ISSUER DIRECT CORP
Form 10-Q
November 14, 2008

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-Q**

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

For the quarterly period ended: September 30, 2008

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** | **74-2418590** |
|---|---|---|
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

**201 Shannon Oaks Circle Suite 105, Cary North Carolina 27511**

(Address of Principal Executive Office) (Zip Code)

**(919) 481-4000**

(Registrant s telephone number, including area code)

**N/A**

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ¨ | Accelerated filer | ¨ |
| Non-accelerated filer | ¨ | Smaller reporting company | þ |

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 18,834,717 common stock was issued & outstanding as on November 13, 2008.

**PART I - FINANCIAL INFORMATION**



**PART II OTHER INFORMATION**

## PART I FINANCIAL INFORMATION

**ITEM 1.**

**FINANCIAL STATEMENTS**

### INDEX TO FINANCIAL STATEMENTS

**ISSUER DIRECT CORPORATION**

**BALANCE SHEETS**

**AS OF SEPTEMBER 30, 2008 AND DECEMBER 31, 2007**

| | September 30, 2008 (Unaudited) | December 31, 2007 (Audited) |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 22,249 | $ 39,318 |
| Accounts receivable, ( net of allowance for doubtful accounts of $34,009 and $11,950, respectively | 146,447 | 124,954 |
| Other current assets | 6,283 | 3,549 |
| Total current assets | 174,979 | 175,438 |
| Furniture, equipment and improvements, (net of accumulated depreciation of $49,735 and $41,835, respectively) | 17,658 | 16,337 |
| Security deposit | 6,242 | 7,617 |
| Intangible assets, (net of accumulated amortization of $22,000 and $16,000, respectively) | 166,195 | 302,195 |
| **Total assets** | $ 365,074 | $ 493,970 |
| **LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)** | | |
| Current liabilities: | | |
| Accounts payable | $ 146,251 | $ 54,705 |
| Other current liabilities | 80,471 | 89,191 |
| Notes payable related party | 73,525 | 73,525 |
| Notes payable other | 109,895 | 121,792 |
| Total current liabilities | 410,142 | 339,213 |
| **Total liabilities** | 410,142 | 339,213 |
| Stockholders' equity (deficit): | | |

| | | |
|---|---|---|
| Preferred stock, $1.00 par value, 10,000,000 shares authorized - | 7 | 7 |
| Series A, 60 shares designated, 7 shares issued and outstanding | | |
| Series B, 476,200 shares designated; no shares issued and outstanding | | |
| Common stock, $.001 par value, 100,000,000 shares authorized, | 18,833 | 16,235 |
| 18,834,717 and 16,235,723 shares issued and outstanding as of September 30, 2008 and December 31, 2007, respectively. | | |
| Additional paid-in capital | 1,441,007 | 654,455 |
| Treasury stock | (4,236 ) | (4,236 ) |
| Accumulated deficit | (1,500,679 ) | (511,704 ) |
| Total stockholders' equity (deficit) | (45,068 ) | 154,757 |
| **Total liabilities and stockholders equity (deficit)** | $ 365,074 | $ 493,970 |

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

**ISSUER DIRECT CORPORATION**

**STATEMENTS OF OPERATIONS**

**(UNAUDITED)**

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **September 30, 2008** | **September 30, 2007** | **September 30, 2008** | **September 30, 2007** |
| Revenues | | | | |
| Document conversion | $ 151,147 | $ 170,312 | $ 518,221 | $ 309,561 |
| Printing and financial communication | 88,717 | 46,447 | 328,378 | 67,650 |
| Fulfillment and distribution | 54,034 | 5,938 | 168,648 | 8,013 |
| Software licensing | 18,479 | -- | 41,279 | -- |
| Total | 312,377 | 222,697 | 1,056,526 | 385,224 |
| Cost of services | 162,039 | 103,786 | 583,956 | 146,346 |
| Gross profit | 150,338 | 118,881 | 472,570 | 238,878 |
| Operating costs and expenses | | | | |
| General and administrative | 217,941 | 159,608 | 1,082,697 | 216,050 |
| Sales and marketing expenses | 61,201 | 7,236 | 224,744 | 86,867 |
| Depreciation and amortization | 4,226 | 7,098 | 13,900 | 7,767 |
| Impairment charges | 130,000 | -- | 130,000 | -- |
| Total operating costs and expenses | 413,368 | 173,942 | 1,451,341 | 310,684 |
| Net operating loss | (263,030 ) | (55,061 ) | (978,771 ) | (71,806 ) |
| Other income (expense): | | | | |
| Interest income (expense) | (4,580 ) | (15,960 ) | (10,204 ) | (22,607 ) |
| Total other income (expense) | (4,580 ) | (15,960 ) | (10,204 ) | (22,607 ) |
| Net loss | $ (267,610 ) | $ (72,021 ) | $ (988,975 ) | $ (94,413 ) |
| Loss per share - basic | $ (0.014 ) | $ (0.005 ) | $ (0.057 ) | $ (0.009 ) |
| Weighted average number of common | | | | |

| | | | | |
|---|---|---|---|---|
| shares outstanding - basic | 18,834,643 | 15,813,938 | 17,478,325 | 13,423,138 |

