance services and annual report printing and distribution on either a stand ready obligation or on a per project or event basis. Set up fees for compliance services are considered a separate performance obligation and are satisfied upfront. Set up fees for our transfer agent module and investor relations content management module are immaterial. The Company's subscription and service contracts are generally for one year, with automatic renewal clauses included in the contract until the contract is cancelled. The contracts do not contain any rights of returns, guarantees or warranties. Since contracts are generally for one year, all of the revenue is expected to be recognized within one year from the contract start date. As such, the Company has elected the optional exemption that allows the Company not to disclose the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of each reporting period.

The Company recognizes revenue for subscriptions evenly over the contract period, upon distribution for per release contracts and upon event completion for webcasting events. For service contracts that include stand ready obligations, revenue is recognized evenly over the contract period. For all other services delivered on a per project or event basis, the revenue is recognized at the completion of the event. The Company believes recognizing revenue for subscriptions and stand ready obligations using a time-based measure of progress, best reflects the Company's performance in satisfying the obligations.

For bundled contracts, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on observable prices at which the Company separately sells the subscription or services. If a standalone selling price is not directly observable, the Company uses the residual method to allocate any remaining costs to that subscription or service. The Company regularly reviews standalone selling prices and updates these estimates if necessary.

The Company invoices its customers based on the billing schedules designated in its contracts, typically upfront on either a monthly, quarterly or annual basis or per transaction at the completion of the performance obligation. Deferred revenue for the periods presented was primarily related to subscription and service contracts, which are billed upfront, quarterly or annually, however the revenue has not yet been recognized. The associated deferred revenue is generally recognized ratably over the billing period. Deferred revenue as of December 31, 2019 and 2018 was \$1,812,000 and \$1,249,000, respectively, and is expected to be recognized within one year. Revenue recognized for the year ended December 31, 2019 and 2018, that was included in the deferred revenue balance at the beginning of each reporting period, was approximately \$1,249,000 and \$887,000, respectively. Accounts receivable related to contracts with customers was \$2,051,000 and \$1,593,000 as of December 31, 2019 and 2018, respectively. Since substantially all of the contracts have terms of one year or less, the Company has elected to use the practical expedient regarding the existence of a significant financing.

Costs to obtain contracts with customers consist primarily of sales commissions. As of December 31, 2019 and 2018, the Company has capitalized \$21,000 and \$18,000 of costs to obtain contracts that are expected to be amortized over more than one year. For contract costs expected to be amortized in less than one year, the Company has elected to use the practical expedient allowing the recognition of incremental costs of obtaining a contract as an expense when incurred. The Company has considered historical renewal rates, expectations of future renewals and economic factors in making these determinations.

Fixed Assets

Fixed assets are recorded at cost and depreciated over the estimated useful lives of the assets using principally the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized. The range of estimated useful lives used to calculate depreciation for principal items of property and equipment are as follow:

Asset Category	Depreciation / Amortization Period
Computer equipment	3 years
Furniture & equipment	3 to 7 years
Leasehold improvements	8 years or lesser of the lease term

Earnings per Share

Earnings per share accounting guidance requires that basic net income per common share be computed by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common and dilutive common equivalent shares outstanding during the period. Shares issuable upon the exercise of stock options totaling 93,000 and 32,000 were excluded in the computation of diluted earnings per common share during the years ended December 31, 2019 and 2018, respectively, because their impact was anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 and the valuation of goodwill, intangible assets, deferred tax assets, and stock-based compensation. Actual results could differ from those estimates.

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.

Capitalized Software

Costs incurred to develop our cloud-based platform products and disclosure management system components are capitalized when the preliminary project phase is complete, management commits to fund the project and it is probable the project will be completed and used for its intended purposes. Once the software is substantially complete and ready for its intended use, the software is amortized over its estimated useful life. Costs related to design or maintenance of the software are expensed as incurred. The Company capitalized \$20,000 and \$21,000 during the years ended December 31, 2019 and 2018, respectively. The Company recorded amortization expense of \$843,000 and \$813,000 during the years ended December 31, 2019 and 2018, respectively, \$783,000 and \$795,000 of which is included in Cost of revenues on the Consolidated Statements of Income. The remaining amount of \$60,000 and \$18,000 for the years ended December 31, 2019 and 2018, respectively, is included in Depreciation and amortization.

The Company reviews capitalized software for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. One part of the Company's suite of products was directed toward private companies seeking to raise capital under Regulation A+ and Regulation D. Market acceptance under these regulations is behind what was initially anticipated, resulting in lower than expected revenue from this product. As a result, the Company wrote-off the remaining carrying value of this product in the amount of \$44,000 as of December 31, 2019. This amount is included in Depreciation and amortization expense on the Consolidated Statements of Income for the year ended December 31, 2019.

