

REFINITIV

DELTA REPORT

10-Q

ISDR - ISSUER DIRECT CORP

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1232

■ CHANGES	172
■ DELETIONS	395
■ ADDITIONS	665

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06-30
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rt:MaximumMember
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isd:PreliminaryAllocationOfTangibleAndIntangibleAssetsAndLiabilitiesMember
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iso4217:
USD
xbrli:shares
xbrli:pure

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

FORM 10-Q
QUARTERLY

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **June 30, 2023**

September 30, 2023

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: _____ to _____

ISSUER DIRECT

CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

1-10185

26-1331503

(State or Other Jurisdiction

(Commission

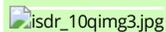
(I.R.S.

Employer

of Incorporation)

File Number)

Identification No.)



ISSUER DIRECT CORPORATION

(Exact name of registrant as specified in its charter)

<p>Delaware</p> <p><i>(State or Other Jurisdiction of Incorporation)</i></p>	<p>1-10185</p> <p><i>(Commission File Number)</i></p> <p>One Glenwood Avenue, Suite 1001, Raleigh NC 27603</p> <p><i>(Address (Address of Principal Executive Office) (Zip Code))</i></p> <p>(919) 481-4000</p> <p><i>(Registrant's telephone number, including area code)</i></p> <p>N/A</p> <p>(Former)</p> <p><i>(Former name, former address and former fiscal year, if changed since last report)</i></p>	<p>26-1331503</p> <p><i>(I.R.S. Employer Identification No.)</i></p>
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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: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted: Yes No

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 "Large accelerated filer", "Accelerated filer", "Non-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
 Smaller reporting company
 Emerging growth company

Large 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 any new or revised financial accounting standards: Yes No

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,809,149 shares of common stock were outstanding pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001	ISDR	NYSE American

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2022

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ISSUER DIRECT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in

(in thousands, except share and per share amounts)

June 30,

December 31,

2023

2022

ASSETS

(unaudited)

Current

assets:

Cash and cash equivalents

\$

4,961

\$

4,832

Accounts receivable (net of

allowance for doubtful accounts of \$

	956
	and \$
	745
	, respectively)
	4,311
	2,978
	Income tax receivable
	51
	Other current assets
	1,597
	1,559
	Total current
	assets
	10,869
	9,420
	Capitalized software (net of accumulated amortization of
	\$
	3,392
	and \$
	3,364
	, respectively)
	277
	138
	Fixed assets (net of accumulated
	depreciation of \$
	683
	and \$
	610
	, respectively)
	563
	625
	Right-of-use asset -
	leases
	1,150
	1,277
	Other long-term assets
	397
	136
	Goodwill
	22,498
	22,498
	Intangi
	ble assets (net of accumulated amortization of \$
	8,192
	and \$
	6,821
	,
	respectively)
	30,860
	32,231
	Total assets
	\$
	66,614
	\$

	66,325
LIABILITIES AND	
STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	\$
	1,286
	\$
	1,374
Accrued expenses	2,374
	2,255
Income taxes payable	695
	157
Current portion of long-term debt	2,000
	22,000
Deferred revenue	5,729
	5,405
Total current liabilities	12,084
	31,191
Long-term debt (net of debt discount of \$	96
and	\$
	0
, respectively)	17,904
	-
Deferred income tax liability	273
	572
Lease liabilities - long-term	1,175
	1,339
Total liabilities	31,436
	33,102
Commitments and contingencies	
Stockholders' equity:	
Preferred stock, \$	0.001
par value,	
	1,000,000
shares authorized, no shares issued and outstanding as of	
June 30, 2023 and December 31, 2022, respectively.	
	-

	-
	Common stock
	\$
	0.001
	par value,
	20,000,000
	shares authorized,
	3,809,149
	and
	3,791,020
	shares
	issued and outstanding as of June 30, 2023 and December 31, 2022,
	respectively.
	4
	4
	Additional paid-in capital
	22,838
	22,147
	Other accumulated
	comprehensive loss
	(
	51
)
	(
	96
)
	Retained earnings
	12,387
	11,168
	Total
	stockholders' equity
	35,178
	33,223
	Total liabilities and stockholders'
	equity
	\$
	66,614
	\$
	66,325

ASSETS

Current assets:

Cash and cash equivalents

Accounts receivable (net of allowance for doubtful accounts of \$1,018 and \$745, respectively)

Income tax receivable

Other current assets

Total current assets

Capitalized software (net of accumulated amortization of \$3,408 and \$3,364, respectively)

Fixed assets (net of accumulated depreciation of \$727 and \$610, respectively)

Right-of-use asset – leases

Other long-term assets

Goodwill

Intangible assets (net of accumulated amortization of \$8,877 and \$6,821, respectively)

Total assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

- Accounts payable
- Accrued expenses
- Income taxes payable
- Current portion of long-term debt
- Deferred revenue
- Total current liabilities

Long-term debt (net of debt discount of \$92 and \$0, respectively)

Deferred income tax liability

Lease liabilities – long-term

Total liabilities

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$0.001 par value, 1,000,000 shares authorized, no shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively.

Common stock \$0.001 par value, 20,000,000 shares authorized, 3,811,649 and 3,791,020 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively

Additional paid-in capital

Other accumulated comprehensive loss

Retained earnings

Total stockholders' equity

Total liabilities and stockholders' equity

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

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**ISSUER DIRECT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)**

(in

thousands, except share and per share amounts)

For the Three Months Ended

For

the Six Months Ended

June 30,

June 30,

June 30,

June 30,

2023

2022

2023

2022

Rev

enues

\$

9,651

\$

5,807

\$

18,270

	\$
	11,095
Cost of revenues	
	2,336
	1,364
	4,165
	2,596
Gross profit	
	7,315
	4,443
	14,105
	8,499
Operating costs and expenses:	
General	
and administrative	
	2,274
	1,563
	4,606
	3,246
Sales and marketing expenses	
	2,039
	1
	371
	4,420
	2,635
Product development	
	532
	214
	1,306
	489
Depreciation and	
amortization	
	723
	147
	1,445
	293
Total operating costs and expenses	
	5,568
	3,295
	11
	,777
	6,663
Operating income	
	1,747
	1,148
	2,328
	1,836
Interest (expense) income,	
net	
(
281	
)	
20	
(
519	

)
22
Other income (expense), net
379
-
(
156
)
-
Income
before taxes
1,845
1,168
1,653
1,858
Income tax expense
482
327
434
501
Net
income
\$
1,363
\$
841
\$
1,219
\$
1,357
Income per share - basic
\$
0.36
\$
0.22
\$
0.
32
\$
0.36
Income per share - fully diluted
\$
0.36
\$
0.22
\$
0.32
\$
0.36
Weighted
average number of common shares outstanding - basic
3,795
3,741
3,793
3,767
Weig

Weighted average number of common shares outstanding - fully diluted

3,808
3,772
3,809
09
3,802

	For the Three Months Ended		For the Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
Revenues	\$ 7,569	\$ 5,280	\$ 25,839	\$ 16,375
Cost of revenues	1,797	1,212	5,962	3,808
Gross profit	5,772	4,068	19,877	12,567
Operating costs and expenses:				
General and administrative	2,033	1,657	6,639	4,903
Sales and marketing expenses	1,838	1,231	6,258	3,866
Product development	581	245	1,887	734
Depreciation and amortization	727	146	2,172	439
Total operating costs and expenses	5,179	3,279	16,956	9,942
Operating income	593	789	2,921	2,625
Interest (expense) income, net	(298)	77	(817)	99
Other income, net	165	—	9	—
Income before taxes	460	866	2,113	2,724
Income tax expense	187	180	621	681
Net income	\$ 273	\$ 686	\$ 1,492	\$ 2,043
Income per share – basic	\$ 0.07	\$ 0.19	\$ 0.39	\$ 0.55
Income per share – fully diluted	\$ 0.07	\$ 0.19	\$ 0.39	\$ 0.55
Weighted average number of common shares outstanding – basic	3,810	3,618	3,799	3,717
Weighted average number of common shares outstanding – fully diluted	3,823	3,636	3,814	3,738

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

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ISSUER DIRECT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(in

thousands)

For the Three Months Ended

For the Six Months Ended

June 30,

June

30,

June 30,

June 30,

2023

2022

2023

2022

Net income

\$

1,363

\$
 841
 \$
 1,219
 \$
 1,3
 57
 Foreign currency translation adjustment
 44
 (
 23
)
 45
 (
 16
)
 Comprehensive
 income
 \$
 1,407
 \$
 818
 \$
 1,264
 \$
 1,341

	For the Three Months Ended		For the Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
Net income	\$ 273	\$ 686	\$ 1,492	\$ 2,043
Foreign currency translation adjustment	(40)	(53)	5	(69)
Comprehensive income	<u>\$ 233</u>	<u>\$ 633</u>	<u>\$ 1,497</u>	<u>\$ 1,974</u>

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

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ISSUER DIRECT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

(in

thousands, except share and per share amounts)

Common
 Stock
 Additional
 Paid-in
 Accumulated Other Comprehensive
 Retained
 Total
 Stockholders'
 Shares
 Amount
 Capital
 Income (Loss)

Earnings
Equity
Balance at
December 31, 2021
3,793,538

\$

4

\$

22,401

\$

(

19

)

\$

9,234

\$

31,620

Stock-based
compensation expense

184

184

Exercise of stock awards, net of
tax

7,500

58

58

Stock repurchase and retirement

(

6,200

)

(

182

)