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

**ISSUER DIRECT CORPORATION**

**STATEMENTS OF CASHFLOWS**

**(UNAUDITED)**

| | Nine Months Ended September 30, 2008 | 2007 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | (988,975 ) | (94,413 ) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 13,900 | 7,767 |
| Impairment charges | 130,000 | |
| Stock-based expenses | 668,150 | 55,100 |
| Financing costs | | 25,000 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in accounts receivable | (21,493 ) | (50,558 ) |
| Decrease (increase) in deposits and prepaids | (1,359 ) | (3,076 ) |
| Increase (decrease) in accounts payable | 91,546 | 2,810 |
| Increase (decrease) in accrued expenses | 62,280 | (23,876 ) |
| Increase (decrease) in deferred revenue | | 6,420 |
| Increase (decrease) in due to related party | | (1,976 ) |
| Net cash used by operating activities | (45,951 ) | (76,803 ) |
| | | |
| **Investing activities** | | |
| Purchase of equipment | (9,221 ) | (6,769 ) |
| Capital outlay of intangible assets | | (30,000 ) |
| Acquisition of Edgarization | | 5,637 |
| Net cash used by investing activities | (9,221 ) | (31,132 ) |
| | | |
| **Financing activities** | | |
| Proceeds from sale of common stock | 50,000 | 255,000 |
| Payments on notes payable | | (87,289 ) |
| Payments for notes payable - other | (11,897 ) | |

| | | | | |
|---|---|---|---|---|
| Net cash provided by financing activities | | 38,103 | | 167,711 |
| Net change in cash | | (17,069 ) | | 59,776 |
| Cash - beginning | | 39,318 | | 8,401 |
| Cash - ending | $ | 22,249 | $ | 68,177 |
| Supplemental disclosure for non-cash investing and financing activities: | | | | |
| Non-cash activities: | | | | |
| Acquisition of assets related to the acquisition to Basset Press Inc. | $ | | $ | 73,847 |
| Accrued expenses settled by issuance of shares | $ | 71,000 | $ | 133,500 |

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

**ISSUER DIRECT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the Period Ended September 30, 2008**

**(Unaudited)**

***Note 1.***

***Description, Background and Basis of Operations***

*Nature of Operations*

Issuer Direct Corporation (the Company or Issuer Direct we us ) was incorporated in the state of Delaware October 1988 under the name Docucon Inc. Subsequent to the December 13, 2007 merger of My EDGAR, Inc., we changed our name to Issuer Direct Corporation. The transaction has been accounted for as a reverse merger in accordance with SFAS No. 141, Accounting for Business Combinations. My EDGAR was the acquiring entity for accounting purposes. While the transaction was accounted for using the purchase method of accounting, in substance the transaction was a recapitalization of My EDGAR s capital structure.

The surviving company was formed for the purposes of helping companies produce and distribute their financial and business communications both online and in print. As an issuer services focused company, Issuer Direct Corporation operates under several brands in the market, including Elite Financial Press, iProxy Direct, Issuer Logistics, The Edgar Service Bureau / My EDGAR, Bassett Press, Edgarization, and Shareholder Direct. We leverage our securities compliance and regulatory expertise to provide a comprehensive set of services that enhance a client's ability to communicate effectively with its shareholder base while meeting all reporting regulations required.

The unaudited interim balance sheet as of September 30, 2008 and statement of operations and cash flows for the three and nine month periods ended September 30, 2008 and 2007 included herein, have been prepared in accordance with the instructions for Form 10-Q under the Securities Exchange Act of 1934, as amended (the Exchange Act ), and Article 10 of Regulation S-X under the Exchange Act. In the opinion of the management, they include all normal recurring adjustments necessary for a fair presentation of the financial statements. Results of operations reported for the interim periods are not necessarily indicative of results for the entire year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements.

*Business History of Combinations*

On March 1, 2007, we acquired 100% of the interest in Edgarization, LLC, an EDGAR filing company. Under the asset purchase agreement we paid $30,000 in cash at closing, and we entered into a promissory note totaling $100,000 to be paid over 18 months.

On July 2, 2007, we acquired 100% of the interest in Bassett Press, Inc. ( Bassett Press ), a financial printing company, for $107,000 in cash and 300,000 shares of the Company s common stock. The merger agreement also called for us to assume other certain obligations totaling $64,533 over 24 months.

Both the asset purchase agreement with Edgarization, LLC., and acquisition with Bassett Press, Inc., were completed to increase the reach in the market and number of customers served to bring us closer to profitability.

We accounted for the acquisition using the purchase method of accounting in accordance with SFAS No. 141, Business Combinations. Our results of operations for the nine months ended September 30, 2007 include the activities of Bassett Press for the period from July 2, 2007, the date of acquisition, through September 30, 2007.

We recorded an impairment charge of $130,000, equal to the recorded goodwill from our acquisition in March 2007, during the quarter ended September 30, 2008. Management weighed specific business factors in evaluating the fair market value of the goodwill, such as:

.

General market conditions and lack of financing/liquidity/interest in the industry,

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Customers inability to pay for services timely,

.