Impairment of Long-lived Assets

In accordance with the authoritative guidance for accounting for long-lived assets, assets such as property and equipment, trademarks, and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of an asset group exceeds fair value of the asset group.

Lease Accounting

We determine if an arrangement is a lease at inception. Our operating lease agreements are primarily for office space and are included within Other long-term assets and Other long-term liabilities on the consolidated balance sheets.

Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Our variable lease payments consist of non-lease services related to the lease. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. ROU assets also include any lease payments made and exclude lease incentives. Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term.

Fair Value Measurements

ASC Topic 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Assets and liabilities recorded at fair value in the financial statements are categorized based upon the hierarchy of levels of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities at the reporting date. Generally, this includes debt and equity securities that are traded in an active market. Our cash and cash equivalents are quoted at Level 1.
- Level 2 – Observable inputs other than Level 1 prices such as quote prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Generally, this includes debt and equity securities that are not traded in an active market.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

As of December 31, 2019 and 2018, we believe that the fair value of our financial instruments other than cash and cash equivalents, such as, accounts receivable, our line of credit, notes payable, and accounts payable approximate their carrying amounts.

Stock-based 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.

Translation of Foreign Financial Statements

The financial statements of the foreign subsidiaries of the Company have been translated into U.S. dollars. All assets and liabilities have been translated at current rates of exchange in effect at the end of the period. Income and expense items have been translated at the average exchange rates for the year or the applicable interim period. The gains or losses that result from this process are recorded as a separate component of other accumulated comprehensive income (loss) until the entity is sold or substantially liquidated.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income related to changes in the cumulative foreign currency translation adjustment.

Business Combinations, Goodwill and Intangible Assets

We account for business combinations under FASB ASC No. 805 – Business Combinations and the related acquired intangible assets and goodwill under FASB ASC No. 350 – Intangibles – Goodwill and Other. The authoritative guidance for business combinations specifies the criteria for recognizing and reporting intangible assets apart from goodwill. We record the assets acquired and liabilities assumed in business combinations at their respective fair values at the date of acquisition, with any excess purchase price recorded as goodwill. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Intangible assets consist of client relationships, customer lists, distribution partner relationships, software, technology and trademarks that are initially measured at fair value. At the time of the business combination, trademarks are considered an indefinite-lived asset and, as such, are not amortized as there is no foreseeable limit to cash flows generated from them. The goodwill and intangible assets are assessed annually for impairment, or whenever conditions indicate the asset may be impaired, and any such impairment will be recognized in the period identified. The client relationships (7-10 years), customer lists (3 years), distribution partner relationships (10 years), non-compete agreements (5 years) and software and technology (3-6 years) are amortized over their estimated useful lives.

Advertising

The Company expenses advertising as incurred, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. Advertising expense totaled \$163,000 and \$115,000, during the years ended December 31, 2019 and 2018, respectively.

Recently adopted accounting pronouncements

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a ROU model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard was effective for the Company on January 1, 2019, which is also the day we elected to adopt the new standard. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. We chose the effective date as our date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019. We elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification of those leases in place as of January 1, 2019. See the table below for the impact of adoption of the lease standard on our balance sheet accounts as of the day of adoption, January 1, 2019 (\$ in 000's):

	As Previously Reported	New Lease Standard Adjustment	As Adjusted
ROU asset	\$ -	\$ 102	\$ 102
Lease liability	-	135	135
Deferred rent	33	(33)	-

Note 3: Fixed Assets

in \$000's

	December 31,	
	2019	2018
Computers equipment	\$ 108	\$ 134
Furniture & equipment	267	320
Leasehold improvements	705	130
Total fixed assets, gross	1,080	584
Less: Accumulated depreciation	(181)	(452)
Total fixed assets, net	<u>\$ 899</u>	<u>\$ 132</u>

Included in leasehold improvements is \$488,000 of tenant improvements allowance associated with the new lease signed in March 2019 related to the Company's new corporate headquarters. Depreciation expense on fixed assets for the years ended December 31, 2019 and 2018 totaled \$106,000 and \$64,000, respectively. During the year ended December 31, 2019, the Company disposed of fixed assets totaling \$377,000. No disposals were made during the year ended December 31, 2018.

Note 4: Recent Acquisitions

Acquisition of the Visual Webcaster Platform ("VWP")

On January 3, 2019 (the "Closing Date"), the Company entered into an Asset Purchase Agreement (the "VWP Agreement") with Onstream Media Corporation, a Florida corporation (the "Seller"), whereby the Company purchased certain assets related primarily to customer accounts, intellectual property, lease deposits and assumed certain existing contractual obligations related primarily to data processing and storage, bandwidth and facility leases relating to the Seller's VisualWebcaster Platform ("VWP") for a purchase price of \$2,788,000 paid as of the Closing Date. The accounts receivable and the accounts payable related to VWP and existing as of the Closing Date were not included as part of the VWP Agreement.

