ISSUER DIRECT CORP
Form 10-K
March 14, 2017

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

FORM 10-K

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

For The Year Ended: December 31, 2016

ISSUER DIRECT CORPORATION
(Name of small business issuer in its charter)

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

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.001 per share	NYSE MKTS.

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

None
(Title of Class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2016, the last business day of the registrant's second fiscal quarter, was approximately $18,172,473 based on the closing price reported on the NYSE MKT as of such date.

As of March 14, 2017, the number of outstanding shares of the registrant's common stock was 2,904,114.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement relating to its 2017 annual meeting of stockholders (the “2017 Proxy Statement”) are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2017 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the year to which this report relates.

Table of Contents

CAUTIONARY STATEMENT

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

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

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

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

Dependence on key personnel.

Fluctuation in quarterly operating results and seasonality in certain of our markets.

Our ability to raise capital to fund potential acquisitions or other growth initiatives.

Our ability to successfully integrate and operate acquired or newly formed entities, ventures and or subsidiaries.

Changes in laws and regulations that affect our operations and demand for our products and services.

Available Information

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

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

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

Company Overview

Issuer Direct Corporation (Issuer Direct Corporation and its subsidiaries are hereinafter collectively referred to as “Issuer Direct”, the “Company”, “We” or “Our” unless otherwise noted). We are a Delaware corporation formed in October 1988 under the name Docucon Incorporated. In December 2007, we changed our name to Issuer Direct Corporation. Our corporate offices are located at 500 Perimeter Park Drive, Suite D, Morrisville, North Carolina, 27560.

Businesses

Issuer Direct is a market leader and innovator of disclosure management solutions, shareholder communications tools and cloud–based compliance technologies. We alleviate the complexity of maintaining compliance with our 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. The Company’s core technology, Platform id (formerly our Disclosure Management System, or DMS) – is a secure cloud-based communications and compliance system for corporate issuers, mutual funds, and compliance professionals.

We work with a diverse client base in the financial services industry, including brokerage firms, banks and mutual funds. We also sell products and services to corporate issuers, professional firms, such as investor relations and public relations, and the accounting and the legal communities. Corporate issuers and their constituents utilize our cloud-based platforms and related services from document creation all the way to dissemination to regulatory bodies, platforms and shareholders.

We report our product and service revenue in three revenue streams:

Disclosure management,

Shareholder communications and,

Platform and technology

Our current brands and products include the following:

Issuer Direct™

Accesswire™

Investor Network™

Blueprint™

Classify™

iProxy Direct

iR Direct

Annual Report Service (ARS)

We announce material financial information to our investors using our investor relations website, Securities and Exchange Commission ("SEC") filings, investor events, news and earnings releases, public conference calls and webcasts. We use these channels as well as social media to communicate with our investors and the public about our company, our products and services, and other issues. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on the social media channels listed below. This list may be updated from time to time on our investor relations website:

www.issuerdirect.com/about-us
www.facebook.com/issuerdirectcorporation
www.twitter.com/issuerdirect
www.linkedin.com/company/issuer-direct-corporation
www.issuerdirect.com/blog/

The contents of the above websites are not intended to be incorporated by reference into this annual report on Form 10-K or in any other report or document we file, and any reference to these websites are intended to be inactive textual references only.

Disclosure Management

Our disclosure business consists of our traditional document conversion, typesetting and pre-press design services, XBRL tagging services, and the issuance of securities as it relates to our stock transfer business. These services represent our disclosure offerings that are regulated by the Securities and Exchange Commission.

A portion of our disclosure business also comes from strategic relationships, where we manage the compliance functions for our partners' clients. Since we do not have the relationship with the end client, it is difficult to predict the growth from this business. We have seen some partner client attrition in the smaller cap space, due to significant pricing pressure.

Shareholder Communications

Our shareholder communications offerings are centered around annual and quarterly earnings events of a public company, which includes our press release distribution, investor outreach and engagement services, webcast teleconference services, investor hotline and our legacy proxy and printing services. Many of these services are marketed and bundled under annual agreements. Like our disclosure business, our communications offerings help make up our proprietary cloud-based platform. This platform has become a significant competitive advantage when competing in the corporate issuer marketplace.

Press Release Distribution

Our press release platform, Accesswire, is a cost-effective FD (Fair Disclosure) news dissemination service. We acquired the business on October 29, 2014. Accesswire is dependent upon several key partners for news distribution, some of which are also partners that we rely on for other shareholder communications services. A disruption in any of these partnerships could have an adverse impact on our business.

The Accesswire business focuses on press release distribution for both private and publicly held companies. We anticipate the press release business to be an area where we will continue to add new clients throughout 2017 and beyond, and as such, we will continue to brand our press release offerings under the name Accesswire, which we believe will solidify our market position in the newswire business.

Investor Outreach and Engagement

Our investor outreach and engagement offering, formerly known as the Annual Report Service ("ARS"), now known as the Investor Network, was acquired from PrecisionIR ("PIR"). The ARS business has existed for over 20 years primarily as a physical hard copy delivery service of annual reports and prospectuses globally for tens of thousands of customers. As part of our integration with PrecisionIR during 2014, we updated these legacy systems and integrated them into our platform. We continue to operate a portion of this legacy system and continue to migrate the install base over to Investor Network, which is a digital platform and outreach engagement dataset. Portions of this legacy system are still operational, specifically for those who opt to take advantage of physical delivery of material.

Webcasting – Teleconference

There are over 5,000 companies in North America conducting earnings events that include teleconference, webcast or both as part of their events. Our platform incorporates each element of the earnings event including earnings announcement, earnings press release, and SEC Form 8-K filings. There are a handful of our competitors that can offer this today, however, we believe our real-time event setup and integrated approach offers a more effective way to manage the process as well as attract an audience of investors. Additionally, all webcasts and teleconferences are broadcast live on our Investor Network properties, which allows our clients to reach a broader audience.

We currently market and sell our webcasting platforms and teleconference systems in North America, United Kingdom, Sweden and Germany, the current markets in which we have clients subscribing to our platforms.