Note payable to Edgarization, LLC., is in default,

.

Legal dispute against Edgarization in regards to interference of business ongoing by the note holder.

*Going Concern*

We have incurred losses since inception and have a working capital deficit of $235,163 and an accumulated deficit of $1,500,679 at September 30, 2008, which raises substantial doubt about its ability to continue as a going concern. We have funded our operations and marketing efforts since inception through the issuance of debt and equity securities. In order to continue execution of the business plan, increase marketing efforts and achieve profitable operations, we will need to obtain additional financing. Management s plans for funding future operations primarily include the sale of debt and equity securities. If we are unable to raise additional funds, our ability to continue as a going concern will be severely impacted. The financial statements do not include any adjustments that might result from the outcome of this uncertainty, including our inability to realize the carrying value of assets.

***Note 2.***

***Summary of Significant Accounting Policies***

The consolidated financial statements included in this report are for the three- and nine-month periods ended September 30, 2008 and 2007, comparatively.

*Cash and Cash Equivalents*

The Company considers all highly liquid debt instruments with original maturities not exceeding three months to be cash equivalents. We have maintained a minimal cash balance with a financial institution that has not exceeded insured limits during the reporting period. We have not experienced any losses in such account.

*Revenue Recognition*

We recognize revenue in accordance with SEC Staff Accounting Bulletin No. 104, Revenue Recognition, which requires that: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured. We recognize revenue when services are rendered or delivered, where collectability is probable. Revenue for completed but unbilled work is recognized based on our historical standard pricing for the type of service and is adjusted to actual when billed.

*Earnings per Share*

We comply with Statement of Financial Accounting Standards ( SFAS ) No. 128, Earnings per Share, which requires dual presentation of basic and diluted earnings per share. Basic EPS excludes dilution and is computed by dividing income (loss) available to common stockholders by the weighted-average common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Since the fully diluted loss per share for 2008 and 2007 was anti-dilutive, only basic loss per share has been presented.

*Allowance for Doubtful Accounts*

We provide an allowance for doubtful accounts, which is based upon a review of outstanding receivables as well as historical collection information. Credit is granted to most customers on an unsecured basis. In determining the amount of the allowance, management is required to make certain estimates and assumptions. During the quarter ending September 30, 2008, we recorded bad debt expense totaling $21,800, and recovered $250 of amounts previously written off. Accordingly, our allowance for doubtful accounts increased from $11,950 at December 31, 2007, to $34,009 at September 30, 2008.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Income Taxes*

We comply with SFAS No. 109, Accounting for Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amounts expected to be realized.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment to SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. SFAS No. 159 permits entities to measure certain financial assets and financial liabilities at fair value. SFAS No. 159 requires prospective application and is effective for fiscal years beginning after November 15, 2007. We do not expect the adoption will have a material effect on our results of operations or financial position.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations . This standard establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. This statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. This Statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years. We will adopt this standard during the first quarter of 2009, and we are currently evaluating the impact this standard will have on our financial statements.

In December 2007, the FASB issued SFAS 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 which applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. The statement is effective for annual periods beginning after December 15, 2008. Management is currently evaluating the effect this pronouncement will have on our financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133, (SFAS 161 ) as amended and interpreted, which requires enhanced disclosures about an entity s derivative and hedging activities and thereby improves the transparency of financial reporting. Disclosing the fair values of derivative instruments and their gains and losses in a tabular format provides a more complete picture of the location in an entity s financial statements of both the derivative positions existing at period end and the effect of using derivatives during the reporting period. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early adoption is permitted. Management is currently evaluating the effect this pronouncement will have on our financial statements.

In May 2008, the FASB issued SFAS No. 163, Accounting for Financial Guarantee Insurance Contracts an interpretation of FASB Statement No. 60 (SFAS 163 ). SFAS 163 requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. Those clarifications will increase comparability in financial reporting of financial guarantee insurance contracts by insurance enterprises. This Statement requires expanded disclosures about financial guarantee insurance contracts. The accounting and disclosure requirements of the Statement will improve the quality of information provided to users of financial statements. SFAS 163 will be effective for financial statements issued for fiscal years beginning after December 15, 2008. We do not expect the adoption of SFAS 163 will have a material impact on our financial condition or results of operation.

***Note 3:***

***Goodwill Impairment***

We have identified our critical accounting policies, the application of which may materially affect the financial statements, either because of the significance of the financial statement item to which they relate, or because they require management s judgment in making estimates and assumptions in measuring, at a specific point in time, events which will be settled in the future. The critical accounting policies, judgments and estimates which management believes have the most significant effect on the financial statements are set forth below:

For the period ended September 30, 2008, we have a recorded an impairment charge of $130,000, which is the amount of goodwill that we recorded as a result of an acquisition in March 2007. Management weighed specific business factors such as:

.

General market conditions and lack of financing/liquidity/interest in the industry,

.

Customers inability to pay for services timely,

.

Note payable to Edgarization, LLC., is in default,

.