The acquisition was accounted for under the acquisition method of accounting for business combinations, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. Acquisition-related costs, which totaled approximately \$155,000, are not included as a component of the acquisition accounting, but are recognized as expenses in the periods in which the costs are incurred. Any changes within the measurement period resulting from facts and circumstances that existed as of the acquisition date may result in retrospective adjustments to the provisional amounts recorded at the acquisition date. The Company employed a third party valuation firm to assist in determining the preliminary purchase price allocation of assets and liabilities acquired from Seller. The valuation resulted in the tangible and intangible assets and liabilities disclosed below. The income approach was used to determine the value of the customer relationships and non-compete agreement. The income approach determines the fair value for the asset based on the present value of cash flows projected to be generated by the asset. Projected cash flows are discounted at a rate of return that reflects the relative risk of achieving the cash flow and the time value of money. Projected cash flows considered multiple factors, including current revenue from existing customers; analysis of expected revenue and attrition trends; reasonable contract renewal assumptions from the perspective of a marketplace participant; probability of executives competing, expected profit margins giving consideration to marketplace synergies; and required returns to contributory assets. The relief from royalty method was used to value the technology. The relief from royalty method determines the fair value by calculating what a typical license fee would be in order to obtain the same or similar license of the technology from market participants. Projected cash flows consider revenue assumptions allocated to the technology.

The transaction consisted of a single cash payment to the Seller in the amount of \$2,788,000. In connection with the acquisition, the Company assumed two short-term leases associated with an office and co-location for certain computer equipment in New York City, New York as well as entered into a three-year office lease in Florida. In addition to the intangible assets listed below, the purchase price included lease deposits of \$13,000 and a right of use asset and corresponding lease liability for the office lease in Florida in the amount of \$125,000.

The following table summarizes the preliminary estimates of the identified intangible assets as a result of the acquisition. The preliminary estimates of the fair value of identified intangible assets as a result of the acquisition were subject to revisions, which resulted in adjustments to the values as presented below. The changes are due to continued refinement of management's appraisals and estimates. In conjunction with the change in the preliminary estimate, the estimated lives of the identified intangible assets were reviewed, however, no changes were made.

The identified intangible assets are as a result of the acquisition are as follows (in 000's):

	As Previously Reported 9/30/19	As Restated 12/31/19	Adjustment
Customer relationships	\$ 1,190	\$ 865	\$ (325)
Technology	497	497	—
Non-compete agreement	69	69	—
Goodwill	1,019	1,344	325
	<u>\$ 2,775</u>	<u>\$ 2,775</u>	<u>\$ —</u>

The following represents our unaudited condensed pro-forma financial results as if the VWP acquisition had occurred as of January 1, 2018. Unaudited condensed pro-forma results are based upon accounting estimates and judgments that we believe are reasonable. The condensed pro-forma results are not necessarily indicative of the actual results of our operations had the acquisitions occurred at the beginning of the period presented, nor does it purport to represent the results of operations for future periods.

\$ in 000's	Year Ended December 31, 2018
Revenues	\$ 16,836
Net Income	\$ 1,146
Basic earnings per share	\$ 0.34
Diluted earnings per share	\$ 0.33

Acquisition of Filing Services Canada Inc. ("FSCwire")

On July 3, 2018, the Company entered into a Stock Purchase Agreement (the "FSCwire Agreement") with the sole shareholder of FSCwire, a company incorporated under the Business Corporations Act (Alberta), whereby the Company purchased all of the outstanding equity securities. Under the terms of the FSCwire Agreement, the Company paid \$1,140,000 at closing (\$180,000 of which was paid into an escrow account to cover standard representations and warranties included within the Purchase agreement) and issued 3,402 shares of restricted common stock of the Company.

The acquisition was accounted for under the acquisition method of accounting for business combinations, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. Acquisition-related costs, which totaled approximately \$52,000, are not included as a component of the acquisition accounting, but are recognized as expenses in the periods in which the costs are incurred. Any changes within the measurement period resulting from facts and circumstances that existed as of the acquisition date may result in retrospective adjustments to the provisional amounts recorded at the acquisition date. During the year ended December 31, 2018, the Company employed a third party valuation firm to assist in determining the purchase price allocation of assets and liabilities acquired from FSCwire. The valuation resulted in the tangible and intangible assets and liabilities disclosed below. The income approach was used to determine the value of FSCwire's customer relationships and the relief from royalty method was used to value the distribution partner relationships.