Investor Hotline

Our Investor Hotline platform is an add-on product within our shareholder communications business. A good percentage of our clients using this service are Fortune 500 companies, which utilize our platform to extend their corporate investor relations systems to and with our shareholder delivery platform. This system delivers notifications and documents to shareholders, institutions and to industry partners, such as annual and quarterly reports, earnings data, transcripts and other unique content from our issuer clients.

Proxy – Printing and Voting

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

Platform and Technology

As the Company continues its transition to a cloud-based subscription business, we expect the platform and technology portion of our business to continue to expand over the next several years. Leading this transition are product subscriptions from each of our core businesses, disclosure management and shareholder communications.

In disclosure management, Blueprint is our cloud-based document conversion, editing and filing platform for corporate issuers seeking to insource the document drafting, editing and filing processes. Blueprint is available in both a secure public cloud within the Company's disclosure management system, as well as in a private cloud for corporations, mutual funds and the legal community looking to further enhance their internal document process. Our belief is that once fully marketed and as Blueprint sales begin to ramp, we will see a negative impact on our legacy disclosure services business in the future. However, the margins associated with our subscription business compared to our services business are higher and align with our long-term strategy, as such we believe Blueprint will have a positive impact on our net income in the future.

In our shareholder communications business we have Classify – our buy-side, sell-side and media targeting database and intelligence platform. This new subscription-based platform is centered around both our shareholder communications and news distribution businesses. We believe our data-set will be an attractive option for both investor relations and public relations firms and for corporate issuers looking for an alternative to current products in the market, based on price and flexibility, as well as data quality and quantity. Because this is a new offering for Issuer Direct, which will complement other products and services, we anticipate Classify will increase our average revenue per user based on its competitive cloud licensing options.

Additionally, our product roadmap includes further development of both our Investor Network and Classify products that we will continue to commercialize and bring to market during the first half of 2017. These two new cloud-based products will be a key component of our communications technology business. We expect the proprietary data-set to generate revenues from the corporate issuers initially then to the investment community thereafter. The Investor Network has replaced the ARS and Company Spotlight brands as we continue to transition this business from hard copy to digital delivery and real-time engagement. This transition continued during 2016, and will continue for the beginning part of 2017, as further clients transition from our legacy ARS to our new digital platforms.

In the teleconference and webcasting space we are continuing to spend time developing and integrating our current systems and processes with our platform and partners. The earnings event business is a highly competitive space with the majority of the business being driven from practitioners in the investor and communications firms. During the end of 2016, we created an application protocol interface (API) for the webcast marketplace, and will begin partnering with publishers, and other platforms to license our datasets, which we believe will further increase our brand awareness. This API license will allow publishers to query single or multiple companies' current and past earnings calls and present those on their platforms. We believe this will increase the demand for our webcasting services.

Our Strategy

We strive to improve the way businesses collect, manage, communicate, report and analyze their data. Our overall strategy includes:

Expansion of Current Customers

We expect to continue to see demand for our products within our client base. Migrating client contracts over to our subscription-based platforms will naturally help align the Company's recurring revenues and long-term strategies. Additionally, as part of our client expansion efforts, we are committed to working beyond the single point of contact and into the entire C suite (CEO, CFO, IRO, Corporate Secretary, etc.).

Focus on Organic Growth

Our primary growth strategy continues to be selling our subscription-based platforms via Platform id to new clients under our cloud-based arrangement, whereas in the past we were inclined to sell single solutions and not subscriptions, in highly commoditized businesses, that resulted in significant pricing pressures.

New Offerings

During 2017 and going forward, we will continue to innovate, improve and build new applications into and with our platform; with the ultimate objective of developing applications in combination, that are not offered by our competitors. As a company focused on technology offerings, we understand the importance of advancements and fully appreciate the risks and consequences of losing our position as a market leader- a very common mistake many technology companies have made. The pursuit of technological innovation is and has been a part of our overall strategy as an organization over the last several years.

During 2017 we will bring to market several new products and platforms targeted at both our current install base as well as new clients. Many of these will be evident in our Investor Network brands and platforms – where we are reinventing the destination for both the professional and retail investors.

For example, we are seeing significant opportunities as a result of the Securities and Exchange Commission's new rule, Regulation A+. Regulation A+ offers us the opportunity to build, market and solidify our platform as a viable option to private companies seeking to raise capital under this rule and/or go public via this new regulation compared to a traditional initial public offering. Specifically, we believe our current technology and platforms as well as enhancements currently being made to our platforms may allow us to establish relationships much earlier in the life cycle of a business as it contemplates going public. A typical Regulation A+ offering will require substantial support in terms of processing subscription agreements and other offering coordination. We believe these increased needs of issuers will fit well with our Blueprint, Classify, Accesswire and stock transfer product bundles and potentially create higher revenues per issuer than we achieved in 2016. We intend to create and release certain platform API's during the first half of 2017 that will hopefully give us a competitive advantage in the Regulations A+ space.

Acquisition Strategy

We will continue to evaluate complimentary verticals and systems that we can integrate well into our current platforms. These opportunities need to be accretive and consistent with what the Company has done in the past. We will continue to maintain our product and technology focus, so it is highly likely we will look for acquisitions in areas we currently have revenues, that we refer to as "bolt on". In these transactions we will tend to look for key people, technologies, and long-term clients that will further enhance our overall market position.

7

Sales and Marketing

During 2017, we will continue to strengthen our brands in the market, by working aggressively to expand our new client footprint and continue to cross sell to increase average revenue per user. Our platform, systems and operations are built to handle growth – so with little capital or operational expense we can leverage this growth to produce further bottom line profits and cash flows.

Sales

Our global sales organization is responsible for generating new customer opportunities and expanding our current customers. We ended 2016 with a multi-tier organization, made up of Strategic Account Managers and Account Executives. We believe this structured approach is the most efficient and highly impactful way to reach new clients and also grow our current install base. The total compensation packages for these teams are heavily weighted with commission compensation and base salary to incent sales. All members of the team have sales quotas. At the end of December 31, 2016, we employed 14 full-time equivalent sales personnel.