Legal dispute against Edgarization in regards to interference of business ongoing by the note holder

*Note 4:*

***Notes payable - other***

As of September 30, 2008, we had two unsecured notes payable totaling $109,895 as follows:

| | September 30, 2008 | December 31, 2007 |
|---|---|---|
| Unsecured Note Payable in connection with the asset purchase agreement in March 2007, with interest of 8%, due on August 8, 2008. (Note is currently in default) | $ 51,407 | $ 57,258 |
| Unsecured Note Payable in connection with the July 2, 2007 acquisition of Bassett Press, with interest of 8%, due and payable monthly, due on July 17, 2009. | 58,488 | 65,434 |
| | 109,895 | 121,792 |
| Less current portion | 109,895 | 121,792 |
| Total long-term notes payable- other | $ | $ |

On June 10, 2008, we entered into a settlement and release agreement ( Agreement ) with the holder of the Note Payable that we issued in March 2007. Pursuant to the terms of the agreement, the holder agreed to accept $46,205 in full payment of principal and interest on or before August 8, 2008. We have not repaid the note as of the date of this filing, and accordingly, it is in default and all original unpaid principal and interest accrued thereon is due and payable. See note 3 above.

*Note 5:*

***Notes payable Related Party***

As of September 30, 2008, we had three unsecured related party notes payable outstanding, totaling $73,525 as follows:

| | September 30, 2008 | December 31, 2007 |
|---|---|---|
| Note Payable to our Chief Executive Officer in the amount of $25,000 for various obligations the former company was party to, including former legal counsel, former transfer agent and tax obligations with the state of Delaware. The unsecured note carries interest in the amount of 8% per annum and is due on December 31, 2008 or upon completion of a financing agreement totaling $250,000. | $ 23,525 | $ 23,525 |
| Unsecured Note Payable to a Director of the Company in the amount of $25,000, with interest of 8%, due on receipt by the Company or its | 25,000 | 25,000 |

| | | | | |
|---|---|---|---|---|
| designated escrow agent the placement agent funds of an aggregate of $1,000,000 in gross proceeds of the Private Placement. | | | | |
| Unsecured Note Payable to a Director of the Company in the amount of $25,000, with interest of 8%, due on receipt by the Company or its designated escrow agent the placement agent funds of an aggregate of $1,000,000 in gross proceeds of the Private Placement. | | 25,000 | | 25,000 |
| Total notes payable- related party | $ | 73,525 | $ | 73,525 |

***Note 6:***

***Preferred stock and common stock***

During the nine months ended September 30, 2008, we issued shares of our common stock as follows:

| | **Nine months ended September 30, 2008** |
|---|---|
| Outstanding at January 1, 2008 | 16,235,723 |
| Equity issued during nine months ended September 30 | |
| Issued for services 1 | 1,698,994 |
| Issued for equity 2 | 100,000 |
| Issued for employment incentives 3 | 800,000 |
| Outstanding at September 30, 2008 | 18,834,717 |

1.

Shares issued for services to consultants:

.

On February 1, 2008, 450,000 shares were issued to a consultant under an agreement entered into on November 1, 2007. The fair market value of the shares totaled $229,500, or $0.51 per share, which represents the closing price on the date of issuance. These shares were issued as restricted securities as defined under Rule 144.

.

In February 2008, we issued 150,000 of our common stock to a consultant and former officer of Bassett Press, who is not an employee of the Company, pursuant to an agreement which provided for the issuance of 50,000 shares of our common stock prior to a three-for-one forward split that occurred simultaneous to our acquisition of Basset Press in June 2007. The fair market value of the shares totaled $62,500, or $0.42 per share ($1.25 on a pre-split basis). These shares were issued as restricted securities as defined under Rule 144.

.

On February 5, 2008, we issued 42,000 shares of our common stock to the former officers of Docucon for services accrued in fiscal 2007. The fair market value of the shares totaled $29,400, or $0.70 per share, which represents the closing price on the date of issuance. These shares were issued as restricted securities as defined under Rule 144.

.

On January 28, 2008, we entered into an agreement with a consultant and issued 100,000 shares of our common stock in connection with the agreement. The fair market value of the shares totaled $74,000, or $0.74 per share, which represents the closing price on the date of issuance. These shares were issued as restricted securities as defined under Rule 144.

.

On May 15, 2008, the Company entered into an agreement pursuant to a potential acquisition wherein we issued 150,000 shares of our common stock in exchange for exclusivity period rights. Due diligence was conducted and the exclusivity period expired without definitive action by the Company. The fair market value of the shares totaled $33,000, or $0.22 per share, which represents the closing price on the date of the agreement. These shares were issued as restricted securities as defined under Rule 144.

.

On June 5, 2008, we entered into a consulting agreement with our Chief Financial Officer and agreed to issue 32,000 shares of our common stock in payment of services rendered in June and July 2008. The fair market value of the shares totaled $8,000, or $0.25 per share, which represents the closing price on the date of the agreement. These shares were issued pursuant to the consultant agreement as restricted securities as defined under Rule 144.

.

