

ISSUER DIRECT CORP
Form S-1
January 03, 2014

As filed with the Securities and Exchange Commission on January 3, 2014

Registration No. 333-_____

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

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

Delaware (State or jurisdiction of incorporation or organization)	2750 (Primary Standard Industrial Classification Code Number)	26-1331503 (I.R.S. Employer Identification No.)
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500 Perimeter Park Drive, Suite D
Morrisville, North Carolina 27560
(919) 481-4000

(Address and telephone number of principal executive offices and principal place of business)

American Incorporators Ltd.
1013 Centre Road, Suite 403-A
Wilmington, Delaware 19805
(Name, address and telephone number of agent for service)

Copies to:
Jeffrey M. Quick
QUICK LAW GROUP PC
1035 Pearl Street, Suite 403
Boulder, Colorado 80302
Telephone: (720) 259-3393
Facsimile: (303) 845-7315

Approximate date of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act,

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please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount of Shares to be Registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of Registration Fee
Common Stock	300,652 (1)	\$9.74 (2)	\$2,928,350	\$377.17 (2)

(1) Represents shares issuable pursuant to the Securities Purchase Agreement, between the Company and Red Oak Partners, L.P., a Delaware limited partnership (“Red Oak”), dated August 22, 2013 (the “Purchase Agreement”).

(2) Calculated in accordance with Rule 457(c) of the Securities Act, based upon the average high and low prices reported on the Over the Counter Bulletin Board on December 31, 2013.

We hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until we shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement is filed with the Securities and Exchange Commission and becomes effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 3, 2014

PRELIMINARY PROSPECTUS

300,652 SHARES OF COMMON STOCK

ISSUER DIRECT CORPORATION

This prospectus relates to the resale of up to 300,652 shares of our common stock, which may be offered by the selling stockholder, Red Oak Partners, L.P., a Delaware limited partnership, or Red Oak. The shares of common stock being offered by the selling stockholder are issuable upon conversion of a convertible subordinated secured promissory note in the principal amount of \$2,500,000, or the Convertible Note, that we issued to Red Oak on August 22, 2013.

We are not selling any securities under this prospectus and will not receive any of the proceeds from the resale of shares of our common stock by the selling stockholder under this prospectus, however, we have received gross proceeds of \$2,500,000 from the sale of the Convertible Note to Red Oak.

Red Oak may offer all or part of the shares for resale from time to time through public or private transactions, at either prevailing market prices or at privately negotiated prices. We provide more information about how Red Oak may sell its shares of common stock in the section titled “Plan of Distribution” on page 14. We will pay the expenses incurred in connection with the offering described in this prospectus, with the exception of brokerage expenses, fees, discounts and commissions, which will be paid by the selling stockholder. With respect to the shares of Common Stock that have been and may be issued pursuant to the Purchase Agreement, Red Oak is an “underwriter” within the meaning of Section 2(a)(11) of the Securities Act of 1933, as amended, or the Securities Act, and with respect to any other shares of common stock, Red Oak may be deemed to be an “underwriter” within the meaning of Section 2(a)(11) of the Securities Act.

Our common stock is quoted on the OTCBB Marketplace operated by FINRA, or the OTCQB, under the symbol “ISDR”. The last reported sale price of our common stock on the OTCBB on December 31, 2013 was \$9.74 per share.

Investing in our common stock involves a high degree of risk. Please see the sections entitled “Risk Factors” on page 9 of this prospectus and “Part I—Item 1A Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2012.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is [_____], 2013.

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You should rely only on the information contained in this Prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information and the financial statements appearing elsewhere in this Prospectus. This Prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under “Risk Factors” and elsewhere in this Prospectus. Unless the context indicates or suggests otherwise, references to “we,” “our,” “us,” the “Company,” or the “Registrant” refer to Issuer Direct Corporation, a Delaware corporation.

Our Business

Issuer Direct Corporation (“Issuer Direct”, the “Company”, “ISDR”, “we” “us” or “our”), a Delaware corporation, is a disclosure management and targeted communications company. Our integrated platform provides tools, technologies and services that enable our clients to disclose and disseminate information through our network.

Business Acquisition & Recent Developments

On August 22, 2013, the Company, and PrecisionIR Group Inc. (“PIR” or “PrecisionIR”) consummated an Agreement and Plan of Merger (the “Acquisition Agreement”). Under the terms of the Acquisition Agreement, the Company paid \$3,450,000 to certain creditors of PIR as full consideration to acquire all of the outstanding shares of PIR.