(

182

)

Foreign currency translation

7

7

Net income

	516
	516
	Balance
	at March 31, 2022
	3,794,838
	\$
	4
	\$
	22,461
	\$
	(
	12
)
	\$
	9,750
	\$
	32,203
	Stock-based
	compensation expense
	188
	188
	Exercise of stock awards, net of
	tax
	15,265
	Stock repurchase and retirement
	(
	163,201
)
	(
	3,859
)
	(
	3,859
)
	Foreign currency translation
	(
	23

)
(
23
)
Net
income
-
-
-
841
841
Balance at June 30, 2022
3,646,902
\$
4
\$
18,790
\$
(
35
)
\$
10,591
\$
29,350
Balance at December 31, 2022
3,791,020
\$
4
\$
22,147
\$
(
96
)
\$
11,168
\$
33,223
Stock-based compensation expense
-
-
337
-
337
Foreign
currency translation
-
-
1

1
Net loss

(

144

)

(

144

)

Balance at
March 31, 2023

3,791,020

\$

4

\$

22,484

\$

(

95

)

\$

11,024

\$

33,417

Stock-based
compensation expense

354

354

Exercise of stock awards, net of
tax

18,129

Foreign currency translation

44

44

Net
income

1,363
 1,363
 Balance at June 30, 2023
 3,809,149
 \$
 4
 \$
 22,838
 \$
 (5
 1)
 \$
 12,387
 \$
 35,178

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2021	3,793,538	\$ 4	\$ 22,401	\$ (19)	\$ 9,234	\$ 31,620
Stock-based compensation expense	—	—	184	—	—	184
Exercise of stock awards, net of tax	7,500	—	58	—	—	58
Stock repurchase and retirement	(6,200)	—	(182)	—	—	(182)
Foreign currency translation	—	—	—	7	—	7
Net income	—	—	—	—	516	516
Balance at March 31, 2022	3,794,838	\$ 4	\$ 22,461	\$ (12)	\$ 9,750	\$ 32,203
Stock-based compensation expense	—	—	188	—	—	188
Exercise of stock awards, net of tax	15,265	—	—	—	—	—
Stock repurchase and retirement	(163,201)	—	(3,859)	—	—	(3,859)
Foreign currency translation	—	—	—	(23)	—	(23)
Net income	—	—	—	—	841	841
Balance at June 30, 2022	3,646,902	\$ 4	\$ 18,790	\$ (35)	\$ 10,591	\$ 29,350
Stock-based compensation expense	—	—	187	—	—	187
Exercise of stock awards, net of tax	2,500	—	33	—	—	33
Stock repurchase and retirement	(38,563)	—	(959)	—	—	(959)
Foreign currency translation	—	—	—	(53)	—	(53)
Net income	—	—	—	—	686	686
Balance at September 30, 2022	3,610,839	\$ 4	\$ 18,051	\$ (88)	\$ 11,277	\$ 29,244
Balance at December 31, 2022	3,791,020	\$ 4	\$ 22,147	\$ (96)	\$ 11,168	\$ 33,223
Stock-based compensation expense	—	—	337	—	—	337
Foreign currency translation	—	—	—	1	—	1
Net loss	—	—	—	—	(144)	(144)
Balance at March 31, 2023	3,791,020	\$ 4	\$ 22,484	\$ (95)	\$ 11,024	\$ 33,417
Stock-based compensation expense	—	—	354	—	—	354
Exercise of stock awards, net of tax	18,129	—	—	—	—	—
Foreign currency translation	—	—	—	44	—	44
Net income	—	—	—	—	1,363	1,363
Balance at June 30, 2023	3,809,149	\$ 4	\$ 22,838	\$ (51)	\$ 12,387	\$ 35,178
Stock-based compensation expense	—	—	359	—	—	359
Exercise of stock awards, net of tax	2,500	—	19	—	—	19
Foreign currency translation	—	—	—	(40)	—	(40)

Net income	—	—	—	—	273	273
Balance at September 30, 2023	3,811,649	\$ 4	\$ 23,216	\$ (91)	\$ 12,660	\$ 35,789

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

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ISSUER DIRECT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in

thousands)

For the Six Months Ended

June 30,

June 30,

2023

2022

Cash flows

from operating activities:

Net income

\$

1,219

\$

1,357

Adjustments to reconcile

net income to net cash provided by operating activities:

Depreciation and

amortization

1,472

324

Bad debt expense

260

197

Deferred income taxes

(

299

)

(

63

)

Change in fair value of interest rate swaps

(

214

)

—

Stock-based

compensation expense

691

372

Amortization of debt issuance costs

4

—

Changes

in operating assets and liabilities:	
Decrease (increase) in accounts receivable	(1,587)
	(390)
Decrease (increase) in other assets	(256)
	(245)
Increase (decrease) in accounts payable	(89)
	(111)
Increase (decrease) in accrued expenses	488
	(194)
Increase (decrease) in deferred revenue	314
	397
Net cash provided by operating activities	2,003
	1,644
Cash flows from investing activities:	
Capitalized software	(167)
	-
Purchase of fixed assets	(11)
	(38)
	-
Purchase of acquired business, net of cash received	350
	-
Net cash provided	

by (used in) investing activities	
	172
	(
	38
)
Cash flows from financing activities:	
Exercise of stock options	
	58
Payment for stock repurchase and retirement	
	(
	4,041
)
Payment of note payable	
	(
	22,000
)
Proceeds from issuance of term loan	
	19,988
Payment for capitalized debt issuance costs	
	(
	88
)
Net cash used in financing activities	
	(
	2,100
)
	(
	3,983
)
Net change in cash and cash equivalents	
	75
	(
	2,377
)
Cash and cash equivalents - beginning	
	4,832
	23,852
Currency translation adjustment	
	54
	(
	17
)
Cash and cash equivalents - ending	
	\$

4,961
\$
21,458
Supplemental disclosures:
Cash paid for
income taxes
\$
158
\$
643
Cash paid for interest
\$
887
\$
thousands)

	For the Nine Months Ended	
	September 30, 2023	September 30, 2022
Cash flows from operating activities:		
Net income	\$ 1,492	\$ 2,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,217	487
Bad debt expense	373	279
Deferred income taxes	(506)	(80)
Change in fair value of interest rate swaps	(379)	—
Stock-based compensation expense	1,050	559
Measurement period adjustments	571	—
Amortization of debt issuance costs	8	—
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(1,669)	(61)
Decrease (increase) in other assets	(92)	(166)
Increase (decrease) in accounts payable	(49)	(2)
Increase (decrease) in accrued expenses	(491)	(409)
Increase (decrease) in deferred revenue	(235)	375
Net cash provided by operating activities	<u>2,290</u>	<u>3,025</u>
Cash flows from investing activities:		
Capitalized software	(319)	—
Purchase of fixed assets	(26)	(52)
Purchase of acquired business, net of cash received	350	—
Net cash provided by (used in) investing activities	<u>5</u>	<u>(52)</u>
Cash flows from financing activities:		
Exercise of stock options	19	91
Payment for stock repurchase and retirement	—	(5,000)
Payment of note payable	(22,000)	—
Proceeds from issuance of term loan	19,988	—
Payment for capitalized debt issuance costs	(88)	—
Net cash used in financing activities	<u>(2,081)</u>	<u>(4,909)</u>
Net change in cash and cash equivalents	214	(1,936)

Cash and cash equivalents – beginning	4,832	23,852
Currency translation adjustment	4	(104)
Cash and cash equivalents – ending	<u>\$ 5,050</u>	<u>\$ 21,812</u>
Supplemental disclosures:		
Cash paid for income taxes	<u>\$ 993</u>	<u>\$ 782</u>
Cash paid for interest	<u>\$ 1,208</u>	<u>\$ —</u>

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

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ISSUER DIRECT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Basis of Presentation

The unaudited interim consolidated balance sheet as of **June 30, 2023** **September 30, 2023** and consolidated statements of operations, comprehensive income, **stockholders' s** Act" ("Exchange Act"), and Article 10 of Regulation S-X under the Exchange Act. In the opinion of management, they include all normal recurring adjustments necessary for a fair preser

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 elimin

Earnings Per Share (EPS)

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 numl **30, 2023** **September 30, 2023**, because their impact was anti-dilutive. There were 50,250 shares issuable upon the exercise of stock options excluded in the computation of diluted earr

Revenue Recognition

Subst

antially

Substantially all the **Company's Company's** revenue comes from contracts with customers for subscriptions to its cloud-based products or contracts for Communications and The Company's contracts include either a subscription to its entire platform, certain modules within the platform or to its Press Release Optimizer Plan (**PRO**) ("**PRO**"), or an ag The Company recognizes revenue for subscriptions evenly over the contract period, upon distribution for per release contracts and upon event completion for webcasting ar

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For bundled contracts, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are based on observable pi 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 transact

5,729,000 **\$5,164,000** and **\$**

5,405,000

\$5,405,000, respectively, and is expected to be recognized within one year. Revenue recognized for the **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022, which was

4,337,000 **\$3,659,000** and **\$**

1,970,000

\$2,763,000, respectively. Accounts receivable, net of allowance for doubtful accounts, related to contracts with customers was **\$**

4,311,000 **\$4,271,000** and **\$**

2,978,000 **\$2,978,000** as of **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively. Since substantially all the contracts have terms of one year or less, the Company has

Costs to obtain contracts with customers consist primarily of sales commissions. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company has capitalized

153,000 **\$179,000** and **\$**

105,000

\$105,000, respectively, 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, th

Cash Equivalents

For purposes of the **Company's Company's** financial statements, the Company considers all highly liquid investments purchased with an original maturity date of three mont

Accoun

ts

Accounts Receivable and Allowance for Doubtful Accounts

The Company adopted Financial Accounting Standards Codification ("ASC" ("ASC") Topic 326, Financial Statements -- Credit Losses ("Topic 326" "326") with an adoption date
The roll forward of the allowance for doubtful accounts for the three and six-months nine-months ended June

30, 2023 September 30, 2023, was as follows:

Three months ended March 31, 2023

Three months ended

June 30, 2023

Beginning balance

\$

745

\$

858

Bad debt expense

151

109

Write-offs

(

38

)

(

11

)

Ending Balance

\$

858

\$

956

	Three months ended September 30, 2023	Nine months ended September 30, 2023
Beginning balance	\$ 956	\$ 745
Bad debt expense	113	373
Write-offs	(51)	(100)
Ending Balance	\$ 1,018	\$ 1,018

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 receivable of \$250,000.