On June 30, 2008, we entered into an advisory services agreement with a Consultant to serve as a member of the Company s advisory board to render services to assist us with various aspects of financing, business operations, acquisition identification, and other advisory services. We issued 150,000 shares pursuant to the advisory board agreement as restricted securities as defined under Rule 144. The fair market value of the shares totaled $78,000, or $0.52 per share, which represents the closing price on the date of issuance.

.

On August 29, 2008, we issued 175,000 shares to an individual in settlement of the individual s claim for unpaid consulting services. The fair market value of the shares totaled $8,750, or $0.05 per share, which represents the closing price on the date of the agreement.

.

On September 2, 2008, we issued 150,000 shares to a Consultant pursuant to an advisory services agreement as restricted securities as defined under Rule 144. The advisory services agreement engages the Consultant to serve as a member of the Company s advisory board and to render services to assist us with various aspects of financing, business operations, acquisition identification, and other advisory services. The fair market value of the shares totaled $7,500, or $0.05 per share, which represents the closing price on the date of the agreement.

.

On September 16, 2008, we issued 300,000 shares pursuant to an amended consulting agreement with our Chief Financial Officer in payment of services. These shares were issued as restricted securities as defined under Rule 144. The fair market value of the shares totaled $21,000, or $0.07 per share, which represents the closing price on the date of the agreement.

2.

Shares issued in connection with equity agreements.

.

On February 27, 2008, we sold 50,000 shares of our common stock to an accredited investor for $25,000 in cash in a transaction that did not involve a public offering. The fair market value of the shares totaled $25,000, or $0.50 per share.

.

On June 12, 2008, we sold 50,000 shares of our common stock to an accredited investor for $25,000 in cash in a transaction that did not involve a public offering. The fair market value of the shares totaled $25,000, or $0.50 per share.

The proceeds from these sales were used for general corporate purposes. These shares were issued as restricted securities as defined under rule 144 and carry piggy back registration rights pursuant to our next registration statement.

9

3.

Shares issued for compensation:

.

On February 2, 2008, we issued 150,000 shares of our common stock in connection with an employment agreement with a former officer of Bassett Press. The fair market value of the shares totaled $25,000, or $0.25 per share, which represents the closing price on the date of the agreement. These shares were issued pursuant to the consultant agreement as restricted securities as defined under rule 144.

.

On June 30, 2008, we issued a total of 650,000 shares, or 275,000, 225,000, and 150,000 shares of our common stock to our CEO, President, and Director of Business Development, respectively, as bonus compensation in recognition of their service to the Company. The fair market value of the shares totaled $162,500, or $0.25 per share, which represents the closing price on the date the compensation was approved. These shares were issued pursuant to the consultant agreement as restricted securities as defined under rule 144.

On July 7, 2008, we amended our Articles of Incorporation accordingly, and as of that date, we have 100,000,000 authorized shares of common stock, par value $0.001. Additionally, we have 10,000,000 authorized shares of preferred stock, of which 60 shares are designated as Series A preferred stock, par value $1.00 and 476,200 shares are designated as Series B preferred stock, par value $1.00.

***Note 7:***

***Selected Quarterly Financial Data***

***Concentrations***

For the three- and nine-month periods ended September 30, 2008 and 2007, we earned revenues (as a percentage of total revenues) in the following categories:

| | **Three Months Ended September 30** | | **Nine Months Ended September 30** | |
|---|---|---|---|---|
| *Revenue Segments* | **2008** | **2007** | **2008** | **2007** |
| Document conversion | 48.4% | 76.5% | 49.0% | 80.4% |
| Printing and financial communication | 28.4% | 20.9% | 31.1% | 17.6% |
| Fulfillment and distribution | 17.3% | 2.6% | 16.0% | 2.0% |
| Software Licensing | 5.9% | % | 3.9% | % |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

No one customer accounted for greater than 10% of the operating revenues of our core services during the nine-month period ended September 30, 2008. One customer accounted for 15% of our operating revenues during the three-month period ended September 30, 2008. At September 30, 2008, another customer accounted for 10% of our total accounts receivable. Two customers accounted for 11% and 17% (28% total) of the operating revenues of our core services during the nine-month period ended September 30, 2007. One customer accounted for greater than 12% of the operating revenues of our core services during the three-month period ended September 30, 2007.

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

**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 THERETO INCLUDED ELSEWHERE IN THIS FORM 10-Q. THIS FORM 10-Q CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. THE STATEMENTS CONTAINED IN THIS FORM 10-Q THAT ARE NOT PURELY HISTORICAL ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT AND SECTION 21E OF THE EXCHANGE ACT. WHEN USED IN THIS FORM 10-Q, OR IN THE DOCUMENTS INCORPORATED BY REFERENCE INTO THIS FORM 10-Q, THE WORDS "ANTICIPATE," "BELIEVE," "ESTIMATE," "INTEND" AND "EXPECT" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION, THE STATEMENTS REGARDING THE COMPANY'S STRATEGY, FUTURE SALES, FUTURE EXPENSES, FUTURE LIQUIDITY AND CAPITAL RESOURCES. ALL FORWARD-LOOKING STATEMENTS IN THIS FORM 10-Q ARE BASED UPON INFORMATION AVAILABLE TO THE COMPANY ON THE DATE OF THIS FORM 10-Q, AND THE COMPANY ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE DISCUSSED IN THIS FORM 10-Q. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES ( CAUTIONARY STATEMENTS ) INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN ITEM 1. BUSINESS--"RISK FACTORS" AND ELSEWHERE IN THE COMPANY'S ANNUAL REPORT ON FORM 10-KSB, WHICH ARE INCORPORATED BY REFERENCE HEREIN AND IN THIS REPORT. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE COMPANY, OR PERSONS ACTING ON THE COMPANY S BEHALF, ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS.