Businesses

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

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

In 2013, we

consolidated our revenue into three revenue streams: disclosure management, shareholder communications and software licenses. Historically, we had reported our revenues in five streams – compliance and reporting services, printing and financial communications, fulfillment and distribution, software licensing, and transfer agent services. As a result of the acquisition of PIR on August 22, 2013, we determined the reclassification of revenues from the combined companies was needed to reflect both our core services as well as the newly acquired business of PrecisionIR.

Disclosure management

Our core disclosure business consists of our traditional Edgarization, document management, typesetting and pre-press design services, as well as our XBRL tagging services. In addition we have blended our stock transfer business into our disclosure management to better reflect the businesses that are regulated by the Securities and Exchange Commission.

We continue to see moderate gains in this business, specifically with the frequency of work from our corporate issuer clients. Additionally, we are experiencing growth in the larger cap market space and a retraction in the more competitive small cap space where we tend to generate less margins. As we focus our direct efforts upstream to the larger cap clients we anticipate this trend to continue. In contrast, we continue to operate our reseller business, Issuer Services, whereby we manage the back office functions for our partner's clients. This is where we anticipate seeing the some attrition in the smaller cap clients that we currently serve. However, this reseller business is responsible for the better portion of our mutual fund tagging engagements. This is a growth driver for this business unit, generating both higher margins and higher than normal revenues.

Shareholder communications

As part of the revenue stream realignment we have moved our core press release distribution, investor relation systems, market data cloud business with the services of PrecisionIR (Investor Outreach, Annual Report Service, Investor Hotline and Webcasting), and our proxy and printing business. These products and services represent our shareholder communications business. By having our own market data cloud system for our press releases and investor relations systems, our products have been able to outperform our expectations. During fiscal 2014, we intend to begin licensing portions of our data business and application programming interfaces ("API's") to other providers and disseminators that are seeking a competitive replacement in the market. We are committed to continuing to expand revenue from this business.

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

Software licensing

Revenues from this business still tend to be directly tied to our core businesses, disclosure management and shareholder communications. Specifically, when corporate issuers conduct an annual meeting, purchase or upgrade their investor relations system, or annual or quarterly earnings season, we tend to license our technology platforms for each of these examples. Although revenues from this business remain relatively small, we expect them to grow significantly over the next fiscal year as we begin to productize some of our shareholder communications and disclosure management system.

We continue to believe there is a significant demand for better quality datasets. We are one of the only companies in this industry utilizing the core financial data of XBRL to power our fundamentals for our Stock Charting & Fundamentals system. Today, we house over 20,000 companies in our data-cloud, which encompasses stock information, profile data, financial data and reports, fundamentals, news, videos and presentations. During fiscal 2013, we have continued to build these data sets into our Disclosure Management System (DMS). This disclosure system allows corporate issuers, and their constituents the ability to create, edit and publish information from one interface to regulators, markets and shareholders.

Our Technology Platform - Disclosure Management System (DMS)

Our DMS is a secure cloud-based business process reporting and automation solution that gives users the ability to disclose, manage, and communicate their respective messages from our enterprise SaaS network. Our unique disclosure process aims to create efficiencies not previously possible in areas of normal regulatory business functions of the public markets, where we can clearly improve processes, streamline complexities, while reducing expenditures, generally associated with reporting and disclosure.

Our DMS is the only secure workflow technology available today that allows officers, directors, compliance and investor relations professionals the ability to manage the entire back-office functions of their respective companies from one interface.

The industry as a whole has chosen to focus their solutions and platforms on one single business process or in some cases are dependent on a complex ERP or accounting system integration, in hope of providing a clear ROI over a long-term period. Unfortunately this approach requires companies to invest deeply in enterprise wide systems, for the promise of efficiencies and cost savings. Our approach has been to focus on a collection of business processes that typically overlap service organizations, that have either been cumbersome, costly or broken; then, integrate, streamline and improve the flow of information in a more transparent and accurate manner, putting the control back in the hands of our clients. The result is better controls, improved processes, efficient disclosure and increased communication.