To reduce its risk associated with the failure of such financial institutions, each quarter the Company evaluates the rating of each financial institution in which it holds deposits of \$250,000.

The Company also had cash-on-hand of \$

\$982,000 in Europe and \$

\$41,000 \$69,000 in Canada as of June 30, 2023 September 30, 2023.

The Company believes it did not have any financial instruments that could have potentially subjected us to significant concentrations of credit risk for any relevant period.

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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.

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 income.

Capitalized

ed

Capitalized Software

Costs incurred to develop the Company's cloud-based platform products are capitalized when the preliminary project phase is complete, management commits t

For the Three Months

Ended

For the Six Months Ended

June 30,

June 30,

June 30,

June 30,

2023

2022

202

3

2022

Capitalized software development costs

\$

167

\$

-

\$

167

\$

-

Amortization

included in cost of revenues

13

15

28

31

	For the Three Months Ended		For the Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
Capitalized software development costs	\$ 152	\$ —	\$ 319	\$ —
Amortization included in cost of revenues	16	17	44	48

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 amoi

Lease Accounting

The Company determines if an arrangement is a lease at inception. Operating lease agreements are primarily for office space and are included within lease right-of-use ("ROU") ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU.

Fair Value Measurements

Accounting Standards Codification ("ASC") ("ASC") Topic 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize th

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,

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. Cash and cash equivalents are quoted at Level 1.

,

Level 2 - Observable inputs other than Level 1 prices

such as quoted 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. The fair value of the Company's long-term debt and

interest rate swap are quoted at Level 2.

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.

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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

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are obser

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

As of June 30, 2023, September 30, 2023 and December 31, 2022, the Company believes the fair value of its financial instruments, such as, accounts receivable, long-term debt,

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 ex

Busin
ess

Business Combinations, Goodwill, and Intangible Assets

The authoritative guidance for business combinations specifies the criteria for recognizing and reporting intangible assets apart from goodwill. The Company records the asse

5

10 (5-10 years), customer lists (

3 (3 years), distribution partner relationships (

10 (10 years), non-compete agreements (

5 (5 years) and software and technology (

3

7 (3-7 years) are amortized over their estimated useful lives.

Comprehensive Income

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

Advertising

The Company expenses advertising as incurred. During the three and six-month nine-month periods ended June 30, 2023, September 30, 2023, advertising expense was \$

364,000, \$409,000 and \$

826,000

, \$1,235,000, respectively. During the three and six-month nine-month periods ended June 30, 2022, September 30, 2022, advertising expense was \$

114,000, \$95,000 and \$

209,000

, \$304,000, respectively. Most of the increase is due to additional advertising expense resulting from Newswire, which was acquired in November 2022.

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-

Newly Adopted Accounting Pronouncements

Topic 326 was effective for the Company beginning on January 1, 2023. This update requires a financial asset (or group of financial assets) measured at amortized cost basis, to

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Note 3: Acquisition of iNewswire LLC

On November 1, 2022, the Company entered into a Membership Interest Purchase Agreement with Lead Capital, LLC, a Delaware limited liability company ("Seller" ("Seller")), v offering, formally Media Advantage Platform.

In connection with the transaction (the "Acquisition" ("Acquisition")), the Company paid to the Seller aggregate consideration of \$

43.5

million, \$43.5 million, consisting of the following: (i) a cash payment of \$

18.0

million \$18.0 million subject to a 60-day escrow to secure the payment of any working capital adjustments or any employee bonus obligations of Newswire, (ii) the issuance of a secur

22.0 million \$22.0 million (the "Secured Note" "Secured Note"), and (iii) the issuance of 180,181 shares of the Company's Company's common stock, par value \$

0.001, \$0.001, valued at \$

3.9

million \$3.9 million based on the Company's Company's closing stock price of \$

21.60 \$21.60 on the Closing Date. During the three months ended March 31, 2023, the Seller paid a \$

350,000 \$350,000 net working capital adjustment to the Company.

The Secured Note was due and payable on November 8, 2023, with an annual interest rate of 6%. The Secured Note allowed for prepayment, however, the 6

% 6% interest payment was guaranteed through the Maturity Date even if prepayments were made. On March 20, 2023, the Company paid \$

370,000 \$370,000 to pay the Secured Note in full, with the Seller agreeing to forgive \$

440,000 \$440,000 of interest which would have otherwise been due. The \$

370,000 \$370,000 payment is recorded in Other income, (expense) net on the Consolidated statements of operations for the six nine month-period ended June 30,

2023 September 30, 2023. As a result, there is no longer any obligation to the Seller as of June

30, 2023 September 30, 2023.

The Company has determined that the acquisition of Newswire constitutes a business acquisition as defined by ASC 805, *Business Combinations*. Accordingly, the assets acq

178,000

, \$178,000, were expensed as incurred pursuant to the purchase method of accounting in accordance with ASC 805. The Company's Company's preliminary purchase price allocation

During the three-month period ended September 30, 2023, the calculation Company obtained the necessary information to determine contract assets and deferred revenue

preliminary, as acquired. The measurement period adjustments below did not have a material impact to the Company is still in the process Company's Consolidated statement of acc

required information operations from November 1, 2022, to finalize the opening balance sheet and calculations of

intangible assets. September 30, 2023. A summary of the fair value consideration transferred for the Acquisition and the preliminary allocation to the fair value of the assets and liabi

Consideration

transferred:

Cash payment

\$

18,000

Secured promissory note

22,000

Shares of

Issuer Direct common stock based on closing market price prior to the

Acquisition

3,892

Net working capital adjustment and other costs paid on

behalf of Seller, net of cash

(

350

)

Total consideration transferred

\$

43,542

P

reliminary allocation of tangible and intangible assets and liabilities:

Goodwill

i

\$

16,122

Trademarks/Tradenames

27,500

Technology

2,520

Customer

relationships

580
Net liabilities assumed
(
3,180
)
Total amount allocated
\$
43,
542
Net liabilities assumed:
Cash
\$
37
Accounts Receivable
90
Other Current
Assets
14
Accounts Payable
(
645
)
Accrued Expenses
(
226
)
Deferred
Revenue
(
1,775
)
Deferred tax liability
(
675
)
\$
(
3,180
)
12
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Consideration transferred:

Cash payment	\$	18,000
Secured promissory note		22,000
Shares of Issuer Direct common stock based on closing market price prior to the Acquisition		3,892
Net working capital adjustment and other costs paid on behalf of Seller, net of cash		(350)
Total consideration transferred	\$	<u>43,542</u>

	<u>As Originally Reported</u>	<u>Measurement Period Adjustment</u>	<u>As Adjusted</u>
Final allocation of tangible and intangible assets and liabilities:			
Goodwill	\$ 16,122	\$ (571)	\$ 15,551
Trademarks/Tradenames	27,500	—	27,500
Technology	2,520	—	2,520
Customer relationships	580	—	580
Net liabilities assumed	<u>(3,180)</u>	<u>571</u>	<u>(2,609)</u>

Total amount allocated	\$ 43,542	\$ —	\$ 43,542
Net liabilities assumed:			
Cash	\$ 37	\$ —	\$ 37
Accounts Receivable	90	253	343
Other Current Assets	14	—	14
Accounts Payable	(645)	—	(645)
Accrued Expenses	(226)	—	(226)
Deferred Revenue	(1,775)	318	(1,457)
Deferred tax liability	(675)	—	(675)
	<u>\$ (3,180)</u>	<u>\$ 571</u>	<u>\$ (2,609)</u>

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Supplemental pro forma information

The following unaudited supplemental pro forma information summarizes the Company's results of operations for the current reporting period, as if the Company had acquired the Company on the date of the acquisition. Supplemental pro forma information is as follows: in \$000's, except per share amounts

Three

months ended June 30, 2022

Six months ended June 30, 2022

Revenues

\$

8,893

\$

17,

643

Net income

437

1,102

Basic earnings per share

0.11

0.28

Diluted earnings

per share

0.11

0.28

in \$000's, except per share amounts

	<u>Three months ended September 30, 2022</u>	<u>Nine months ended September 30, 2022</u>
Revenues	\$ 7,890	\$ 25,533
Net income	41	1,143
Basic earnings per share	0.01	0.29
Diluted earnings per share	0.01	0.29

The unaudited pro forma combined financial information is presented for information purposes only and is not intended to represent or be indicative of the combined result of the Company and the Company. The unaudited pro forma financial information was prepared using the acquisition method of accounting for the acquisition under existing US GAAP. Issuer Direct has been

Note 4: Equity

Dividends

The Company did not pay any dividends during the three and six-month nine-month periods ended June 30, 2023, September 30, 2023 and 2022.