We are on track to continue to expand our sales headcount during 2017 both in our current markets and also in verticals or countries where we have not typically had a sales presence. However, we expect a majority of the increase to be in our Accesswire business as well as in our cloud-based subscription products.

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

Marketing

Our marketing organization has also undergone reorganization between our businesses; our newly created marketing and business development team now manages both business-to-business and business-to-consumer marketing efforts. This alignment was necessary, as we get ready to release the rebranded Annual Report Service and Company Spotlight products into and with the new Investor Network. This organization is also responsible for collaborating with our sales teams on product marketing, outbound digital marketing and all social media efforts of our entire brand.

Technology

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

Industry Overview

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

The business services industry as it relates to compliance and communications is highly fragmented, with hundreds of independent service companies that provide a range of financial reporting, document management services and with a wide range of printing and technology software providers. The demands for many of our services historically have been cyclical and reliant on capital market activity. During 2016, we spent a considerable amount of time growing several new service offerings beyond our traditional compliance reporting and transaction services business. These new offerings will afford us the ability to reduce our revenue seasonality and provide a new baseline of recurring annualized contracts under our new subscription-based business.

Competition

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

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

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

Customers

Our customers include a wide variety of issuers, mutual funds, law firms, brokerage firms, banks, individuals, and other institutions. For the year ended December 31, 2016, we did work for approximately 2900 clients on our Accesswire platform and 1200 clients through our other products and services. We did not have any customers during the year ended December 31, 2016 that accounted for more than 10% of our revenue and no customer represented more than 10% of our year end accounts receivable balance.

Employees

As of December 31, 2016, we employed sixty full-time employees as compared to fifty-three full-time employees at December 31, 2015, none of which are represented by a union. Our employees work in our corporate offices in North Carolina, and in satellite locations throughout North America and the United Kingdom.

Facilities

Our headquarters are located in Morrisville, North Carolina. In October 2015, we agreed to an extension on our current lease to extend the maturity through October 2019. Our current office includes 16,059 square feet of office space. We believe we have sufficient space to sustain our growth through 2019. Additionally, we also have a shared office facility in London, England.

Insurance

We maintain both a general business liability policy and an errors and omissions policy in excess of $5,000,000 specific to our industry and operations. We believe that our insurance policies provide adequate coverage for all reasonable risks associated with operating our business. Additionally, we maintain a Directors and Officers insurance policy, which is standard for our industry and size. We also maintain key man life insurance on our Chief Executive Officer, our Chief Financial Officer, and one other key individual.

Regulations

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

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

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

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

Our transfer agency business, Direct Transfer, LLC, is subject to certain regulations, which are governed, without limitation by the SEC, with respect to registration with the SEC, annual reporting, examination, internal controls, tax reporting and escheatment services. Our transfer agency is approved to handle the securities of NYSE, NASDAQ and the Over the Counter listed securities; as well we select issuers traded on TSX.

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

ITEM 1A. RISK FACTORS.

Forward-Looking and Cautionary Statements

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

Risks related to our business

Revenue related to disclosure documents is subject to regulatory changes and volatility in demand, which could adversely affect our operating results.

We anticipate that our disclosure management services business will continue to contribute to our operating results going forward. The market for these services depends in part on the demand for investor documents, which is driven largely by capital markets activity and the requirements of the SEC and other regulatory bodies. Any rulemaking substantially affecting the content of documents to be filed and the method of their delivery could have an adverse effect on our business. Our disclosure management revenues will be adversely affected as clients implement technologies enabling them to produce and disseminate documents on their own.

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

Competition in our businesses is intense. The speed and accuracy with which we can meet client needs, the price of our services and the quality of our products and supporting services are factors in this competition. In our disclosure management business, we compete directly with several other service providers having similar degrees of specialization.

Our print and financial communications business faces diverse competition from a variety of companies including commercial printers, in-house print operations, direct marketing agencies, facilities management companies, software providers and other consultants. In commercial printing services, we compete with general commercial printers, which are far more numerous than those in the financial printing market.

These competitive pressures could reduce our revenue and earnings.

Approximately 13% of our revenue is generated overseas and the unstable global financial markets may adversely impact our revenue.

Approximately 13% of our annual revenue is generated in Europe. Global financial markets have experienced extreme disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. We are unable to predict the likely duration and severity of the effects of these disruptions in the financial markets and the adverse global economic conditions, and if the current uncertainty continues or economic conditions further deteriorate, our business and results of operations could be materially and adversely affected. The consequences of such adverse effects could include interruptions or delays in our ability to perform services or to get paid for services rendered.

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

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

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

We manage private and confidential information and documentation related to our clients’ finances and transactions, often prior to public dissemination. The use of insider information is highly regulated in the United States and abroad, and violations of securities laws and regulations may result in civil and criminal penalties. If we fail to keep our clients’ proprietary information and documentation confidential, we may lose existing clients and potential new clients and may expose them to significant loss of revenue based on the premature release of confidential information. We may also become subject to civil claims by our clients or other third parties or criminal investigations by appropriate authorities.

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

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

Technological change;

Frequent product and service introductions; and

Evolving client requirements.

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

Enhance our existing products and services;

Successfully develop new products and services that meet increasing client requirements; and

Gain market acceptance.

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

Have sufficient resources to make these investments;

Be successful in developing product and service enhancements or new products and services on a timely basis, if at all; or

Be able to market successfully these enhancements and new products once developed.

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

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

On August 22, 2013, the Company, and PrecisionIR Group Inc. (“PIR” or “PrecisionIR”) consummated an Agreement and Plan of Merger (the “Acquisition Agreement”). On October 29, 2014, the Company purchased Accesswire. Accesswire is dependent upon a few key partners for news distribution, some of which are also partners that we rely-on for other shareholder communications services. A disruption in any of these partnership relationships could have an adverse impact on our business. Furthermore, we acquired software with the acquisition of Accesswire. Performance issues with this technology could also have an adverse impact on our ability to serve our customers.