The transaction resulted in recording intangible assets and goodwill at a fair value of \$1,426,000 as follows (in 000's):

Initial cash payment	\$ 1,140
Fair value of restricted common stock issued	62
Total Consideration	<u>1,202</u>
Plus: excess of liabilities assumed over assets acquired	224
Total fair value of FSCwire intangible assets and goodwill	<u>\$ 1,426</u>

The tangible assets and liabilities acquired were as follows (in 000's):

Cash	\$ 17
Accounts receivable, net	42
Total assets	<u>59</u>
Accounts payable and accrued expenses	35
Deferred revenue	78
Deferred tax liability	170
Total liabilities	<u>283</u>
Excess of liabilities assumed over assets acquired	<u>\$ (224)</u>

The identified intangible assets as a result of the acquisition are as follows (in 000's):

Customer relationships	\$ 311
Distribution partner relationships	153
Goodwill	962
	<u>\$ 1,426</u>

The Company has elected not to provide unaudited pro forma financial information for the FSCwire acquisition, because the acquisition was not considered a significant acquisition in accordance with Rule 3-05 of the SEC's Regulation S-X.

Note 5: Goodwill and Other Intangible Assets

The components of intangible assets are as follows (in 000's):

	December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer lists	\$ 1,770	\$ (1,770)	\$ —
Customer relationships	4,600	(2,100)	2,500
Proprietary software	1,279	(865)	414
Distribution partner relationships	153	(23)	130
Non-compete agreement	69	(14)	55
Trademarks – definite-lived	173	(165)	8
Trademarks – indefinite-lived	408	—	408
Total intangible assets	<u>\$ 8,452</u>	<u>\$ (4,937)</u>	<u>\$ 3,515</u>

	December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer lists	\$ 1,770	\$ (1,770)	\$ —
Customer relationships	3,735	(1,534)	2,201
Proprietary software	782	(753)	29
Distribution partner relationships	153	(8)	145
Trademarks – definite-lived	173	(154)	19
Trademarks – indefinite-lived	408	—	408
Total intangible assets	<u>\$ 7,021</u>	<u>\$ (4,219)</u>	<u>\$ 2,802</u>

The Company performed its annual assessment for impairment of goodwill and intangible assets and determined there was no impairment as of and for the years ended December 31, 2019 and 2018.

The amortization of intangible assets is a charge to operating expenses and totaled \$718,000 and \$520,000 in the years ended 2019 and 2018, respectively.

The future amortization of the identifiable intangible assets is as follows (in 000's):

Years Ending December 31:

2020	\$	609
2021		459
2022		431
2023		431
2024		431
Thereafter		746
Total	\$	<u>3,107</u>

Our goodwill balance of \$6,376,000 at December 31, 2019, was related to our acquisition of Basset Press in July 2007, PIR in 2013, ACCESSWIRE in 2014, Interwest in 2017, FSCwire in 2018 and VWP in 2019. The increase in the amount of goodwill of \$1,344,000 as compared to the balance of \$5,032,000 as of December 31, 2018, was due to the acquisition of VWP as described in Note 4. We conducted our annual impairment analyses as of October 1, of 2019 and 2018 and determined that no goodwill was impaired.

Note 6: Line of Credit

Effective October 3, 2019, the Company renewed its Line of Credit, which increased the term to two years, with all other provisions remaining the same. The amount of funds available for borrowing are \$3,000,000 and the interest rate is LIBOR plus 1.75%. As of December 31, 2019, the interest rate was 3.76% and the Company did not owe any amounts on the Line of Credit.

Note 7: Equity

Dividends

We did not pay any dividends during the year ended December 31, 2019. During the year ended December 31, 2018, we paid dividends totaling \$460,000 or \$0.15 per share.

Preferred stock and common stock

There were no issuances of preferred stock during the years ended December 31, 2019 and 2018. During the years ended December 31, 2019 and 2018, the Company had the following issuances of common stock in addition to stock issued pursuant to vesting of restricted stock units and exercise of options to purchase common stock:

- The Company issued 2,500 shares of common stock to consultants in exchange for services during the years ended December 31, 2018, and recognized expense of \$38,000, for the value of those shares.
- On July 3, 2018, the Company issued 3,402 shares as part of the acquisition of FSCwire (see Note 4).