Preferred stock and common stock

There were no issuances of preferred stock or common stock during the three and six-month nine-month periods ended June 30, 2023, September 30, 2023 and 2022, other than stock

Stock repurchase and retirement

On March 1, 2022, the Company's board of directors authorized a stock repurchase program under which the Company was authorized to repurchase up to \$5,000,000 of its common shares. As of August 31, 2022, the Company completed the repurchase program by purchasing a total of 207,964 shares as shown in the table below.

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
March 1-31, 2022	6,200	\$ 29.35	6,200	\$ 4,818
April 1-30, 2022	8,226	27.76	8,226	4,590
May 1-31, 2022	80,748	22.92	80,748	2,739
June 1-30, 2022	74,227	23.98	74,227	959
July 1-31, 2022	32,392	24.88	32,392	153
August 1-31, 2022	6,171	24.79	6,171	-
No shares repurchased between September 2022 and June 2023				
Total	207,964	\$ 24.04	207,964	\$ 13

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Period	Shares Repurchased			
	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	MI
March 1-31, 2022	6,200	\$ 29.35	6,200	\$
April 1-30, 2022	8,226	27.76	8,226	
May 1-31, 2022	80,748	22.92	80,748	
June 1-30, 2022	74,227	23.98	74,227	
July 1-31, 2022	32,392	24.88	32,392	
August 1-31, 2022	6,171	24.79	6,171	
			No shares repurchased between September 2022 and September 2023	
Total	207,964	\$ 24.04	207,964	\$

2014 Equity Incentive Plan

On May 23, 2014, the shareholders of the Company approved the 2014 Equity Incentive Plan, as amended (the "2014 Plan" "2014 Plan"). Under the terms of the 2014 Plan, the 600,000. 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 as of May 23, 2014.

On June 7, 2023, the shareholders of the Company approved the 2023 Equity Incentive Plan (the "2023 Plan" "2023 Plan"). Under the terms of the 2023 Plan, the Company is authorized to issue up to 600,000 shares of common stock.

The following table summarizes information about stock options outstanding and exercisable at June 30, 2023:

September 30, 2023:

Options Outstanding

Options Exercisable

Exercise Price Range

Number

We

Weighted Average

Remaining Contractual

Life (in Years)

Weighted Average

Exercise

Price

Number

\$

0.01 - 8.00

7,500

1.67

\$

7.12

7,500

\$

8.01 - 11.00

3,000

4.50

\$

1

0.25

3,000

\$

11.01 - 16.00

18,000

5.04

\$

13.12

18,000

\$

16.01 - 27.00

68,000

8.5
6
\$
25.42
15,500
\$
27.01 - 27.71
12,750
8.55
\$
27.71
-
Total
109,250
7.39
\$
21.9
9
44,000

Exercise Price Range	Number	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number	
\$ 0.01 - 8.00	5,000	2.14	\$ 6.80	5,000	
\$ 8.01 - 11.00	3,000	4.25	\$ 10.25	3,000	
\$ 11.01 - 16.00	18,000	4.78	\$ 13.12	18,000	
\$ 16.01 - 27.00	68,000	8.31	\$ 25.42	15,500	
\$ 27.01 - 27.71	12,750	8.30	\$ 27.71	—	
Total	106,750	7.31	\$ 22.32	41,500	

As of June 30, 2023 September 30, 2023, the Company had unrecognized stock compensation related to the options of \$ 682,000

, \$619,000, which will be recognized through 2027.

During the three and six-months nine-months ended June 30, 2023 September 30, 2023, the Company granted 14,332 and

74,832, respectively, shares of restricted stock units to employees and the Board of Directors, which vest at various intervals over the next 3 years. No restricted stock units were gra

18.70 and \$ 26.08 \$26.08 per share during the three and six-month periods nine-month period ended June 30, 2023, respectively. September 30, 2023. During the three and six-months nine month

and 32,440 32,240 restricted stock units, with an average grant date fair value of \$ 26.92

and \$ 26.35 \$26.35 per share, respectively, share. No restricted stock units were granted during the three months ended September 30, 2022. During the three and six-month periods nine-

25.85 \$25.85 per share, vested. No restricted stock units vested during the three-month period ended September 30, 2023. As of June 30, 2023 September 30, 2023, there was \$ 2,117,000 \$1,821,000 of unrecognized compensation cost related to our unvested restricted stock units, which will be recognized through 2026.

Note 5: Income Taxes

The Company recognized an income tax expense of \$ 482,000 \$187,000 and \$

434,000 \$621,000 for the three and six-month period nine-month periods ended June 30, 2023 September 30, 2023, compared to income tax expense of \$ 327,000 \$180,000 and \$

501,000 \$681,000 during the same periods of 2022. At the end of each interim period, the Company estimates the effective tax rate expected to be applicable for the full fiscal year and % 21% is primarily attributable to state income tax. The three tax and six months ended

June 30, 2022, was also impacted by additional expense related to Global Intangible Low-Taxed Income inclusion.

[Table of Contents](#)**Note 6: Leases**

Leasing activity generally consists of office leases. In March 2019, a new lease was signed to move the corporate headquarters to Raleigh, North Carolina. The new lease, which

2,997,000

\$2,997,000, not including a tenant improvement allowance of \$

488,000

\$488,000, which is included in fixed assets as of June 30, 2023 September 30, 2023. The Company recognized a ROU asset and corresponding lease liability of \$

2,596,000

\$2,596,000, which represents the present value of minimum lease payments discounted at 3.77

%, 3.77%, the Company's Company's incremental borrowing rate at lease inception.

Lease liabilities totaled \$

1,549,000 \$1,469,000 as of June 30, 2023 September 30, 2023. The current portion of this liability of \$

374,000 \$376,000 is included in Accrued expenses on the Consolidated balance sheets and the long-term portion of \$

1,175

,000 \$1,093,000 is included in Lease liabilities on the Consolidated Balance Sheets, balance sheets. Rent expense consists of both operating lease expense from amortization of our RO

For the Three Months Ended

For

the Six Months Ended

June 30,

June 30,

June 30,

June 30,

2023

2022

2023

2022

Lea

se expense

Operating lease expense

\$

76

\$

89

\$

152

\$

178

Variable lease

expense

15

8

21

26

Total lease expense

\$

91

\$

97

\$

173

\$

204

	For the Three Months Ended		For the Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
<i>Lease expense</i>				
Operating lease expense	\$ 76	\$ 89	\$ 228	\$ 268
Variable lease expense	19	4	40	31
Total lease expense	\$ 95	\$ 93	\$ 268	\$ 299

The weighted-average

weighted-average remaining non-cancelable lease term for our operating leases was 4.50 4.25 years as of June 30, 2023 September 30, 2023. As of June 30, 2023 September 30, 2023, the weighted-average discount rate used to determine the present value of lease payments was 3.77%. The future minimum lease payments to be made under non-cancelable operating leases on June 30, 2023 September 30, 2023, are as follows (in '000's) '000's):

Year Ended December 31:

2023

\$

186

2024

379

2025

390

2026

401

2027

412

Total lease payments

1,768

Present value adjustment

(

219

)

Le

ase liability

\$

1,549

Year Ended December 31:

2023

\$ 94

2024

379

2025

390

2026

401

2027

412

Total lease payments

1,676

Present value adjustment

(207)

Lease liability

\$ 1,469

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 below, all other contracts are not within the scope of Topic 842.

Note 7: Revenue

The Company considers itself to be a single reportable segment under the authoritative guidance for segment reporting, specifically a communications and compliance company.

Three months ended June 30,

Revenue Streams

2023

2022

Communi

cations

\$

5,936

61.5

%
 \$
 3,691
 63.6
 %
 Compliance
 3,715
 38.5
 %
 2,116
 36.4
 %
 Total

\$
 9,651
 100.0
 %
 \$
 5,807
 100.0
 %
 Six months ended June 30,

Revenue
 Streams
 2023
 2022
 Communications

\$
 12,502
 68.4
 %
 \$
 7,074
 63.8
 %
 Compliance
 5,768

31.6
 %
 4,021
 36.2
 %
 Total

\$
 18,270
 100.0
 %
 \$
 11,095
 100.0
 %

	Three months ended September 30,			
	2023		2022	
Revenue Streams				
Communications	\$	6,078	80.3%	\$
				3,487
				66.0%

Compliance	1,491	19.7%	1,793	34.0%
Total	\$ 7,569	100.0%	\$ 5,280	100.0%
Nine months ended September 30,				
<i>Revenue Streams</i>	2023		2022	
Communications	\$ 18,580	71.9%	\$ 10,561	64.5%
Compliance	7,259	28.1%	5,814	35.5%
Total	\$ 25,839	100.0%	\$ 16,375	100.0%

The Company had one customer did not have any customers during the three -month period and nine-month periods ended June 30, 2023 September 30, 2023 or 2022 that accounted for more than 10 % 10% of our revenue. There were no customers during the six -month period ended June 30, 2023 or during the three and six -month periods ended June 30, 2022, which were more than

10 % of revenue.