Furthermore, as part of our continued business strategy, we will continue to evaluate and acquire as practical other businesses that complement our core capabilities. Certain other areas which may expose the Company to increased risk include:

the difficulty of integrating the operations and personnel of the acquired businesses into our ongoing operations;

the potential disruption of our ongoing business and distraction of management;

the difficulty in incorporating acquired technology and rights into our products and technology;

unanticipated expenses and delays relating to completing acquired development projects and technology integration;

a potential increase in our indebtedness and contingent liabilities, which could restrict our ability to access additional capital when needed or to pursue other important elements of our business strategy;

the management of geographically remote units;

the establishment and maintenance of uniform standards, controls, procedures and policies;

the impairment of relationships with employees and clients as a result of any integration of new management personnel;

risks of entering markets or types of businesses in which we have either limited or no direct experience;

the potential loss of key employees or clients of the acquired businesses; and

potential unknown liabilities, such as liability for hazardous substances, or other difficulties associated with acquired businesses.

New issuers seeking to raise capital and become SEC registrants may choose to utilize Regulation A+ and we may see a significant decline in the number of filings as part of our current disclosure management business.

On March 25, 2015, the Securities and Exchange Commission released its final rules relating to Regulation A+ implemented as part of Title IV of the Jumpstart Our Business Startups Acts. Regulation A+ will allow issuers to raise capital based on reduced filings requirements as compared to those required under the Securities Act of 1934, as amended. On June 12, 2015, the OTC Markets Group Inc. announced new rules and standards for issuers seeking to list their securities on the OTCQX and OTCQB pursuant to Regulation A+. As issuers begin to utilize theses new rules and standards, we expect there to be a decline in the number of filings made by our existing client base. However, we also expect a number of additional equity and debt offerings to occur as a function of the new rules. In the event we are unable to adapt our disclosure management business to address the changes being implemented by Regulation A+ and the OTC Market Group, our disclosure management business may potentially see a material reduction in revenue.

We have incurred operating losses in the past and may do so again in the future

The Company has incurred operating losses in the past and may do so again in the future. At December 31, 2016, the Company had $1,491,225 of retained earnings. Although we have generated positive cash flows from operations for the past nine years, there can be no assurances that we will be able to do so in the future. As we continue to invest in our cloud-based technologies and sales and marketing teams, we could experience fluctuations in our cash flows from operations and retained earnings and there are no guarantees that our business can continue to generate the current revenue levels.

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

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

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

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

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

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

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

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

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

Risks Related to Our common stock; Liquidity Risks

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

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

variations in operating results;

announcements of strategic alliances or significant agreements by the Company or by competitors;

recruitment or departure of key personnel;

litigation, legislation, regulation of all or part of our business; and

changes in the estimates of operating results or changes in recommendations by any securities analyst that elect to follow our common stock.

You may lose your investment in the shares.

An investment in the shares involves a high degree of risk. An investment in shares of our common stock is suitable only for investors who can bear a loss of their entire investment. We paid dividends in 2012, and in part of 2013, and every quarter since the fourth quarter of 2015, but there can be no assurances that dividends will be paid in the future in the form of either cash or stock.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTY.

Our headquarters are located in Morrisville, North Carolina. In October 2015, we agreed to an extension on our current lease to extend the maturity through October 2019. Our current office includes 16,059 square feet of office space. We believe we have sufficient space to sustain our growth through 2019. Additionally, we also have a shared office facility in London, England.

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. MINE SAFETY DISCOLSURES

Not applicable.

PART II

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

Market for common stock

Our common stock has been quoted on the NYSE MKTS under the symbol "ISDR" since March 11, 2014. Prior to that time, the Company was quoted on the Over the Counter Bulletin Board ("OTCBB") under the same symbol.

The following table sets forth for the periods indicated the high and low closing prices of our common stock.

	High	Low
Year ended December 31, 2016		
Quarter Ended March 31, 2016	$5.80	$4.88
Quarter Ended June 30, 2016	6.50	5.32
Quarter Ended September 30, 2016	7.67	6.40
Quarter Ended December 31, 2016	$9.05	$7.20
Year ended December 31, 2015		
Quarter Ended March 31, 2015	$11.79	$8.54
Quarter Ended June 30, 2015	8.48	6.77
Quarter Ended September 30, 2015	10.50	5.49
Quarter Ended December 31, 2015	$8.15	$5.77

The quotations provided herein may reflect inter-dealer prices without retail mark-up, markdown, or commissions, and may not represent actual transactions.

As such, it may be difficult to trade the stock because compliance with the regulations can delay and/or preclude certain trading transactions. Broker-dealers may be discouraged from effecting transactions in our stock because of the sales practice and disclosure requirements for penny stock. This could adversely affect the liquidity and/or price of our common stock, and impede the sale of the stock.

Holders of Record

As of December 31, 2016, there were approximately 150 registered holders of record of our common stock and 2,860,944 shares outstanding.

Issuer Purchases of Equity Securities

The Company has not repurchased any shares of common stock during the years ended December 31, 2016 or 2015.

Dividends

During the year ended December 31, 2016, we paid dividends totaling $452,724 or $0.16 per share. During the year ended December 31, 2015, we paid dividends totaling $83,101 or $0.03 per share. There can be no assurances that dividends will be paid in the future. The declaration and payment of dividends in the future will be determined by our

Board of Directors in light of conditions then existing, including our earnings, financial condition, capital requirements and other factors.

ITEM 6. SELECT FINANCIAL DATA.

Summary of Operations for the periods ended December 31, 2016 and 2015.