Secondary public offering

On August 17, 2018, the Company completed a secondary public offering of 806,451 shares of its common stock at a price to the public of \$15.50 per share. In addition, the Company granted the underwriter a 30-day option to purchase an additional 120,967 shares of its common stock to cover over-allotments, which were sold on August 24, 2018. The aggregate gross proceeds of the offering were \$14,375,000. Closing costs of \$1,052,000, which consisted of underwriting commissions, legal and accounting fees and other offering expenses, were netted against the proceeds, which resulted in net proceeds to the Company of \$13,323,000. The net proceeds of the offering are included in Additional paid-in capital on the Balance Sheet as of December 31, 2018.

Stock repurchase and retirement

On August 7, 2019, the Company publicly announced a share repurchase program under which the Company is authorized to repurchase up to \$1,000,000 of its common shares. As of December 31, 2019, the Company repurchased a total of 76,170 shares at an aggregate cost of \$769,000 (not including commissions of \$4,000) as shown in the table below (\$ in 000's, except share or per share amounts):

Period	Shares Repurchased		Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
	Total Number of Shares Repurchased	Average Price Paid Per Share		
August 7 -31, 2019	22,150	\$ 9.34	22,150	\$ 793
September 1-30, 2019	2,830	\$ 10.00	2,830	\$ 765
October 1-31, 2019	39,363	\$ 10.44	39,363	\$ 354
November 1-30, 2019	11,827	\$ 10.43	11,827	\$ 231
December 1-31, 2019	—	—	—	\$ 231
Total	76,170	\$ 10.10	76,170	\$ 231

On November 28, 2018, the Company entered into a Stock Repurchase Agreement with EQS Group AG (the "Stockholder") whereby the Company agreed to purchase 215,118 shares (the "Repurchased Shares") of the Company's common stock, par value \$0.001, from the Stockholder for a per share purchase price of \$12.25, or an aggregate purchase price of \$2,635,000. On December 5, 2018, the transaction closed and the Company acquired the Repurchased Shares and subsequently retired all of the Repurchased Shares.

Note 8: Stock Options and Restricted Stock Units

On May 23, 2014, the shareholders of the Company approved the 2014 Equity Incentive Plan (the "2014 Plan"). Under the terms of the 2014 Plan, the Company is authorized to issue incentive awards for common stock up to 200,000 shares to employees and other personnel. On June 10, 2016, the shareholders of the Company approved an additional 200,000 awards to be issued under the 2014 Plan, bringing the total number of shares to be awarded to 400,000. The awards may be in the form of incentive stock options, nonqualified stock options, restricted stock, restricted stock units and performance awards. The 2014 Plan is effective through March 31, 2024. As of December 31, 2019, there are 23,500 shares which remain to be granted under the 2014 Plan.

On August 9, 2010, the shareholders of the Company approved the 2010 Equity Incentive Plan (the "2010 Plan"). Under the terms of the 2010 Plan, 150,000 shares of the Company's common stock were authorized for the issuance of stock options and restricted stock. The 2010 Plan also provides for an automatic annual increase in the number of authorized shares of common stock issuable beginning in 2011 equal to the lesser of (a) 2% of shares outstanding on the last day of the immediately preceding year, (b) 50,000 shares, or (c) such lesser number of shares as the Company's board of directors shall determine, provided, however, in no event shall the maximum number of shares that may be issued under the Plan pursuant to stock awards be greater than 15% of the aggregate shares outstanding on the last day of the immediately preceding year. With the automatic increases, there were 220,416 authorized shares of common stock on January 1, 2012. On January 20, 2012, the Company's Board of Directors approved an increase in the number of shares authorized under the 2010 Plan from 220,416 to 420,416. This increase was ratified by the shareholders of the Company on June 29, 2012. On December 31, 2018, there were no shares remaining for awards to be issued under the 2010 Plan.

The following is a summary of stock options issued during the year ended December 31, 2019 and 2018:

	Number of Options Outstanding	Range of Exercise Price	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance at December 31, 2017	137,288	\$ 0.01 - 13.49	\$ 10.20	\$ 1,119,562
Options granted	32,000	17.40	17.40	—
Options exercised	(61,875)	7.76 - 13.49	11.46	346,284
Options forfeited/cancelled	(8,850)	0.01 – 9.26	2.76	134,099
Balance at December 31, 2018	98,563	\$ 6.80 - 17.40	\$ 12.56	\$ 127,306
Options granted	31,500	10.75 – 13.21	12.90	—
Options exercised	—	—	—	—
Options forfeited/cancelled	(2,500)	13.21	13.21	—
Balance at December 31, 2019	127,563	\$ 6.80 - 17.40	\$ 12.63	\$ 142,818

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e. the aggregate difference between the closing price of our common stock on December 31, 2019 and 2018 of \$11.69 and \$11.35, respectively, and the exercise price for in-the-money options) that would have been received by the holders if all instruments had been exercised on December 31, 2019 and 2018. As of December 31, 2019, there was \$95,000 of unrecognized compensation cost related to our unvested stock options, which will be recognized through 2021.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2019:

Options Outstanding				Options Exercisable
Exercise Price	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Number
\$ 0.01 - \$7.00	10,000	\$ 6.80	5.88	10,000
\$ 7.01 - \$8.00	20,313	7.76	3.74	20,313
\$ 8.01 - \$12.00	8,250	9.98	7.18	4,250
\$ 12.01 - \$15.00	57,000	13.09	8.37	32,000
\$ 15.01 - \$17.40	32,000	17.40	8.42	32,000
Total	127,563	\$ 12.63	7.37	98,563

Of the 127,563 stock options outstanding, 69,000 are non-qualified stock options. All options have been registered with the SEC.

The fair value of common stock options issued during the year ended December 31, 2019 and 2018 were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used:

	Year ended December 31, 2019	Year ended December 31, 2018
Expected dividend yield	1.56%	1.15%
Expected stock price volatility	50%	50%
Weighted-average risk-free interest rate	2.45%	2.75%
Weighted-average expected life of options (in years)	5.75	5.50

The following is a summary of restricted stock units issued during the year ended December 31, 2019 and 2018:

	Number of Options Outstanding	Weighted Average Fair Value	Aggregate Intrinsic Value
Balance at December 31, 2017	65,165	\$ 6.66	\$ 1,131,703
Units granted	9,000	17.43	156,850
Units vested/issued	(34,996)	7.28	850,984
Units forfeited	(2,500)	5.80	43,329
Balance at December 31, 2018	36,669	\$ 8.76	\$ 257,987
Units granted	46,000	11.57	532,220
Units vested/issued	(33,003)	8.62	400,700
Units forfeited	(1,667)	8.85	14,753
Balance at December 31, 2019	47,999	\$ 11.55	\$ 554,388

As of December 31, 2019, there was \$262,000 of unrecognized compensation cost related to our unvested restricted stock units, which will be recognized through 2021. All restricted stock units have been registered with the SEC.

During the year ended December 31, 2019 and 2018, we recorded compensation expense of \$523,000 and \$629,000, respectively, related to stock options and restricted stock units.

Note 9: Leases

As described further in "Note 2. Summary of Significant Accounting Policies", we adopted Topic 842 as of January 1, 2019. Prior period amounts have not been adjusted and continue to be reported in accordance with our historic accounting under Topic 840.

Generally, our leasing activity consists of office leases. As of January 1, 2019, we had three existing leases for office space. In October 2015, we signed a three-year lease extension for our former 16,059 square-foot corporate headquarters in Morrisville, NC. This lease expired on October 31, 2019 and as of January 1, 2019, we had remaining minimum lease payments of \$135,000. A ROU asset and corresponding lease liability was recorded for this amount on January 1, 2019.

In March 2019, we signed a new lease to move our corporate headquarters to Raleigh, North Carolina. As we continue our transition from a services-based company to a cloud-based platform company, the new lease affords us the ability to separate our warehouse from our corporate office. The new lease, which has a lease commencement date of October 2, 2019, is for 9,766 square feet and expires December 31, 2027. Minimum lease payments are \$2,997,000, not including a tenant improvement allowance of \$488,000, which is included in fixed assets as of December 31, 2019. We recognized a ROU asset and corresponding lease liability of \$2,596,000, which represents the present value of minimum lease payments discounted at 3.77%, the Company's incremental borrowing rate at lease inception.

Additionally, we have an office in Salt Lake City, Utah, which is on a short-term lease that is less than twelve months. As a result, we have elected the short-term lease recognition exemption for our Utah office lease, which means, for those leases that qualify, we will not recognize ROU assets or lease liabilities.

In connection with the Company's acquisition of VWP (See Note 4), the Company assumed two short term leases in New York City, NY and entered into a three-year office lease in Florida. We have elected the short term lease exemption for the two New York leases. For the Florida lease, which was signed on January 4, 2019, we recognized a ROU asset and corresponding lease liability of \$125,000, which represents the present value of minimum lease payments discounted at 4.25%, the Company's incremental borrowing rate at lease inception.