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Note 8: Credit Agreement

On March 20, 2023 (the "Closing Date" "Closing Date"), the Company entered into a \$ 25 million credit agreement (the "Credit Agreement" "Credit Agreement") with Pinnacle Bank ("Pinnacle" "Pinnacle"). The Credit Agreement provides for the following: (i) term million \$20 million (the "Term Loan" "Term Loan"), and (ii) revolving letter of credit in an up to aggregate principal amount of \$5 million (the "Revolving LOC" "Revolving LOC"), subject to Pursuant to the terms of the Credit Agreement, the per annum interest rate of the Term Loan is variable based on the one-month secured overnight financing rate ("SOFR" "SOFR").

The Company began making monthly interest-only payments on the Term Loan on April 1, 2023. Beginning on January 1, 2024, the Company will make monthly principal payments of \$333,333 plus interest payments on the Term Loan until the maturity date of December 28, 2028.

The proceeds of the Term Loan along with certain cash on hand of the Company were used to repay in its entirety the one-year Secured Promissory Note (the "Secured Note") of \$22,880,000.

\$22,880,000. In order to settle the Secured Note on March 20, 2023, the Company paid \$370,000 to the Seller, with the Seller agreeing to forgive \$440,000 of interest which would have otherwise been due. The \$370,000 payment is recorded in Other income, (expense) net on the Consolidated statements of operations. As a result, there is no longer any obligation to the Seller as of June 30, 2023.

The Company currently has no plans to utilize the Revolving LOC but may do so in the future. If the Company does utilize any funds under the Revolving LOC, the funds will be drawn from an unsecured line of credit with Fifth Third Bank immediately prior to the Closing Date. As of June 30, 2023 September 30, 2023, there was no outstanding balance under the Revolving LOC.

The Credit Agreement contains the following financial covenants, which commenced with fiscal quarter ended June 30, 2023: a fixed charge coverage ratio of no less than 1.20:1. The Credit Agreement also contains customary affirmative covenants for a transaction of this nature, including among other things, covenants relating to: maintenance of adequate records, compliance with laws and regulations, and maintenance of insurance. The Credit Agreement also contains customary negative covenants for a transaction of this nature, including, among other things, covenants relating to debt, liens, investment restrictions, and restrictions on the sale of assets. The Credit Agreement also contains various Events of Default (subject to certain grace periods, to the extent applicable), including among other things, Events of Default for failure to pay principal or interest when due.

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Note 9: Interest Rate Swap

The Company entered into an interest rate swap agreement to convert its interest rate exposure from variable rate to fixed rate to control cash outflows related to interest on its \$20,000,000 of notional amount interest rate swap agreement, which amortizes in-line with its long-term credit agreement. Under the swap agreement, the Company pays \$7.42 monthly. At June 30, 2023 September 30, 2023, the weighted average rate was 7.42 %.

The carrying amount for the Company's derivative financial instrument is the estimated fair value of the financial instrument. The Company's derivative financial instrument is recorded in Other income, (expense) net on the Consolidated statements of operations.

In accounting for the interest rate swap, the Company has determined it does not qualify for hedge accounting. The fair value of the swap agreement as of June 30, 2023 September 30, 2022, and is included in Other long-term assets, in the Consolidated Balance Sheets, balance sheets. The fair value of the interest rate swap agreement excludes accrued in income of \$379,000 and \$165,000 and \$214,000

of \$379,000, which is included in Other income, (expense) net in the Consolidated statements of operations during the three and six-month nine-month periods ended June 30, 2023 September 30, 2022

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

The discussion of the financial condition and results of operations of the Company set forth below should be read in conjunction with the consolidated financial statements and related notes, and "Risk Factors" and elsewhere in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, which are incorporated by reference into this Form 10-K.

Overview

Issuer Direct Corporation and its subsidiaries are hereinafter collectively referred to as "Issuer Direct" or "Company". We announce material financial information to our investors using our investor relations website, SEC filings, investor events, news and earnings releases, public conference calls and webcasts. We are a leading communications and compliance company, providing solutions for both public relations and investor relations professionals. Our comprehensive solutions serve multi-billion-dollar global brands, ensuring their most important moments are reaching the right audiences, via our industry leading newswire, IR website solutions, events technology and social media.

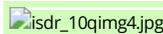
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Our platform consists of several related but distinct Communications and Compliance modules that companies and customers utilize every quarter. As such, we disclose our financial performance on a quarterly basis.

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In the future, we expect the Communications portion of our business to continue to increase, both in terms of overall revenue and as compared to the Compliance portion of our business. We believe our platform can address all these needs in a single, secure, cloud-based platform - one that offers a customer control, increases efficiencies, and provides a consistent user experience.

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. 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 our platform will continue to drive growth in our business.

Communications

Our Communications platform consists of our press release distribution businesses branded as ACCESSWIRE and Newswire, our webcasting and events business, professional services, and the acquisition of iNewswire.com LLC.

On November 1, 2022, we acquired iNewswire.com LLC ("Newswire"). Newswire is a media technology company that provides customers press release distribution and management services.

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We believe this transaction strengthens our entire communications portfolio and combined with our ACCESSWIRE business, grows our press release distribution business to provide a comprehensive solution for our customers. Through the PRO offering, we provide content and media communications services that provide customers the opportunity to optimize their content and increase their media reach.

ACCESSWIRE

Our existing press release offering, which is marketed under the brand ACCESSWIRE, is a news dissemination and media outreach service. The ACCESSWIRE product offering provides a comprehensive solution for our customers. Like other newswires globally, ACCESSWIRE and Newswire are dependent upon several key partners for its news distribution. Disruption in any of our partnerships could have a material adverse effect on our business.

Newsroom

A natural addition to our ACCESSWIRE and investor relations website business is our corporate Newsroom. This product offering can be an add-on to any customer's custom website. Our Newsroom suite addresses the needs of our customers looking to build connections with media, journalists, customers and if applicable the investment community. AccessWIRE Newsroom page

Newsroom page

- a custom URL, self-publishing system for customers that automatically adds ACCESSWIRE news to their newsroom and allows them the ability to add any other mention, article or image to their newsroom.

Brand Asset Manager

- a customizable library of images, video and press kits, which can be shared both privately and publicly, as well as integrated into the ACCESSWIRE editor for easy access of customer content.

Contact Manager

- a technology that allows our customers to provide their audiences the ability to quickly subscribe to alerts or notifications of a particular brand. Customers have the ability to deliver content to their audience.

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Webcasting & Events

Our webcasting and events business is comprised of our earnings call webcasting solutions and our virtual meeting and events software (such as annual meetings, deal/non-traditional earnings calls and webcasts are a highly competitive market with the majority of the business being driven from practitioners in investor relations and communications. Additionally, as a commitment to broadening the reach of our webcast platform, we broadcast live additional companies' earnings events, whether they are conducted on our VisualWebcaster Platform ("VWP") is a cloud-based webcast, webinar and virtual meeting platform that delivers live and on-demand streaming of events to audiences.

Professional Conference and Events Software

Our professional conference and events software is a subscription offering we currently license to investor conference organizers. This software, which is also available as a native application.

Our investor relations content network is another component of our Communications offering, which is used to create the investor relations tab of a company's content network.

Compliance

Compliance

Our Compliance offerings consist of our disclosure software for financial reporting, stock transfer services, whistleblower hotline and related annual meeting, print and shareholder distribution services.

Our disclosure reporting module is a document conversion, editing and filing offering which is designed for reporting companies and professionals seeking to outsource the document conversion, editing and filing process.

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Whistleblower

r

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Whistleblower Hotline

Our whistleblower hotline is an add-on product within our platform. This system delivers secure notifications and basic incident workflow management processes that align with regulatory requirements.

Stock Transfer Module

A valued subscription add-on in our Compliance offering is the ability for our customers to gain access to real-time information about their shareholders, stock ledgers and real-time information.

Annual Meeting / Proxy Voting Platform

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. This module has been incorporated within our webcasting offering to enable our customers the ability to conduct their annual meetings in-person or fully virtual. Our solution is designed to provide a secure and efficient voting process.

Shareholder Distribution

Over the past few years, we have worked on refining the model of digital distribution of our customers' message to the investment community and beyond. This virtual distribution model has been a key component of our growth strategy.

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Results of Operations

Comparison

on

Comparison of results of operations for the three and six-months nine-months ended June 30, 2023 September 30, 2023 and 2022 (in 000's) 000's):

Three Months Ended June 30,

Percentage of Revenue

(1)

2023

2022

2023

2022

Revenue:

Communications revenue

\$

5,936

\$

3,691

62

%

64
 %
Compliance revenue
 3,715
 2,116
 38
 %
 36
 %
Total revenue
 9,651
 5,807
 100
 %
 100
 %
Cost of revenue:
Communications cost of revenue
 1,433
 747
 24
 %
 20
 %
Compliance cost of revenue
 903
 617
 24
 %
 29
 %
Total cost of revenue
 2,336
 1,364
 24
 %
 23
 %
Gross Margin:
Communications gross margin
 4,503
 2,944
 76
 %
 80
 %
Compliance gross margin
 2,812
 1,499
 76
 %

71
 %
Total gross margin
7,315
4,443
76
 %
77
 %
Operating
Expenses:
General and administrative
2,274
1,563
24
 %
27
 %
Sales and
marketing
2,039
1,371
21
 %
24
 %
Product development
532
214
6
 %
4
 %
Depreciation
and amortization
723
147
7
 %
3
 %
Total expenses
5,568
3,295
58
 %
57
 %
Operating
income
1,747
1,148
18
 %
20
 %

Interest (expense) income, net

(281
)
20
(3
)%
0
%

Other income

379
-
4
%
-
%

Income before income taxes

1,845
1,168
19
%
20
%
Inc

Income tax provision

482
327
5
%
6
%

Net income

\$
1,363
\$
841
14
%
14
%
22

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Six Months Ended June 30,

Percentage of Revenue

(1)
2023
2022
2023
2
022

Revenue:

Communications revenue

\$
12,502
\$

7,074
68
%
64
%
Compliance
revenue
5,768
4,021
32
%
36
%
Total revenue
18,270
11,095
100
%
100
%
Cost of
revenue:
Communications cost of revenue
2,817
1,508
23
%
21
%
Compliance cost
of revenue
1,348
1,088
23
%
27
%
Total cost of revenue
4,165
2,596
23
%
23
%
Gro
ss Margin:
Communications gross margin
9,685
5,566
77
%
79
%
Compliance gross
margin
4,420

2,933
 77
 %
 73
 %
Total gross margin
 14,105
 8,499
 77
 %
 77
 %
Operating
Expenses:
General and administrative
 4,606
 3,246
 25
 %
 29
 %
Sales and
marketing
 4,420
 2,635
 24
 %
 24
 %
Product development
 1,306
 489
 7
 %
 4
 %
Depreciated
and amortization
 1,445
 293
 8
 %
 3
 %
Total expenses
 11,777
 6,663
 64
 %
 60
 %
Operating income
 2,328
 1,836
 13

%
 17
 %
Interest (expense) income, net
 (519
)
 22
 (3
)
 %
 0
 %
Other expense, net
 (156
)
 -
 (1
)%
 -
 %
Income before income taxes
 1,653
 1,8
 58
 9
 %
 17
 %
Income tax provision
 434
 501
 2
 %
 5
 %
Net income
 \$
 1,219
 \$
 1,357
 7
 %
 12
 %
 (1)

Percentage of revenue is calculated as the relevant revenue, expense, income amount divided by total revenue, except for communications and compliance cost of revenue and communications and compliance gross margin, which are divided by the related component of revenue.

	Three Months Ended September 30,		Percentage of Revenue ⁽¹⁾	
	2023	2022	2023	2022
Revenue:				
Communications revenue	\$ 6,078	\$ 3,487	80 %	66 %
Compliance revenue	1,491	1,793	20 %	34 %

Total revenue	7,569	5,280	100%	100%
Cost of revenue:				
Communications cost of revenue	1,497	807	25%	23%
Compliance cost of revenue	300	405	20%	23%
Total cost of revenue	1,797	1,212	24%	23%
Gross Margin:				
Communications gross margin	4,581	2,680	75%	77%
Compliance gross margin	1,191	1,388	80%	77%
Total gross margin	5,772	4,068	76%	77%
Operating Expenses:				
General and administrative	2,033	1,657	27%	31%
Sales and marketing	1,838	1,231	24%	23%
Product development	581	245	8%	5%
Depreciation and amortization	727	146	10%	3%
Total expenses	5,179	3,279	68%	62%
Operating income	593	789	8%	15%
Interest (expense) income, net	(298)	77	(4)%	1%
Other income	165	—	2%	0%
Income before income taxes	460	866	6%	16%
Income tax provision	187	180	2%	3%
Net income	\$ 273	\$ 686	4%	13%

	Nine Months Ended September 30,		Percentage of Revenue ⁽¹⁾	
	2023	2022	2023	2022
Revenue:				
Communications revenue	\$ 18,580	\$ 10,561	72%	65%
Compliance revenue	7,259	5,814	28%	35%
Total revenue	25,839	16,375	100%	100%
Cost of revenue:				
Communications cost of revenue	4,315	2,315	23%	22%
Compliance cost of revenue	1,647	1,493	23%	26%
Total cost of revenue	5,962	3,808	23%	23%
Gross Margin:				
Communications gross margin	14,265	8,246	77%	78%
Compliance gross margin	5,612	4,321	77%	74%
Total gross margin	19,877	12,567	77%	77%
Operating Expenses:				
General and administrative	6,639	4,903	26%	30%
Sales and marketing	6,258	3,866	24%	24%
Product development	1,887	734	7%	4%
Depreciation and amortization	2,172	439	8%	3%
Total expenses	16,956	9,942	66%	61%
Operating income	2,921	2,625	11%	16%
Interest (expense) income, net	(817)	99	(3)%	1%
Other expense, net	9	—	—%	—%
Income before income taxes	2,113	2,724	8%	17%
Income tax provision	621	681	2%	4%
Net income	\$ 1,492	\$ 2,043	6%	12%

(1) Percentage of revenue is calculated as the relevant revenue, expense, income amount divided by total revenue, except for communications and compliance cost of revenue and c

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Revenues

Total revenue increased \$3,844,000, \$2,289,000, or 66% 43%, to \$9,651,000 \$7,569,000 during the three months ended June 30, 2023 September 30, 2023, as compared to \$5,807,000 \$5,280,000 for the same period of 2022. Total revenue increased by \$7,175,000 \$9,464,000 or 65% 58%, to \$18,270,000 \$25,839,000 during the nine months ended September 30, 2023.

Communications revenue increased \$2,245,000, \$2,591,000, or 61% 74% and \$5,428,000, \$8,019,000, or 77% 76%, to \$5,936,000 \$6,078,000 and \$12,502,000 \$18,580,000 for the three and six months ended June 30, 2023 September 30, 2023, primarily due to an increase in average revenue per release. year. These increases were partially offset by a decrease in revenue from our events and webcasting business, primarily during the three and six months ended June 30, 2023 September 30, 2023.

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Compliance revenue decreased \$302,000, or 17%, and increased \$1,599,000, \$1,445,000, or 76% and \$1,747,000, or 43% 25%, during the three and six months ended June 30, 2023 September 30, 2023, respectively.

Revenue Backlog

As of June 30, 2023 September 30, 2023, our deferred revenue balance was \$5,729,000, \$5,164,000, which we expect to recognize over the next twelve months, compared to \$5,729,000, \$5,164,000 as of June 30, 2022 September 30, 2022, respectively.

Cost of Revenues

Communications

Costs

Communications cost of revenues consist primarily of direct labor costs, newswire distribution costs, teleconferencing costs, and third-party licensing costs. Compliance cost of revenues consist primarily of direct labor costs, stock-based compensation, insurance, fees for professional services, general corporate expenses, and other administrative expenses. Cost of revenues associated with our Communications revenue increased \$686,000, \$690,000, or 92% 86% and \$1,309,000, or 87% \$2,000,000, also 86%, during the three and six months ended June 30, 2023 September 30, 2023, respectively.

Cost of revenues associated with our Compliance revenue decreased \$105,000, or 26% and increased \$286,000, \$154,000, or 46% and \$260,000, or 24% 10%, during the three and six months ended June 30, 2023 September 30, 2023, respectively.

Cost of revenues associated with our Compliance revenue decreased \$105,000, or 26% and increased \$286,000, \$154,000, or 46% and \$260,000, or 24% 10%, during the three and six months ended June 30, 2023 September 30, 2023, respectively. As a result, gross margin percent increased from 77% to 86% during the three months ended June 30, 2023 September 30, 2023, and from 77% to 86% during the nine months ended September 30, 2023.

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General and Administrative Expenses

General and administrative expenses consist primarily of salaries, bonuses, stock-based compensation, insurance, fees for professional services, general corporate expenses, and other administrative expenses. General and administrative expenses increased \$1,360,000, \$1,736,000, or 42% 35%, as compared to the same periods of 2022. The increase is primarily driven by additional expenses associated with employee-related costs and stock compensation expense. These increases were primarily due to the increase in one-time transactions during the three and six months ended June 30, 2023 September 30, 2023, compared to the same period of 2022.

As a percentage of revenue, general and administrative expenses were 24% 27% and 25% 26% for the three and six months ended June 30, 2023 September 30, 2023, respectively.

fees.

As a percentage of revenue, general and administrative expenses were 24% 27% and 25% 26% for the three and six months ended June 30, 2023 September 30, 2023, respectively.

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 increased \$1,360,000, \$1,736,000, or 42% 35%, as compared to the same periods of 2022. The increase is primarily driven by additional expenses associated with employee-related costs and stock compensation expense. These increases were primarily due to the increase in one-time transactions during the three and six months ended June 30, 2023 September 30, 2023, compared to the same period of 2022.

As a percentage of revenue, sales and marketing expenses were 21% and 24% for the three and six months ended June 30, 2023 September 30, 2023, respectively, as compared to 23% and 24% for the same periods of 2022.

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Product Development Expenses

Product development expenses consist primarily of salaries, stock-based compensation, bonuses, and licenses to develop new products and technology to complement and enhance our existing products. Product development expenses increased \$576,000, \$581,000, or 392% 398%, and \$1,152,000, \$1,733,000, or 393% 395%, during the three and six months ended June 30, 2023 September 30, 2023, respectively.

As a percentage of revenue, product development expenses were 6% 8% and 7% for the three and six months ended June 30, 2023 September 30, 2023, respectively, as compared to 6% 8% and 7% for the same periods of 2022.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased \$576,000, \$581,000, or 392% 398%, and \$1,152,000, \$1,733,000, or 393% 395%, during the three and six months ended June 30, 2023 September 30, 2023, respectively.

Interest (expense) income, net

We recognized interest expense of \$375,000 \$368,000 and \$712,000 \$1,080,000 for the three and six months ended June 30, 2023 September 30, 2023. Interest expense prior to the three months ended June 30, 2023 September 30, 2023, was \$375,000 \$368,000 and \$712,000 \$1,080,000 for the three and six months ended June 30, 2022 September 30, 2022, respectively.