	Year Ended December 31,	
	2016	2015
Statement of Operations		
Revenue	$12,058,866	$11,619,883
Cost of revenues	3,024,339	3,447,992
Gross profit	9,034,527	8,171,891
Operating costs	7,099,214	7,537,655
Operating income	1,935,313	634,236
Other income	80,165	—
Interest income (expense), net	4,080	(622,139)
Income before taxes	2,019,558	12,097
Income tax expense (benefit)	464,350	(132,487)
Net income	$1,555,208	$144,584

14

Concentrations:

For the years ended December 31, 2016 and December 31, 2015, we generated revenues from the following revenue streams as a percentage of total revenue:

	2016	2015
Revenue Streams		
Disclosure management	19.6%	22.1%
Shareholder communications	62.5%	68.4%
Platform and technology	17.9%	9.5%
Total	100.0%	100.0%

Percentages:

Change expressed as a percentage increase or decrease for the years ended December 31, 2016 and December 31, 2015:

	Year ended December 31,		
	2016	2015	% change
Revenue Streams			
Disclosure management	$2,367,504	$2,569,415	(7.9)%
Shareholder communications	7,539,098	7,942,421	(5.1)%
Platform and technology	2,152,264	1,108,047	94.2%
Total	$12,058,866	$11,619,883	3.8%

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

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

For the year ended December 31, 2016, total revenue increased 4% to $12,058,866 from $11,619,883 in 2015, an increase of $438,983. Approximately $316,040 of the increase is related to the one-time reversal of an accrual of unused postage credits related to ARS clients acquired from PIR. Revenue from our platform and technology revenue stream increased $1,044,217, or 94%, primarily as a result of a shift of ARS customers to our Investor Network platform as well as an increase in the licensing of our transfer agent, IRDirect, iProxy, whistleblower, Blueprint and Classify platforms. Revenue from our disclosure management revenue stream decreased $201,911, or 8%, primarily as a result of competition in the marketplace for our Edgar and XBRL services, partiallyoffset by an increase in transfer agent services due to corporate transactions. Excluding the benefit of the one-time reversal of the accrual for unused postage credits noted earlier, revenue from our shareholder communications revenue stream decreased $719,363, as we continue to experience a decline in revenue associated with our hardcopy ARS service offerings as issuers shift from hardcopy fulfillment to digital fulfillment or elect not to continue with the service. However, this was partially offset by increases in revenue from our Accesswire press release platform and our proxy printing and distribution services.

Overall, gross margin increased to 75% for the year ended December 31, 2016, compared to 70% for 2015. Excluding the benefit associated with the release of the accrual related to unused postage credits, gross margin for the year ended December 31, 2016, would have been 74%. The increase in gross margin is attributable to our continued transition to a cloud-based subscription model as well as from increased revenue in our high margin press release business.

For the year ended December 31, 2016, operating expenses decreased to $7,099,214, as compared to $7,537,655 in 2015. The decrease is primarily due to an impairment loss on intangible assets of $547,000, recognized during the year ended December 31, 2015, as well as a decrease in depreciation and amortization during the year ended December 31, 2016, due to certain intangible assets acquired in the PIR acquisition, which became fully amortized during the year. These decreases were partially offset by an increase in sales and marketing expenses due to increased headcount and new marketing initiatives, primarily at investor conferences and tradeshows.

Other income for the year ended December 31, 2016, is due to a gain recorded on the excess of the fair value of stock received, in lieu of cash, to settle an outstanding receivable. The decrease in interest expense is the result of the final conversion of a note payable into 417,712 shares of the Company's common stock during the year ended December 31, 2015, and thus, no interest expense was recorded during the year ended December 31, 2016.

In 2016, we had income before taxes of $2,019,558 compared to $12,097 in 2015. We recorded income tax expense of $464,350 during the year ended December 31, 2016, compared to a benefit of $(132,487) during the year ended December 31, 2015. The increase in income tax expense is primarily related to the increase in taxable income for the year ended December 31, 2016, compared to 2015. During the years ended December 31, 2016 and 2015, the Company released a portion of its valuation allowance related to federal and state net operating losses, which resulted in a net benefit of $211,245 and $179,426, respectively, and resulted in the income tax benefit recorded in 2015. Net income was $1,555,208 in 2016 compared to $144,584 in 2015.

In 2017, we expect to achieve growth in our Accesswire press release business as well as in our platform and technology revenue stream due to our continued investment in our cloud-based platforms. However, we may continue to see declines in shareholder communications revenue stream, as customers transition from the traditional print fulfillment of annual reports to both Classify and Investor Network. Additionally, we may experience declines in disclosure management revenue as customers transition to Blueprint and we continue to face pricing pressure in the market.

Results of Operations

Comparison of results of operations for the years ended December 31, 2016 and 2015

	Year ended December 31,	
Revenue Streams	2016	2015
Disclosure management		
Revenue	$2,367,504	$2,569,415
Gross margin	$1,647,430	$1,806,531
Gross margin %	70%	70%
Shareholder communications		
Revenue	7,539,098	7,942,421
Gross margin	5,591,249	5,440,349
Gross margin %	74%	68%
Platform and technology		

Revenue	2,152,264	1,108,047
Gross margin	1,795,848	925,011
Gross margin %	83%	83%
Total		
Revenue	$12,058,866	$11,619,883
Gross margin	$9,034,527	$8,171,891
Gross margin %	75%	70%

Revenues

Total revenue increased by $438,983, or 4%, to $12,058,866 during the year ended December 31, 2016, as compared to $11,619,883 in 2015. It is important to note, included in our revenue for the year ended December 31, 2016, is the one-time benefit of $316,040 related to the reversal of an accrual of unused postage credits related to ARS clients acquired from PIR.

Disclosure management revenue decreased $201,911, or 8%, during the year ended December 31, 2016, as compared to 2015. The decrease was mostly due to a decline in revenue from our Edgar and XBRL services, which declined $369,121 during the year ended December 31, 2016, compared to the same period of 2015, as the Company continued to experience pricing pressure on these services as well as client attrition. Additionally, we transitioned some of our clients to our Blueprint platform, allowing them to self-file with our new cloud-based product. This has resulted in a shift in some revenue to our platform and technology revenue stream, a trend which we expect to continue. However, this decrease was partially offset by an increase in revenue from our transfer agent business due to an increase in clients as well as an increase in corporate directives and actions compared to the same period of the prior year. The timing of these corporate directives and actions are difficult to predict as they are controlled by our clients and the conditions of the market and therefore fluctuate from year to year.