***Overview***

Issuer Direct Corporation (Issuer Direct Corporation and its business are hereinafter collectively referred to as Issuer Direct , the Company , We or Our unless otherwise noted), was formed in February 2006 as My Edgar Inc; full-service provider of financial print and related compliance communications both online and in print. We acquired Edgarization, LLC and Basset Press in March and July 2007, respectively. In December 2007, we became publicly traded through a reverse merger transaction with Docucon Incorporated, a Delaware company. In December 2007, we changed our name to Issuer Direct Corporation.

Our mission is to alleviate the complexity of maintaining compliance and as a shareholder communication company; we are dedicated to assisting our corporate issuers in an ever-changing regulatory environment and to comply with the myriad of rules imposed by regulatory bodies. The majority of our business involves the distribution of content either electronically or paper to governing bodies and shareholders alike through our integrated back office systems and service platform.

We continue to focus on both the organic growth of our business segments as well as evaluating potential acquisitions that would compliment our operations and accelerate our overall goals of market share and profitability.

**Revenue Segments**

The Company operates primarily in the financial compliance and print portion of the sector, with related service offerings designed to offer issuers a comprehensive set of solutions for communicating their messages to their audiences. The Company s segments and their product and service offerings are summarized below:

*Compliance and Reporting Services-* Our Compliance and reporting services business segment primarily consist of Securities and Exchange filings submitted through the EDGAR system, document typesetting, design layout and full production pre-press services for corporate issuers, law firms, funds and transfer agents. Our services extend beyond traditional Edgarization and into the next generation of dynamic data, portable documents, and full support of XBRL.

*Printing and Financial Communications* Continues to gain significant growth quarter of quarter since our expansion of digital print management, print on demand services have been added to the traditional web press financial printing that occurred in the past and occurs in our industry. We have established a competitive advantage in the market by bundling our short run service offering to issuers desiring to print what we refer to as one to many of any corporate documents or compliance filing.

*Fulfillment and Distribution* is a seasonal business segment for us. We anticipate the hiring of temporary employees during cyclical periods such as proxy season to fulfill the demand for delivery of material to millions of shareholders. We signed a strategic partnership at the end of fiscal 2007 with Global Mail to significantly handle the least cost routing option of the postal service, resulting in the delivery of time sensitive material to the mailboxes of shareholders quicker than traditional methods.

*Software Licensing* is a business segment that overlaps our entire business and continues to increase our efficiencies and profitability as well as manage our issuers data, shareholders, communications and compliance requirements from one portal. Our systems continue to be developed to meet the growing needs of compliance and regulatory requirements and additional services such as transfer agency services. We currently are deriving our software licensing revenues from our iProxy Direct online system.

***Results of Operations***

Management evaluates each of our segment revenue streams separately and in combination to evaluate the different factors that could affect our financial results. Although each revenue segment lacks historical operations, management has to make certain market assumptions as it relates to each segment; additionally each segment is subject to review and evaluation by our management for such things as current market conditions, seasonality, market opportunities and available resources.

Below is a comparison of the revenues generated by each of our business segments for the three- and nine-month periods:

***Comparison of results of operations for the three months ended September 30, 2008 and 2007:***

| | Three Months Ended September 30, | | |
|---|---|---|---|
| | 2008 | 2007 | % change |
| *Business Segments* | | | |
| Revenues | | | |
| Compliance and reporting services | $ 151,147 | $ 170,312 | (11.3 )% |
| Print and financial communications | 88,717 | 46,447 | 91.0 % |
| Fulfillment and distribution | 54,034 | 5,938 | 810.0 % |
| Software licensing | 18,479 | | 100 % |
| Total | $ 312,377 | $ 222,697 | 40.3 % |

Revenue earned from compliance and reporting services decreased 11.3% in the quarter ending September 30, 2008, as compared to the comparable 2007 period. Several factors contributed to the decrease in the period including the overall financial market condition and decrease in the number of filings by each issuer as well as the permanent loss of customers from the Edgarization acquisition.

Revenues generated from print and financial communications and fulfillment and distribution services increased substantially as a result of our focus on increasing the revenue per client by selling these additional services. While the cost to deliver such services as a percentage of revenue are greater than the cost to deliver compliance and reporting services, they produce positive gross margins. Additionally, revenues generated from fulfillment and distribution as well as software licensing services increased as they are tied to financial printing and communications.