Today, the platforms that make up our disclosure management system are used by over 1,400 issuers, and mutual funds and by thousands of officers, directors and compliance and communication professionals. The systems include the following:

- Regulatory compliance (Edgar & EBRL)
 - Real-time Financial Reviewers Guide
- Investor Relation content management (CMS - content management system)
 - News Distribution
 - Webcasting / earnings calls
- Annual Meeting planning and real-time proxy voting system
 - Stock issuances, and shareholder reporting

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- Social integration and investor outreach communications
 - Print on Demand & digital document library
- Company Spotlight and Annual Report Content Management

Our Brands & Subsidiaries

- Issuer Direct
 - PrecisionIR Group, Inc., and its subsidiaries
- Direct Transfer (Wholly owned subsidiary – Direct Transfer, LLC.)
- QX Interactive (Wholly owned subsidiary – QX Interactive, LLC.)
 - Issuer Services
 - iProxyDirect
 - iRDirect
 - Annual Report Service (ARS)
 - Company Spotlight
 - XBRL Check
 - XAS Cloud

Transfer Agent

Our transfer agent is Direct Transfer, LLC, and is located at 500 Perimeter Park Drive, Suite D, Morrisville, North Carolina 27560 and is our wholly-owned subsidiary. The agent's telephone number is (919) 481-4000.

Recent Developments

In connection with and to partially fund the PrecisionIR Group, Inc. merger and simultaneously with the closing of the merger, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") relating to the sale of \$2,500,000 aggregate principal amount of the Company's 8% convertible secured promissory note ("8% Notes") with Red Oak Partners LP ("Red Oak"). The 8% Note will pay interest on each of March 31, June 30, September 30 and December 31, beginning on September 30, 2013, at a rate of 8% per year. The 8% Notes will mature on August 22, 2015. If event of default occurs pursuant to the terms of the 8% Note, the interest rate immediately increases to 18%. The 8% Notes are secured by all of the assets of the Company and are subordinated to the Company's obligations to its primary financial institution.

Beginning immediately upon the date of issuance, Red Oak or its assigns may convert the 8% Notes into shares of the Company's common stock at a conversion price of \$3.99 per share. The conversion price will be adjusted for certain events, such as stock dividends and stock splits.

Additionally, as part of the Purchase Agreement, the Company granted Red Oak certain registration rights. Specifically, the Company has agreed, within six months following the closing of the purchase and sale of the 8% Notes ("Closing Date"), to file with the Securities and Exchange Commission ("SEC") this registration statement covering the resale of certain of the shares issuable upon conversion of the 8% Notes. The Company agreed to use its best efforts to have the registration statement declared effective by the SEC no later than eight months following the Closing Date. If the Company fails to satisfy the filing deadline or the effectiveness deadline, the Company will pay to Red Oak or its assigns an amount of cash equal to 0.75% of the amount paid for such holder's 8% Note on (i) the date of the filing failure and on every thirtieth day thereafter until the filing failure is cured and (ii) the date of the effectiveness failure and on every thirtieth day thereafter until the effectiveness failure is cured.

The Offering

As of December 31, 2013, there were 1,997,285 shares of our common stock outstanding, of which 911,067 shares were held by non-affiliates. Although the Purchase Agreement provides that we may issue up to 626,566 of our common stock to Red Oak, only 300,652 shares of our common stock are being offered under this prospectus. If all of the 300,652 shares offered under this prospectus were issued and outstanding as of December 31, 2013, such shares would represent approximately 15% of the total number of shares of our common stock outstanding and 33% of the total number of outstanding shares of our common stock held by non-affiliates, in each case as of December 31, 2013.

Common stock offered by Selling Stockholder	300,652 shares of common stock that we may issue to Red Oak upon conversion of the Convertible Note:
Common stock outstanding before the offering	1,997,285 shares of common stock.
Common stock outstanding after the offering	2,297,937 shares of common stock.
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling stockholder. However, we have received gross proceeds of \$2,500,000

from the sale of the Convertible Note to Red Oak.

OTCBB Trading Symbol

ISDR

Risk Factors

The common stock offered hereby involves a high degree of risk and should not be purchased by investors who cannot afford the loss of their entire investment. See “Risk Factors.”

SUMMARY OF FINANCIAL INFORMATION

The following selected financial information is derived from the Company's Financial Statements appearing elsewhere in this Prospectus and should be read in conjunction with the Company's Financial Statements, including the notes thereto, appearing elsewhere in this Prospectus.

Statement of Operations Data:

	Years Ended December 31,		Nine Months Ended September 30,	
	2012	2011	2013	2012
Revenues	\$4,305,566	\$3,228,099	\$5,238,244	\$3,120,544
Cost of services	1,501,158	1,391,967	1,539,244	1,106,966
Gross profit	2,804,408	1,836,132		