Shareholder communications revenue decreased $403,323 or 5% during the year ended December 31, 2016, as compared to 2015. The decrease in shareholder communications revenue is due to a decline in revenue associated with our hardcopy ARS service offerings as issuers shift from hardcopy fulfillment to digital fulfillment or elect not to continue with the service. Additionally, customers have migrated from ARS to our Investor Network product, resulting in a shift of approximately $413,000 of revenue during the year ended December 31, 2016, from shareholder communications to our platform and technology revenue stream. These decreases were offset by an increase in revenue from Accesswire, our press release platform, which increased $807,172 during the year ended December 31, 2016, compared to the same period of 2015. The increase is due to successful penetration into the newswire market and the addition of both new public and private customers. We expect to continue to invest in this platform, by increasing distribution, sales staff and marketing in order to continue our growth trends. Additionally, revenue increased in our proxy printing and distribution services for the year ended December 31, 2016, compared to the prior year due to an increase in the number of projects, resulting from successful cross selling of new transfer agent clients. Included in revenue for year ended December 31, 2016, is the one-time benefit of $316,040 related to the reversal of an accrual of unused postage credits related to ARS clients acquired from PIR.

Platform and technology revenue increased $1,044,217, or 94% during the year ended December 31, 2016, as compared to 2015. The increase is primarily due to the shift of ARS customers to our Investor Network platform noted above as well as increases in licensing of a majority of our other products, including our transfer agent, iRDirect, iProxy, whistleblower, Blueprint and Classify platforms, as we continue our transition to a subscription model. Revenue from this stream increased to 17.9% of total revenue during the year ended December 31, 2016, compared to 9.5% during the prior year. Along with our press release platform, the Company plans to continue to invest in these platforms in order to further drive an increase in licenses and revenue growth.

2016 Revenue Backlog

At December 31, 2016, we have deferred revenue of $842,642 that we expect to recognize throughout 2017, compared to $822,481 at December 31, 2015. Deferred revenue primarily consists of advance billings for annual contracts for our legacy annual report service and licenses of our cloud-based platforms.

Cost of Revenues

Cost of revenues consists primarily of direct labor costs, third party licensing, warehousing, logistics, print production materials, postage and outside services directly related to the delivery of services to our customers as well as depreciation of capitalized software related to our platforms licensed to customers. Cost of revenues decreased by $423,653, or 12% during the year ended December 31, 2016, as compared to 2015. Overall gross margin increased to 75% for the year ended December 31, 2016, as compared to 70% for the year ended December 31, 2015. Excluding the benefit associated with the release of the accrual related to unused postage credits, gross margin for the year ended December 31, 2016, would have been 74%.

We achieved margins of 70% from our disclosure management services during both the years ended December 31, 2016 and 2015. As previously discussed we continued to experience pricing pressure from our Edgar and XBRL services, however we were able to offset this by reducing costs through the use of less outside vendors and reducing internal headcount. Additionally, the increase in transfer agent revenue resulted in higher margins as the cost for these services is relatively fixed.

Gross margins from our shareholder communications services increased to 74% for the year ended December 31, 2016, compared to 68% for the year ended December 31, 2015. Excluding the one-time benefit associated with the release of the unused postage credits, gross margins for the year ended December 31, 2016, would have been 73%. The increase in gross margin percentage is due to our continued transition to a cloud-based subscription model resulting in stream-lined costs as well as from additional revenue from our high-margin press release business.

Gross margins from platform and technology revenue remained consistent at 83% for the year ended December 31, 2016, as well as 2015. Additional revenue through our platform licenses and new cloud-based products was offset by additional depreciation of capitalized software.

General and Administrative Expense

General and administrative expenses consist primarily of salaries, stock based compensation, bonuses, insurance, fees for professional services, general corporate expenses and facility and equipment expenses. General and administrative expenses were $3,185,308 during the year ended December 31, 2016, a decrease of $56,096, or 2%, compared to 2015. The decrease is due to reductions in consulting expenses partially offset by an increase in personnel expenses due to an increase in headcount, bonuses and stock compensation.

As a percentage of revenue, general and administrative expenses decreased to 26% during the year ended December 31, 2016, compared to 28% during the year ended December 31, 2015.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries, stock based compensation, sales commissions, advertising expenses, and marketing expenses. Sales and marketing expenses were $2,600,851 for the year ended December 31, 2016, an increase of $257,521, or 11%, as compared to 2015. This increase is due to an increase in sales personnel costs due to an increase in headcount in our sales department as well as an increase in new marketing efforts as it relates to investor conferences and tradeshow activities.

As a percentage of revenue, sales and marketing expenses increased to 22% during the year ended December 31, 2016, compared to 20% during the year ended December 31, 2015.

Product Development

Product development expenses consist primarily of salaries, stock based compensation, bonuses and licenses to develop new products and technology to complement and/or enhance Platform id. Product development costs increased $77,039, or 24%, during the year ended December 31, 2016, compared to2015. The increase is the result of the Company increasing personnel resources toward the development of its cloud-based platforms. During the year ended December 31, 2016, the Company capitalized $1,506,616 of software development costs, compared to $749,095 during the year ended December 31, 2015.

Depreciation and Amortization

Depreciation and amortization expenses during the year ended December 31, 2016, decreased by $169,905, or 16%, to $909,432, as compared to $1,079,337 during 2015. The decrease is primarily due to lower amortization of certain intangible assets acquired in the PIR acquisition, which became fully amortized during the year ended December 31, 2016.

Impairment Loss on Intangible Assets

During the fourth quarter of 2015, the Company elected not to renew certain trademarks purchased in conjunction with the acquisition of PIR. These trademarks had an allocated value of $148,680, and the write-off of this value is included in Impairment loss on intangible assets on the Consolidated Statements of Net Income for the year ended December 31, 2015. Additionally, as part of the Company’s annual review of impairment of goodwill and intangible assets, the Company determined the remaining trademarks purchased as part of the acquisition of PIR were no longer indefinite-lived assets, as the Company plans to integrate and re-brand the associated trademarks with Issuer Direct. As a result of this determination, the Company was required to perform a goodwill impairment assessment. Due to lower futureprojections of revenue associated with our ARS service and a shortened useful life of the trademarks, this assessment resulted in an impairment loss of $398,320, which is also included in Impairment loss on intangible assets in the Consolidated Statements of Income for the year ended December 31, 2015. No impairment was recorded as a result of the Company's annual review of impairment of goodwill and intangible assets for the year ended December 31, 2016.