***Comparison of results of operations for nine months ended September 30, 2008 and 2007:***

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| *Business Segment information* | **2008** | **2007** | **% change** |
| Revenues | | | |
| Compliance and reporting services | $ 518,221 | $ 309,561 | 67.4 % |
| Print and financial communications | 328,378 | 67,650 | 385.4 % |
| Fulfillment and distribution | 168,648 | 8,013 | 2004.8 % |
| Software licensing | 41,279 | | 100 % |
| Total | $ 1,056,526 | $ 385,224 | 174.3 % |

The increase in revenue in the fiscal 2008 periods is a result of our acquisition of Basset Press in July 2007; the fiscal 2007 period includes only revenues earned in the three month period from the date of acquisition on July 2, 2007 through September 30, 2007. As a result of that transaction, revenues generated from print and financial communications and fulfillment and distribution services increased substantially. While the cost to deliver such services as a percentage of revenue are greater than the cost to deliver compliance and reporting services, they produce positive gross margins.

Additionally, revenues generated from compliance and reporting services for the nine month period ended September 30, 2008 increased as we sold such services to a broader customer base.

For the three- and nine-month periods ended September 30, 2008 and 2007, we earned revenues (as a percentage of total revenues) in the following categories:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| *Revenue Segments* | **September 30, 2008** | **September 30, 2007** | **September 30, 2008** | **September 30, 2007** |
| Document conversion | 48.4% | 76.5% | 49.0% | 80.4% |
| Printing and financial communication | 28.4% | 20.9% | 31.1% | 17.6% |
| Fulfillment and distribution | 17.3% | 2.6% | 16.0% | 2.0% |
| Software licensing | 5.9% | 0.0% | 3.9% | 0.0% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

No one customer accounted for greater than 10% of the operating revenues of our core services during the nine-month period ended September 30, 2008. One customer accounted for 15% of our operating revenues during the three-month period ended September 30, 2008. Two customers accounted for 11% and 17% (28% total) of the operating revenues of our core services during the nine-month period ended September 30, 2007. One customer accounted for greater than 12% of the operating revenues of our core services during the three-month period ended September 30, 2007. Our actual results may differ substantially from those anticipated in any forward-looking statements included in this discussion as a result of various factors, including those set forth in Risk Factors contained elsewhere in this Current Report.

***Cost of Services and Gross Margin.***

Cost of services consists of direct labor, third party software licensing, print production materials, postage and delivery, and outside services directly related to the delivery of services. Our gross margin, while declining as a percentage of total sales due to the higher volume of printing and financial, increased in the three- and nine-month periods by $31,457 and $233,692.

***Operating Expenses***

***General and Administrative Expense***

General and administrative expenses consist primarily of salaries, insurance, fees for professional services, general corporate expenses and facility and equipment expenses. General and administrative expenses for the three-month period ended September 30, 2008 increased $58,333 to $217,941 from $159,608 for the comparable period in fiscal 2007. General and administrative expenses for the nine-month period ended September 30, 2008 increased $866,647 to $1,082,697 from $216,050 for the comparable period in fiscal 2007. The three- and nine-month periods ended September 30, 2008 included $37,250 and $668,150, respectively, in expenses paid through the issuance of common stock for salaries and consulting fees. The increase was primarily due to the consulting fees and salaries that were incurred as we sought and evaluated growth and acquisition activities and transactions.

***Sales and Marketing Expenses***

Sales and marketing expenses consist primarily of salaries, sales commissions, sales consultants, advertising expenses, and marketing. Sales and marketing expenses for the three-month period ended September 30, 2008 increased 745.8%, or $53,965, to $61,201, as compared to the same period in fiscal 2007. Sales and marketing expenses for the nine-month period ended September 30, 2008 increased 158.7%, or $137,877, to $224,744 for the same nine-month period in fiscal 2007. The increased expenses, which include $37,500 of stock-based (non-cash) compensation, are a result of the expansion of our sales and marketing efforts and increase in client related activities.

***Depreciation and Amortization***

Depreciation and amortization decreased slightly during the three-month period ended September 30, 2008 by $2,872, from $7,098 to $4,226, due to a higher level of depreciation of Basset Press assets in the comparable 2007 period. Depreciation and amortization increased during the nine-month period ended September 30, 2008 by $6,133, to $13,900 as compared to the comparable fiscal 2007 periods. The increase in such expenses is a result of the depreciation and amortization of assets acquired during fiscal 2007.

***Impairment Charges***

W recorded an impairment charge of $130,000 during the quarter ending September 30, 2008, which is the amount of goodwill that we recorded as a result of an acquisition in March 2007. Management weighed specific business factors such as:

.

General market conditions and lack of financing/liquidity/interest in the industry,

.

Customers inability to pay for services timely,

.

Note payable to Edgarization, LLC., is in default,

.

Legal dispute with Edgarization as we believe the note holder has interfered with our ongoing business.



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***Liquidity and Capital Resources***

Current liabilities as of September 30, 2008, totaled $410,142, including accounts payable for accounting, legal and general operations of all business segments, as well as various short-term notes payable, as compared to $339,213 as of December 31, 2007. At September 30, 2008, the Company s total liabilities exceeded the total assets by $45,068.