Other income, (expense), net

During the three months ended June 30, 2023 September 30, 2023, other income represents the change in fair value of our interest rate swap agreement. During the three months ended June 30, 2023 September 30, 2023, other expense income, net represents the change in fair value of our interest rate swap agreement, partially offset by \$370,000 paid to extinguish the Selena transaction. There was no other income, or expense net during the three and six months ended June 30, 2023 September 30, 2023, respectively.

During the three months ended June 30, 2023 September 30, 2023, other income represents the change in fair value of our interest rate swap agreement. During the three months ended June 30, 2023 September 30, 2023, other expense income, net represents the change in fair value of our interest rate swap agreement, partially offset by \$370,000 paid to extinguish the Selena transaction. There was no other income, or expense net during the three and six months ended June 30, 2023 September 30, 2023, respectively.

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Income Taxes

We recognized income tax expense of \$482,000 \$187,000 and \$434,000 \$621,000 for the three and six months ended June 30, 2023 September 30, 2023, compared to \$327,000 \$187,000 and \$434,000 \$621,000 for the three and six months ended June 30, 2022 September 30, 2022, respectively. 2022, was also impacted by additional expense related to Global Intangible Low-Taxed Income inclusion.

\$
 1,079
 Six Months
 Ended June 30,
 2023
 2022
 Net cash provided by operating activities (US
 GAAP)
 \$
 2,003
 \$
 1,644
 Payments for purchase of fixed assets and capitalized
 software
 (168
)
 (38
)
 Free cash flow (Non-GAAP)
 1,835
 1,606
 Cash paid for
 acquisition and/or integration related items (1)
 281
 16
 Cash paid for other
 unusual items (2)
 395
 60
 Adjusted free cash flow (Non-GAAP)
 \$
 2,511
 \$
 1,682
 (1)

This adjustment gives effect to one-time corporate projects, including
 acquisition and/or integration related expenses, paid during the periods.

(2)

For

For the six months ended June 30, 2023, this adjustment gives effect to a
 one-time payment of approximately \$370,000 related to the early termination of
 the note payable associated with the Newswire acquisition. For the six months
 ended June 30, 2022, this adjustment gives effect to payment of a one-time
 executive recruiting fee payment of \$60,000.

	Three Months Ended September 30,	
	2023	2022
Net cash provided by operating activities (US GAAP)	\$ 287	\$ 1,381
Payments for purchase of fixed assets and capitalized software	(177)	(14)
Free cash flow (Non-GAAP)	110	1,367
Cash paid for acquisition and/or integration related items ⁽¹⁾	17	74
Adjusted free cash flow (Non-GAAP)	\$ 127	\$ 1,441

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	Nine Months Ended September 30,	
	2023	2022
Net cash provided by operating activities (US GAAP)	\$ 2,290	\$ 3,025
Payments for purchase of fixed assets and capitalized software	(345)	(52)
Free cash flow (Non-GAAP)	1,945	2,973
Cash paid for acquisition and/or integration related items ⁽¹⁾	298	90
Cash paid for other unusual items ⁽²⁾	395	60
Adjusted free cash flow (Non-GAAP)	<u>\$ 2,638</u>	<u>\$ 3,123</u>

(1) This adjustment gives effect to one-time corporate projects, including acquisition and/or integration related expenses, paid during the periods.

(2) For the nine months ended September 30, 2023, this adjustment gives effect to a one-time payment of approximately \$370,000 related to the early termination of the note payable. Adjusted EBITDA and adjusted net income are non-GAAP financial measures and should not be considered as a substitute for analysis of our results as reported under US GAAP.

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A reconciliation of net income to adjusted EBITDA for the three and six nine months ended June 30, 2023, September 30, 2023 and 2022, is presented in the following table (in 0

Three Months Ended June 30,

2023

2022

Amount

Amount

Net income:

\$

1,363

\$

841

Adjustments:

Depreciation and amortization

736

162

Interest expense

(income), net

281

(20

)

Income tax expense

482

327

EBITDA

2,862

1,310

Acquisitio

n and/or integration costs

(1)

137

-

Other non-recurring items

(2)

(334

)

-

Stoc

k-based compensation expense

(3)
 354
 188
 Adjusted EBITDA:
 \$
 3,019
 \$
 1,498
 Six
 Months Ended June 30,
 2023
 2022
 Amount
 Amount
 Net income:
 \$
 1,219
 \$
 1,357
 Adjust
 ments:
 Depreciation and amortization
 1,472
 324
 Interest expense (income),
 net
 519
 (22
)
 Income tax expense
 434
 501
 EBITDA
 3,644
 2,160
 Acquisition and/or
 integration costs
 (1)
 371
 16
 Other non-recurring items
 (2)
 201
 90
 Stock-based
 compensation expense
 (3)
 691
 372
 Adjusted EBITDA:
 \$
 4,907
 \$
 2,638
 (1)
 This

adjustment gives effect to one-time corporate projects, including acquisition and/or integration related expenses, incurred during the periods.

(2)

For the

three months ended June 30, 2023, this adjustment gives effect to a gain recorded on the change in fair value of our interest rate swap of \$379,000, partially offset by one-time, non-recurring expenses of \$45,000. For the six months ended June 30, 2023, this adjustment gives effect to \$370,000 payment related to early extinguishment of our Seller Note and one-time non-recurring expenses of \$45,000, partially offset by a gain recorded on the change in fair value of our interest rate swap of \$214,000. For the six months ended June 30, 2022, this adjustment gives effect to a one-time executive recruiting fee of \$90,000.

(3)

The adjustments represent stock-based compensation expense related to awards of stock options, restricted stock units, or common stock in exchange for services. Although we expect to continue to award stock in exchange for services, the amount of stock-based compensation is excluded as it is subject to change as a result of one-time or non-recurring projects.

	Three Months Ended September 30,	
	2023	2022
	Amount	Amount
Net income:	\$ 273	\$ 686
Adjustments:		
Depreciation and amortization	745	163
Interest expense (income), net	298	(77)
Income tax expense	187	180
EBITDA	1,503	952
Acquisition and/or integration costs ⁽¹⁾	59	74
Other non-recurring expenses ⁽²⁾	(165)	—
Stock-based compensation expense ⁽³⁾	359	187
Adjusted EBITDA:	<u>\$ 1,756</u>	<u>\$ 1,213</u>
	Nine Months Ended September 30,	
	2023	2022
	Amount	Amount
Net income:	\$ 1,492	\$ 2,043
Adjustments:		
Depreciation and amortization	2,217	487
Interest expense (income), net	817	(99)
Income tax expense	621	681
EBITDA	5,147	3,112
Acquisition and/or integration costs ⁽¹⁾	430	90
Other non-recurring expenses ⁽²⁾	36	90
Stock-based compensation expense ⁽³⁾	1,050	559
Adjusted EBITDA:	<u>\$ 6,663</u>	<u>\$ 3,851</u>

(1) This adjustment gives effect to one-time corporate projects, including acquisition and/or integration related expenses, incurred during the periods.

(2) For the three months ended September 30, 2023, this adjustment gives effect to a gain recorded on the change in fair value of our interest rate swap of \$165,000. For the nine months

(3) The adjustments represent stock-based compensation expense related to awards of stock options, restricted stock units, or common stock in exchange for services. Although we

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A reconciliation of net income to adjusted net income for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022 is presented in the following table (i

Three Months Ended June 30,

2023

2022

Amount

Per diluted share

Amount

Pe

r diluted

share

Net income:

\$

1,363

\$

0.36

\$

841

\$

0.22

Adjustments:

Amortizatio

n of intangible assets

(1)

685

0.18

108

0.03

Stock-based compensation

expense

(2)

354

0.09

188

0.05

Other unusual items

(3)

(197

)

(0.05

)

-

-

Tax

impact of adjustments

(4)

(177

)

(0.05

)

(62

)

(0.01

)

Non-GAAP net

income:
\$
2,028
\$
0.53
\$
1,075
\$
0.29
Weighted average number of common shares
outstanding - diluted
3,808
3,772
Six Months Ended June 30,
2023
2022
Amount
Per
diluted share
Amount
Per diluted
share
Net income:
\$
1,219
\$
0.32
\$
1,357
\$
0.3
6
Adjustments:
Amortization of intangible assets
(1)
1,370
0.36
216
0.05
Stock-b
ased compensation expense
(2)
691
0.18
372
0.10
Other unusual items
(3)
572
0.15
106
0.03
Tax impact of adjustments
(4)
(553)

)
 (0.14
)
 (146
)
 (0.04
)
 Non-GAAP
 net income:
 \$
 3,299
 \$
 0.87
 \$
 1,905
 \$
 0.50
 Weighted average number of common
 shares outstanding - diluted
 3,809
 3,802
 28

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(1)

The

adjustments represent the amortization of intangible assets related to acquired assets and companies.

(2)

The adjustments represent stock-based compensation expense related to awards of stock options, restricted stock units, or common stock in exchange for services. Although we expect to continue to award stock in exchange for services, the amount of stock-based compensation is excluded as it is subject to change as a result of one-time or non-recurring projects.