Other income (expense)

Other income, net

Other income, net for the year ended December 31, 2016, is the result of a gain recorded on the excess of the fair value of stock received, in lieu of cash, to settle an outstanding receivable.

Interest income (expense), net

Interest income (expense), net decreased $626,219 during the year ended December 31, 2016, compared to the same period of 2015. The decrease is due to the final conversion of $1,666,673 of principal payable on the 8% Note (See Note 6 of the Consolidated Financial Statements) into 417,712 shares of the Company's common stock at the conversion price of $3.99 on August 22, 2015. As a result of the final conversion, the Company no longer has any non-cash or cash interest expense associated with the 8% Note.

Income Taxes

We recorded income tax expense of $464,350 during the year ended December 31, 2016, compared to a benefit of $(132,487) during the year ended December 31, 2015. The primary reason for the increase in income tax expense is due to an increase in taxable income for the year ended December 31, 2016, compared to 2015. During the years ended December 31, 2016 and 2015, the Company released a portion of its valuation allowance related to federal and state net operating losses, which resulted in a net benefit of $211,245 and $179,426, respectively. The release during the year ended December 31, 2016 comprised a full valuation release of the previously reserved tax benefits from US net operating losses that were acquired as part of the acquisition of PIR. At the date of acquisition, management believed it was more likely than not that the benefits would not be used due to the uncertainty of future profitability and also due to statutory limitations on the amount of net operating losses that can be carried forward in an acquisition. During the year ended December 31, 2015, the Company released portions of the reserve related to tax years through 2015 based on current best estimates of profitability at that time.

Net Income

Net income for the year ended December 31, 2016 was $1,555,208 as compared to $144,584 in 2015. The increase in net income is primarily attributable to higher gross margins, resulting from increased revenue and lower cost of revenues as a result of our transition to a cloud-based, subscription model with a focus on revenue from our platforms. Additionally, the year ended December 31, 2015, was negatively impacted by the impairment loss on intangible assets of $547,000. Finally, the decrease in interest expense for the year ended December 31, 2016, was partially offset by an increase in tax expense.

Liquidity and Capital Resources

As of December 31, 2016, we had $5,338,978 in cash and cash equivalents and $1,299,698 in net accounts receivable. Current liabilities at December 31, 2016, totaled $2,104,420 including our accounts payable, deferred revenue, accrued payroll liabilities, income taxes payable and other accrued expenses. At December 31, 2016, our current assets exceeded our current liabilities by $4,722,840.

Effective September 2, 2016, the Company renewed its Line of Credit, which reduced the interest rate to LIBOR plus 2.50%. The amount of funds available for future borrowings remained at $2,000,000. As of December 31, 2016, the interest rate was 3.26% and the Company did not owe any amounts on the Line of Credit.

We manage our cash flow carefully with the intent to meet our obligations from cash generated from operations. However, it is possible that we will have to raise additional funds through the issuance of equity in order to meet any future obligations. There can be no assurance that cash generated from operations will be sufficient to fund our operating expenses, to allow us to pay dividends, or meet our other obligations, and there is no assurance that debt or equity financing will be available, or if available, that such financing will be upon terms acceptable to us.

Disclosure about Off-Balance Sheet Arrangements

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

Outlook

Overall, the demand for our platforms continues to be stable in the majority of the segments we serve. In a portion of our business, we will continue to see demand shift from traditional printed and service-based engagements to a cloud-based subscription model, as well as digital distribution offerings. We are positioned well in this space to be both competitive and agile to deliver these platforms to the market at the same or higher gross margins than the previous periods.

One of the Company's competitive strengths is that it has embraced cloud-based technology early on in its strategy. Making the pivot to a subscription model has been and will be key for the long-term sustainable growth management expects from its new platforms.

We will continue to focus on the following key strategic initiatives during 2017:

Continued expansion of our sales and marketing teams,

Significant technology advancements and upgrades,

Profitable sustainable growth,

Positive cash flow from operations,

Increased average revenue per user,

Expanded customer base,

Growth in our newswire business

We believe there is significant demand for our products among the large, middle and small cap markets that are seeking to find better platforms and tools to disseminate and communicate their respective messages, and that we have the capacity to meet the demand.

We have spent and will continue to spend a considerable amount of time and money focused on our product sets, platforms and intellectual property development through 2017. These developments are key to our overall offerings in the market and are necessary to keep our competitive advantages and sustain the next round of growth that management believes it can achieve. If we are successful in this development effort, we believe we can achieve increases in revenues per user, additional issuers and users, as well as higher gross margins as we move beyond 2017.

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

Critical Accounting Policies and Estimates

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

Revenue Recognition

We recognize revenue in accordance with accounting principles generally accepted in the United States ("US GAAP"), including 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 and/or delivered, where collectability is probable. Deferred revenue primarily consists of advance billings for annual contracts for our legacy annual report service and licenses of our cloud-based platforms.

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 on an unsecured basis. In determining the amount of the allowance, management is required to make certain estimates and assumptions. The allowance is made up of specific reserves, as deemed necessary, on client account balances, and a reserve based on our historical experience.

Income Taxes

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

Capitalized Software

In accordance with FASB ASC No. 350 – Intangibles – Goodwill and Other, costs incurred to develop our cloud-based platform products and disclosure management system components are capitalized when the preliminary project phase is complete, management commits to fund the project and it is probable the project will be completed and used for its intended purposes. Once the software is substantially complete and ready for its intended use, the software is amortized over its estimated useful life. Costs related to design or maintenance of the software are expensed as incurred.

Impairment of Long-lived Assets

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

Fair Value Measurements

As of December 31, 2016 and 2015, we do not have any financial assets or liabilities that are required to be, or that we elected to measure, at fair value. We believe that the fair value of our financial instruments, which consist of cash and cash equivalents, accounts receivable, our line of credit, notes payable, and accounts payable approximate their carrying amounts.