***2008 Outlook***

The following statements and certain statements made elsewhere in this document are based upon current expectations. These statements are forward looking and are subject to factors that could cause actual results to differ materially from those suggested here, including, without limitation, demand for and acceptance of the Company s services, new developments, competition and general economic or market conditions, particularly in the domestic and international capital markets. Our 2008 Outlook does not reflect any additional acquisitions we may complete during the period. Refer also to the Cautionary Statement Concerning Forward Looking Statements included in this report.

The Company s management expects to improve its overall market position through 2008 through our unique offering segments that yield a competitive advantage in the marketplace even though we operate in a competitive sector. As a single source financial printer, compliance and communications company to issuers and capital markets, we expect to see significant growth through 2008 in our print and financial communications as well as our fulfillment and distribution business segments. We anticipate further consolidation in the marketplace of financial printers and suppliers in 2008, which may result in pricing pressures; however we believe our unique business segments will provide us the opportunity to increase our overall market. Additionally we expect to continue our aggressive business segment expansion to remain competitive in the market and provide the additional competitive advantages in the market.

We expect to substantially increase our revenues in our financial printing and communications, as well as our fulfillment and delivery (*e*delivery) segment as the number of financial communication pieces printed and delivered to shareholders is expected to rise in 2008 over 2007. This includes the notice and access offering that accelerated filers have the option to participate in effective in 2008.

Technological advancements - such as the electronic distribution of documents, online distribution and notice and access programs, as well as our unique print-on-demand technology will impact the markets we serve in 2008 and beyond and create a larger demand for our products and services. Looking forward we have accounted for the possible substitute of traditional printed materials for a more robust electronic delivery and online voting system. To address these longer term industry concerns we have spent considerable amounts of time in specific segments of our business, building brands around Notice and Access, through our Issuer Hub and iProxy Direct systems, coupled with our expedited mail relationship that has created our Issuer Logistics model.

***Off Balance Sheet Arrangements***

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

**ITEM 3.**

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

None.

**ITEM 4T.**

**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 Company s disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934). Based upon this evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are not effective and have not changed since its most recent annual report.

There have been no changes in the Company s internal controls over financial reporting that occurred during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Beginning in the fiscal year ended December 31, 2007, we became obligated to establish and maintain adequate internal disclosure controls and procedures. We also became obligated to evaluate, on a quarterly basis, the effectiveness of the Company s internal disclosure controls and procedures, and to disclose the results of those periodic evaluations in the quarterly and annual reports we file under the Exchange Act from that date forward.

We re-evaluated the effectiveness of the Company s internal disclosure controls and procedures as of the date of this report with the participation of Brian R. Balbirnie, who, as of the date of this report, was the Company s Chief Executive Officer, and Lori Jones the Company s Chief Financial Officer, both together the executive officers. Based on that evaluation, we concluded that as of the date of this report, the Company s internal disclosure controls and procedures are not effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it will subsequently file or submit to the SEC will be recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and include, without limitation, controls and procedures designed to provide reasonable assurance that such information is accumulated and communicated to the Company s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

## PART II OTHER INFORMATION

**ITEM 1.**

**LEGAL PROCEEDINGS.**

From time to time the Company may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of business. We are not currently involved in any legal proceedings that we believe could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations.

**ITEM 1A.**

**RISK FACTORS.**

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

**ITEM 2.**

**UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

On August 29, 2008, we issued 175,000 shares to an individual in settlement of the individual s claim for unpaid consulting services. The fair market value of the shares totaled $8,750, or $0.05 per share, which represents the closing price on the date of the agreement.

On September 2, 2008, we issued 150,000 shares to a Consultant pursuant to an advisory services agreement as restricted securities as defined under Rule 144. The advisory services agreement engages the Consultant to serve as a member of the Company s advisory board and to render services to assist us with various aspects of financing, business operations, acquisition identification, and other advisory services. The fair market value of the shares totaled $7,500, or $0.05 per share, which represents the closing price on the date of the agreement.

On September 16, 2008, we issued 300,000 shares pursuant to an amended consulting agreement with our Chief Financial Officer in payment of services. These shares were issued as restricted securities as defined under Rule 144. The fair market value of the shares totaled $21,000, or $0.07 per share, which represents the closing price on the date of the agreement.

**ITEM 3.**

**DEFAULTS UPON SENIOR SECURITIES.**

We are in default of the terms of our note payable to Edgarization, LLC, which was accelerated when we failed to repay the note on August 8, 2008.

**ITEM 4.**

**SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

Not applicable.

**ITEM 5.**

**OTHER INFORMATION.**

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

**ITEM 6.**

**EXHIBITS.**

(a)

Exhibits.

**Exhibit**

**Number**

**Description**

31.1

Rule 13a-14(a) Certification of Principal Executive Officer.*

31.2

Rule 13a-14(a) Certification of Principal Financial Officer.*

32.1

Section 1350 Certification of Principal Executive Officer.*

<u>32.2</u>

Section 1350 Certification of Principal Financial Officer.*

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* Filed herewith

## SIGNATURES

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

Date: November 14, 2008

**ISSUER DIRECT CORPORATION**

| | |
|---|---|
| By: | /s/ BRIAN R. BALBIRNIE |
| | Brian R. Balbirnie |
| | Chief Executive Officer |