Lease liabilities totaled \$2,693,000 as of December 31, 2019. The current portion of this liability of \$384,000 is included in accrued expenses on the Consolidated balance sheets and the long-term portion of \$2,309,000 is included in Lease liabilities on the Consolidated Balance Sheets. Rent expense consists of both operating lease expense from amortization of our ROU assets as well as variable lease expense which consists of non-lease components of office leases (i.e. common area maintenance) or rent expense associated with short term leases. The components of lease expense were as follows (in 000's):

	Year ended December 31, 2019	Year ended December 31, 2018
<i>Lease expense</i>		
Operating lease expense	\$ 241	\$ 118
Variable lease expense	133	137
Rent expense	<u>\$ 374</u>	<u>\$ 255</u>

The weighted-average remaining non-cancelable lease term for our operating leases was 5.0 years as of December 31, 2019. As of December 31, 2019, the weighted-average discount rate used to determine the lease liability was 3.8%. The future minimum lease payments to be made under noncancelable operating leases at December 31, 2019, are as follows (in 000's):

Year Ended December 31:

2020	\$ 383
2021	394
2022	359
2023	369
2024	379
Thereafter	1,201
Total lease payments	<u>\$ 3,085</u>
Present value adjustment	(392)
Lease liability	<u><u>2,693</u></u>

We have performed an evaluation of our other contracts with customers and suppliers in accordance with Topic 842 and have determined that, except for the leases described above, none of our contracts contain a lease.

Note 10: Commitments and Contingencies

From time to time, the Company may be involved in litigation that arises through the normal course of business. The Company is neither a party to any litigation nor are we aware of any such threatened or pending litigation that might result in a material adverse effect to our business.

Note 11: Revenues

We consider ourselves to be in a single reportable segment under the authoritative guidance for segment reporting, specifically a shareholder communications and compliance company for publicly traded and private companies. Revenue is attributed to a particular geographic region based on where subscriptions are sold or the services are performed. The following tables present revenue disaggregated by revenue stream and geography in (000's):

For the years ended December 31, 2019 and 2018, we generated revenues from the following revenue streams as a percentage of total revenue (in 000's):

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Amount	Percentage	Amount	Percentage
Revenue Streams				
Platform and Technology	\$ 10,696	65.6%	\$ 8,593	60.4%
Services	5,599	34.4%	5,639	39.6%
Total	<u>\$ 16,295</u>	<u>100.0%</u>	<u>\$ 14,232</u>	<u>100.0%</u>

	Year Ended December 31	
	2019	2018
Geographic region		
North America	\$ 15,796	\$ 13,488
Europe	499	744
Total revenues	<u>\$ 16,295</u>	<u>\$ 14,232</u>

We did not have any customers during the years ended December 31, 2019 or 2018 that accounted for more than 10% of our revenue. There were no customers representing more than 10% of our total accounts receivable as of December 31, 2019. We had one customer that comprised approximately 12% of our total accounts receivable balance at December 31, 2018.

Note 12: Income Taxes

The provision for income taxes consisted of the following components for the years ended December 31 (in 000's):

	2019	2018
Current:		
Federal	\$ 522	\$ 499
State	94	145
Foreign	21	73
Total Current	<u>637</u>	<u>717</u>
Deferred:		
Federal	(434)	(259)
State	(55)	(59)
Foreign	(39)	(26)
Total Deferred	<u>(528)</u>	<u>(344)</u>
Total expense for income taxes	<u>\$ 109</u>	<u>\$ 373</u>

Reconciliation between the statutory rate and the effective tax rate is as follows at December 31 (in 000's, except percentages):

	2019		2018	
	Amount	Percentage	Amount	Percentage
Federal statutory tax rate	\$ 165	21.0%	\$ 254	21.0%
State tax rate	12	1.5%	55	4.6%
Permanent difference – stock-based compensation	(13)	(1.6)%	(2)	(0.1)%
Permanent difference – other	8	0.9%	4	0.1%
Provision to return	(37)	(4.5)%	96	7.9%
Tax on foreign earnings – tax reform	24	2.9%	41	3.5%
Foreign rate differential	(11)	(1.3)%	2	0.1%
Research and development credit	(39)	(4.7)%	(77)	(6.3)%
Total	<u>\$ 109</u>	<u>14.2%</u>	<u>\$ 373</u>	<u>30.8%</u>

The effective income tax rate for 2019 was favorably impacted by the research and development tax credit, foreign tax credits as well as a benefit related to the exercise of stock based compensation.

Components of net deferred income tax assets, including a valuation allowance, are as follows at December 31 (in 000's):

	<u>2019</u>	<u>2018</u>	<u>Change</u>
<i>Assets:</i>			
Net operating loss	\$ —	\$ 25	\$ (25)
Deferred revenue	379	256	123
Allowance for doubtful accounts	149	109	40
Stock options	156	116	40
Basis difference in intangible assets	—	16	(16)
Transaction costs	49	—	49
Other	39	—	39
Foreign tax credits carryforward	—	1,181	(1,181)
Total deferred tax asset	<u>772</u>	<u>1,703</u>	<u>(931)</u>
Less: Valuation allowance	—	(1,181)	1,181
Total net deferred tax asset	<u>772</u>	<u>522</u>	<u>250</u>
<i>Liabilities</i>			
Prepaid expenses	(23)	(11)	(12)
Basis difference in fixed assets	(14)	—	(14)
Capitalized software	(94)	(285)	191
Purchase of intangibles	(522)	(630)	108
Other	(4)	(9)	5
Total deferred tax liability	<u>(657)</u>	<u>(935)</u>	<u>278</u>
Total net deferred tax asset / (liability)	<u>\$ 115</u>	<u>\$ (413)</u>	<u>\$ 528</u>