Translation of Foreign Financial Statements

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

Business Combinations, Goodwill and Intangible Assets

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

Newly Adopted Accounting Pronouncements

On November 20, 2015, the FASB issued Accounting Standards Update (“ASU”) 2015-17 ("ASU 2015-17”), Balance Sheet Classification of Deferred Taxes, which requires that all deferred tax assets and liabilities, along with any related valuation allowance, in each jurisdiction be classified as noncurrent on the balance sheet. For public business entities, ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods but may be early adopted. ASU 2015-17 may be applied either prospectively, for all deferred tax assets and liabilities, or retrospectively (i.e., by reclassifying the comparative balance sheets). The Company elected to early adopt ASU 2015-17, on a prospective basis, as of December 31, 2015.

The FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The amendments in ASU 2015-16 require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The amendments in this ASU were effective for public business entities for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. ASU 2015-16 did not have a significant impact on our financial statements.

The FASB issued ASU 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments do not change the accounting for a customer's accounting for service contracts. As a result of the amendments, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. ASU 2015-05 is effective for public entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. ASU 2015-05 did not have a significant impact on our financial statements.

The FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. The FASB issued this ASU as part of its initiative to reduce complexity in accounting standards. The objective of the simplification initiative is to identify, evaluate, and improve areas of US GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of financial statements. The amendments in ASU 2015-01 were effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. ASU 2015-01 did not have a significant impact on our financial statements.

The FASB issued ASU 2014-16, Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity. The amendments in this ASU do not change the current criteria in US GAAP for determining when separation of certain embedded derivative features in a hybrid financial instrument is required. The amendments clarify how current US GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Specifically, the amendments clarify that an entity should consider all relevant terms and features, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract. Furthermore, the amendments clarify that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. Rather, the nature of the host contract depends upon the economic characteristics and risks of the entire hybrid financial instrument. The amendments in this ASU were effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. ASU 2014-16 did not have a significant impact on our financial statements.

The FASB issued ASU 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The issue is the result of a consensus of the FASB Emerging Issues Task Force (EITF). The amendments in the ASU require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation – Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The amendments in this ASU were effective for annual periods and interim periods within those annual periods beginning after December

15, 2015. ASU 2014-12 did not have a significant impact on our financial statements.

Recent Accounting Pronouncements

The FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminates Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments are effective for public business entities that are SEC filers for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The company does not expect this pronouncement to have a significant impact on its financial statements.

The FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which clarifies the definition of a business. The amendments affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The amendments are intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments are effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. The company does not expect this pronouncement to have a significant impact on its financial statements, unless an acquisition or disposal of assets is completed.

The FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which provides cash flow statement classification guidance for: 1) Debt prepayment or debt extinguishment costs; 2) Settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; 3) Contingent consideration payments made after a business combination; 4) Proceeds from the settlement of insurance claims; 5) Proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; 6) Distributions received from equity method investees; 7) beneficial interests in securitization transactions; and 8) Separately identifiable cash flows and application of the Predominance Principle. This is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those years. Early application is permitted, including adoption in an interim period. The company does not expect this pronouncement to have a significant impact on its financial statements.

The FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which, among other things, requires the measurement of all expected credit losses for financial assets held at the reporting date to be based on historical experience, current conditions, and reasonable and supportable forecasts. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. This is effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The company does not expect this pronouncement to have a significant impact on its financial statements.

The FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for share-based payment award transactions including (a) income tax consequences; (b) classification of awards as either debt or equity liabilities; and (c) classification on the statement of cash flows. The amendments are effective for public business entities for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustment should be reflected as of the beginning of the fiscal year that includes the interim period. Additionally, as a reminder, an entity that elects to early adopt the new guidance must adopt all of the amendments in the same period. The primary amendment that is expected to impact the Company's financial statements is the requirement for excess tax benefits or shortfalls on the exercise of stock-based compensation awards to be presented in income tax expense in the Consolidated Statements of Income during the period the award is exercised as opposed to being recorded in Additional paid-in capital on the Consolidated Balance Sheets. The excess tax benefit or shortfall is calculated as the difference between the fair value of the award on the date of exercise and the fair value of the award used to measure the expense to be recognized over the service period. As the result is dependent on the future value of the Company's stock as well as the timing of employee exercises, the amount of the impact cannot be quantified at this time.

The FASB's new leases standard ASU 2016-02 Leases (Topic 842) was issued on February 25, 2016. ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. The ASU will require organizations that lease assets referred to as “Lessees” to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. An organization is to provide disclosures designed to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the financial statements. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current US GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current US GAAP which requires only capital leases to be recognized on the balance sheet the new ASU will require both types of leases (i.e. operating and capital) to be recognized on the balance sheet. The FASB lessee accounting model will continue to account for both types of leases. The capital lease will be accounted for in substantially the same manner as capital leases are accounted for under existing US GAAP. The operating lease will be accounted for in a manner similar to operating leases under existing US GAAP, except that lessees will recognize a lease liability and a lease asset for all of those leases. Public companies will be required to adopt the new leasing standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For calendar year-end public companies, this means an adoption date of January 1, 2019 and retrospective application to previously issued annual and interim financial statements for 2018, however, early adoption is permitted. Lessees with a large portfolio of leases are likely to see a significant increase in balance sheet assets and liabilities. The Company currently has one lease on its corporate facilities which ends October 31, 2019. Absent any renewal of the lease or new leases entered into before January 1, 2019, the Company will be required to record a right-to-use asset and corresponding lease liability associated with the remaining lease payments beginning with the first interim period of 2019. This will increase both balance sheet assets and liabilities by insignificant amounts and will not have a significant impact on the income statement or affect any covenant calculations.

The FASB has issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) and several updates to the ASU. ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 sets forth a new revenue recognition model that requires identifying the contract, identifying the performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenueupon satisfaction of performance obligations. The amendments in the ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. The Company is currently evaluating the impact of ASU 2014-09 as well as the additional updates, however, does not believe it will have a significant impact on the Company's financial statements as the Company believes the current manner in which revenue is recognized will result in the same or similar timing and amount of revenue recognition as required by ASU 2014-09 and the additional amendments. These ASU's are currently effective for the Company in our year beginning on January 1, 2018.

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