(3)

For the three months ended June 30, 2023, this adjustment gives effect to a gain recorded on the change in fair value of our interest rate swap of \$379,000, partially offset by one-time corporate projects, including acquisition and/or integration related expenses incurred during the period of \$137,000 and \$45,000 related to one-time, non-recurring expenses. For the six months ended June 30, 2023, this adjustment gives effect to one-time corporate projects, including acquisition and/or integration related expenses incurred during the period of \$371,000, \$370,000 payment related to early extinguishment of our Seller Note and \$45,000 of one-time, non-recurring expenses, partially offset by a gain recorded on the change in fair value of our interest rate swap of \$214,000. For the six months ended June 30, 2022, this adjustment gives effect to one-time corporate projects, including acquisition and/or integration related expenses incurred during the period of \$16,000 and a one-time executive recruiting fee of \$90,000.

(4)

This adjustment gives effect to the tax impact of all non-GAAP adjustments at the current Federal tax rate of 21%.

	Three Months Ended September 30,	
	2023	2022

	Amount	Per diluted share	Amount	Per diluted share
Net income:	\$ 273	\$ 0.07	\$ 686	\$ 0.19
Adjustments:				
Amortization of intangible assets ⁽¹⁾	686	0.18	108	0.03
Stock-based compensation expense ⁽²⁾	359	0.09	187	0.05
Other unusual items ⁽³⁾	(106)	(0.02)	74	0.02
Tax impact of adjustments ⁽⁴⁾	(197)	(0.05)	(77)	(0.02)
Non-GAAP net income:	<u>\$ 1,015</u>	<u>\$ 0.27</u>	<u>\$ 978</u>	<u>\$ 0.27</u>
Weighted average number of common shares outstanding – diluted	3,823		3,636	
	Nine Months Ended September 30,			
	2023		2022	
	Amount	Per diluted share	Amount	Per diluted share
Net income:	\$ 1,492	\$ 0.39	\$ 2,043	\$ 0.55
Adjustments:				
Amortization of intangible assets ⁽¹⁾	2,056	0.54	324	0.09
Stock-based compensation expense ⁽²⁾	1,050	0.28	559	0.15
Other unusual items ⁽³⁾	466	0.12	180	0.04
Tax impact of adjustments ⁽⁴⁾	(750)	(0.20)	(223)	(0.06)
Non-GAAP net income:	<u>\$ 4,314</u>	<u>\$ 1.13</u>	<u>\$ 2,883</u>	<u>\$ 0.77</u>
Weighted average number of common shares outstanding – diluted	3,814		3,738	

(1) The adjustments represent the amortization of intangible assets related to acquired assets and companies.

(2) The adjustments represent stock-based compensation expense related to awards of stock options, restricted stock units, or common stock in exchange for services. Although we

(3) For the three months ended September 30, 2023, this adjustment gives effect to a gain recorded on the change in fair value of our interest rate swap of \$165,000, partially offset by

(4) This adjustment gives effect to the tax impact of all non-GAAP adjustments at the current Federal tax rate of 21%.

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 fact

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Market factors like the current military conflict conflicts in Ukraine and Israel, instability in global energy markets, global inflation and the increase of interest rates have contri

The

We believe the transition to a platform subscription model has been and will continue to be key for our long-term sustainable growth. We will also continue to focus on the fo

Expanding

our Communications products and adapting to this changing industry,

Evaluating

and completing acquisitions in areas remainder of strategic focus,

Expanding our

Communications sales and marketing teams and digital marketing strategy,

Expandi

ng customer base,

Expanding our newswire distribution,

Investing in technology

advancements and upgrades,

Generating profitable sustainable growth

Generating

cash flows from operations.

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the year into 2024:

- Expanding our Communications products and adapting to this changing industry,
- Evaluating and completing acquisitions in areas of strategic focus,
- Expanding our Communications sales and marketing teams and digital marketing strategy,
- Expanding customer base,
- Expanding our newswire distribution,
- Investing in technology advancements and upgrades,
- Generating profitable sustainable growth
- Generating cash flows from operations.

We believe there is demand for our products around the world, led by our ACCESSWIRE and Newswire brands, as companies seek to find better platforms and tools to disseminate their news. We have invested and will continue to invest in our product sets, platforms and intellectual property development via internal development and acquisitions. Acquisitions remain a key part of our growth strategy.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

As of the end of the period covered by this quarterly report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer conducted an evaluation of the effectiveness of the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. 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 a defendant in any pending or threatened litigation.

ITEM 1A. RISK FACTORS.

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

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURE.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

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ITEM 6. EXHIBITS.

(a) Exhibits.

[Exhibit](#)

[Number](#)

[Description](#)

31.1

Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

31.2

Certifi

cation of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

32.1

Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

32.2

Certification of Chief

Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of

2002.*

101.INS

XBRL Instance Document.**

101.SCH

XBRL Taxonomy Extension

Schema Document.**

101.CAL

XBRL Taxonomy Calculation Linkbase Document.**

101.LA

B

XBRL Taxonomy Label Linkbase Document.**

101.PRE

XBRL Taxonomy Presentation

Linkbase Document.**

101.DEF

XBRL Taxonomy Extension Definition Linkbase Document.**

*

filed or furnished

herewith

**

submitted electronically herewith

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

* filed or furnished herewith

** submitted electronically herewith

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SIGNATURES

P

ursuant

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

Date: August 10, 2023

ISSUER DIRECT

CORPORATION

By:

/s/ Brian R. Balbirnie

Brian R. Balbirnie

Chief Executive

Officer

By:

/s/ Timothy Pitoniak

Timothy Pitoniak

Chief Financial Officer

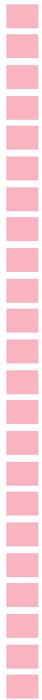
33

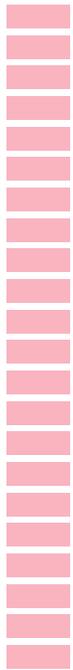
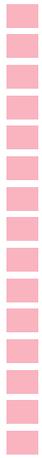
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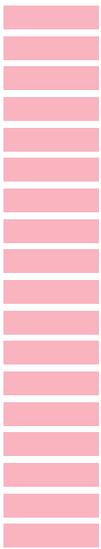
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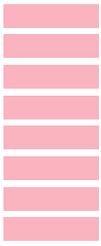




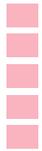






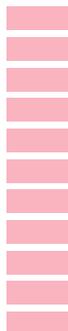
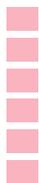


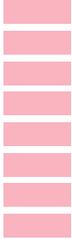


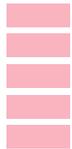
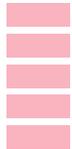


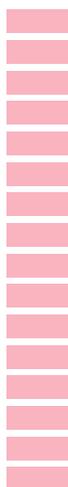


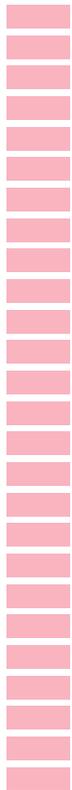
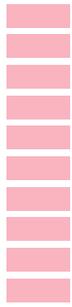


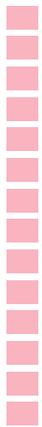
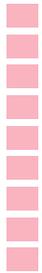


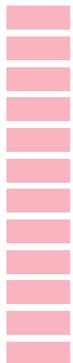
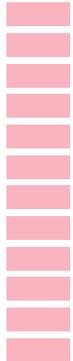
















November 9, 2023

ISSUER DIRECT CORPORATION

By: /s/ Brian R. Balbirnie

Brian R. Balbirnie
Chief Executive Officer

By: /s/ Timothy Pitoniak

Timothy Pitoniak
Chief Financial Officer

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EXHIBIT 31.1

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

(SECTION

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Brian R. Balbirnie, certify that:

1.

I have reviewed this

Quarterly Report on Form 10-Q 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 the 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: August 10, 2023

/s/ Brian R. Balbirnie

Brian

R. Balbirnie

Chief Executive Officer



1. I have reviewed this Quarterly Report on Form 10-Q 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 th
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 ope
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
 - 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 r
 - 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 assur.
 - 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 ai
 - 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 fourtl
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 au
 - 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 registra
 - 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: November 9, 2023

/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

(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Timothy Pitoniak, certify that:

1.

I have reviewed this

Quarterly Report on Form 10-Q 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 presents 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)

Evaluate

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 the 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: August 10, 2023

/s/ Timothy Pitoniak

Timothy

Pitoniak

Chief Financial Officer

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1. I have reviewed this Quarterly Report on Form 10-Q 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 th
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 ope
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
 - 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 r
 - 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 assur
 - 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 ai
 - 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 fourtl
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 au
 - 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 registra
 - 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: November 9, 2023

/s/ Timothy Pitoniak

Timothy Pitoniak

Chief Financial Officer

EXHIBIT 32.1

**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 Quarterly Report of Issuer Direct Corporation (the "Company"/"Company") on Form 10-Q for the period ending June 30, 2023 September 30, 2023, as file

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: August 10, 2023

/s/

Brian R. Balbirnie

Brian R. Balbirnie

Chief Executive Officer

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

Date: November 9, 2023

/s/ Brian R. Balbirnie

Brian R. Balbirnie

Chief Executive Officer

A certification furnished pursuant to this Item will not be deemed "filed" "filed" for purposes of section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of the

EXHIBIT 32.2

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 Quarterly Report of Issuer Direct Corporation (the "Company" "Company") on Form 10-Q for the period ending June 30, 2023 September 30, 2023, as file

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: August 10, 2023

/s/

Timothy Pitoniak

Timothy Pitoniak

Chief Financial Officer

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

Date: November 9, 2023

/s/ Timothy Pitoniak

Timothy Pitoniak

Chief Financial Officer

A certification furnished pursuant to this Item will not be deemed "filed" "filed" for purposes of section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of the

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

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