A valuation allowance of \$0 and \$1,181,000 was recorded against its deferred tax asset balance as of December 31, 2019, and December 31, 2018, respectively. During the current year, the Company determined that its foreign tax credit carryforward had expired and therefore, released both the credit and associated valuation allowance, with no impact to the tax rate or tax expense.

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. In assessing the recovery of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the periods in which those temporary differences become deductible. Management considers the scheduled reversals of future deferred tax assets, projected future taxable income, and tax planning strategies in making this assessment. It has been determined that it is more likely than not that the Company's deferred tax assets are able to be realized based on future positive earnings and reversal of existing temporary differences.

The Company had no unrecognized tax benefits as of December 31, 2019 or December 31, 2018. Interest and, if applicable, penalties are recognized related to unrecognized tax benefits in income tax expense. There are no accruals for interest and penalties at December 31, 2019.

Undistributed earnings of the Company are insignificant as of December 31, 2019. With the enactment of the Tax Cuts and Jobs Act of 2017, the Company does not consider any of its foreign earnings as indefinitely reinvested.

The Company is subject to income taxation by both federal and state taxing authorities. Income tax returns for the years ended December 31, 2018, 2017 and 2016 are open to audit by federal and state taxing authorities.

Note 13: Employee Benefit Plans

The Company sponsors a defined contribution 401(k) Profit Sharing Plan and allows all employees in the United States to participate. Matching and profit sharing contributions to the plan are at the discretion of management, but are limited to the amount deductible for federal income tax purposes. The Company made contributions to the plan of \$27,000 and \$25,000 during the years ended December 31, 2019 and 2018, respectively.

The Company also sponsors a defined contribution plan which covers substantially all employees in the United Kingdom. Employer contributions to the plan are at the discretion of management. The Company's contribution expense for discretionary contributions were \$2,000 and \$4,000 for the year ended December 31, 2019 and 2018, respectively.

Subsidiaries of the Registrant

Name of Subsidiary	State of Organization
Direct Transfer, LLC.	Delaware
PrecisionIR Group Inc., and its subsidiaries (listed below)	Delaware
PrecisionIR Inc	North Carolina
Issuer Direct Ltd	United Kingdom
Interwest Transfer Company, Inc.	Utah
QX Interactive, LLC.	North Carolina
Accesswire Canada Ltd.	Canada
Filing Services Canada Inc.	Canada

** During 2017, the Registrant dissolved PrecisionIR AB pursuant to Swedish law. The dissolution had an immaterial impact to the financial statements and business of the Registrant for the year ended December 31, 2017.

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-212239) and Form S-3 (No. 333-226530) of our reports dated February 27, 2020 included in this Annual Report on Form 10-K of Issuer Direct Corporation and subsidiaries (the "Company"), relating to the consolidated balance sheets of the Company as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2019.

/s/ CHERRY BEKAERT LLP

Raleigh, North Carolina
February 27, 2020

**CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)**

I, Brian R. Balbirnie, certify that:

1. I have reviewed this Annual Report on Form 10-K of Issuer Direct Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2020

/s/ Brian R. Balbirnie

Brian R. Balbirnie
Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED
(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)**

I, Steven Knerr, certify that:

1. I have reviewed this Annual Report on Form 10-K of Issuer Direct Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2020

/s/ Steven Knerr
Steven Knerr
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 (AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Annual Report of Issuer Direct Corporation (the "Company") on Form 10-K for the period ending December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian R. Balbirnie, Chief Executive Officer, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and,
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: February 27, 2020

/s/ Brian R. Balbirnie

Brian R. Balbirnie
Chief Executive Officer

A certification furnished pursuant to this Item will not be deemed "filed" for purposes of section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the small business issuer specifically incorporates it by reference.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 (AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Annual Report of Issuer Direct Corporation (the "Company") on Form 10-K for the period ending December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven Knerr, Chief Financial Officer, certify to my knowledge and in my capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and,
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: February 27, 2020

/s/ Steven Knerr

Steven Knerr

Chief Financial Officer

A certification furnished pursuant to this Item will not be deemed "filed" for purposes of section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the small business issuer specifically incorporates it by reference.
