

Research Solutions, Inc.
Form 10-Q
May 15, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2013

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

For the transition period from _____ to _____

Commission File No. 000-53501

RESEARCH SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

11-3797644

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

5435 Balboa Blvd., Suite 202, Encino, California

(Address of principal executive offices)

91316

(Zip Code)

(310) 477-0354

(Registrant's telephone number, including area code)

Derycz Scientific, Inc

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Title of Class	Number of Shares Outstanding on May 3, 2013
Common Stock, \$0.001 par value	16,932,604

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PART 1 — FINANCIAL INFORMATION**Item 1. Condensed Financial Statements****Research Solutions, Inc. and Subsidiaries****(Formerly Derycz Scientific, Inc. and Subsidiaries)****Condensed Consolidated Balance Sheets**

	March 31, 2013 (unaudited)	June 30, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,504,004	\$ 3,150,978
Accounts receivable:		
Trade receivables, net of allowance of \$188,594 and \$163,455, respectively	5,270,718	6,099,471
Due from factor	328,530	197,039
Inventory	273,304	363,641
Prepaid expenses and other current assets	316,775	175,223
Prepaid royalties	301,262	415,339
Total current assets	7,994,593	10,401,691
Property and equipment, net of accumulated depreciation of \$1,386,342 and \$1,369,782, respectively	961,008	1,294,517
Intangible Assets, net of accumulated amortization of \$286,490 and \$189,783, respectively	123,711	65,510
Deposits and other assets	250,039	244,202
Total assets	\$9,329,351	\$ 12,005,920
Liabilities and Stockholders' Deficiency		
Current Liabilities:		
Accounts payable and accrued expenses	\$8,238,399	\$9,554,754
Capital lease obligation, current	506,561	640,116
Notes payable, current	54,481	53,452
Due to factor	311,482	256,636
Line of credit	-	1,000,000
Deferred revenue	93,333	68,901
Total current liabilities	9,204,256	11,573,859
Notes payable, long term	21,792	53,452

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Capital lease obligation, long term	485,807	813,173
Total liabilities	9,711,855	12,440,484
Commitments and contingencies		
Stockholders' deficiency:		
Preferred stock; \$0.001 par value; 20,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock; \$0.001 par value; 100,000,000 shares authorized; 17,269,525 shares issued and 16,932,604 shares outstanding, and 17,069,437 shares issued and outstanding, respectively	17,269	17,069
Additional paid-in capital	14,094,419	13,671,873
Accumulated deficit	(14,535,308)	(14,184,160)
Treasury common stock, 336,291 and 0 shares, respectively	(337)	-
Accumulated other comprehensive income	41,453	60,654
Total stockholders' deficiency	(382,504)	(434,564)
Total liabilities and stockholders' deficiency	\$9,329,351	\$12,005,920

See notes to condensed consolidated financial statements

Research Solutions, Inc. and Subsidiaries**(Formerly Derycz Scientific, Inc. and Subsidiaries)****Condensed Consolidated Statements of Operations and Other Comprehensive Loss****(Unaudited)**

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2013	2012	2013	2012
Revenue	\$ 10,646,757	\$ 9,986,862	\$ 34,170,854	\$ 31,937,600
Cost of revenue	8,387,352	7,743,917	26,995,904	26,442,918
Gross profit	2,259,405	2,242,945	7,174,950	5,494,682
Operating expenses:				
Selling, general and administrative	2,355,007	2,037,231	6,760,418	7,668,062
Depreciation and amortization	140,335	359,220	461,907	1,325,315
Impairment loss related to the acquisition of TAAG	-	1,602,638	-	1,602,638
Impairment loss on intangible assets related to intellectual property licenses	-	688,138	-	688,138
Loss on facility sublease	233,015	-	233,015	-
Total operating expenses	2,728,357	4,687,227	7,455,340	11,284,153
Loss from operations	(468,952)	(2,444,282)	(280,390)	(5,789,471)
Gain on sale of fixed assets	10,130	-	17,009	-
Interest expense	(16,946)	(38,457)	(76,506)	(161,470)
Other income (expense)	(8,142)	3,721	(18,056)	22,591
Loss before provision for income taxes	(483,910)	(2,479,018)	(357,943)	(5,928,350)
Income tax benefit	8,476	350,000	6,795	330,371
Net loss	(475,434)	(2,129,018)	(351,148)	(5,597,979)
Other comprehensive income (loss):				
Foreign currency translation	46,049	(9,745)	(19,201)	24,195
Comprehensive loss	\$(429,385)	\$(2,138,763)	\$(370,349)	\$(5,573,784)
Net loss per common share:				
Basic and diluted	\$(0.03)	\$(0.12)	\$(0.02)	\$(0.33)
Weighted average shares outstanding:				
Basic and diluted	17,254,551	17,069,437	17,181,559	17,038,010

See notes to condensed consolidated financial statements

Research Solutions, Inc. and Subsidiaries**(Formerly Derycz Scientific, Inc. and Subsidiaries)****Condensed Consolidated Statement of Stockholders' Deficiency****For the Nine Months Ended March 31, 2013****(Unaudited)**

	Common Stock		Additional Paid-in	Accumulated	Treasury	Accumulated	Total
	Shares	Amount	Capital	Deficit	Stock	Other Comprehensive	Stockholders'
						Income (Loss)	Deficiency
Balance, July 1, 2012	17,069,437	\$ 17,069	\$ 13,671,873	\$(14,184,160)	\$ -	\$ 60,654	\$(434,564)
Fair value of vested stock options	-	-	267,501	-	-	-	267,501
Common shares issued upon exercise of stock options	17,844	18	(18)	-	-	-	-
Common shares issued for customer list	182,244	182	154,726	-	-	-	154,908
Treasury common shares	-	-	337	-	(337)	-	-
Net income for the period	-	-	-	(351,148)	-	-	(351,148)
Foreign currency translation	-	-	-	-	-	(19,201)	(19,201)
Balance, March 31, 2013	17,269,525	\$ 17,269	\$ 14,094,419	\$(14,535,308)	\$ (337)	\$ 41,453	\$(382,504)

See notes to condensed consolidated financial statements

Research Solutions, Inc. and Subsidiaries**(Formerly Derycz Scientific, Inc. and Subsidiaries)****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	Nine Months ended March 31,	
	2013	2012
Cash flow from operating activities:		
Net loss	\$(351,148)	\$(5,597,979)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	488,883	1,378,984
Fair value of vested stock options	267,501	129,318
Fair value of warrants issued for services, net of adjustment	-	(237,126)
Fair value of warrant extensions	-	264,714
Gain on sale of fixed assets	(17,009)	-
Impairment loss related to the acquisition of TAAG	-	1,602,638
Impairment loss on intangible assets related to intellectual property licenses	-	688,138
Deferred income tax liability	-	(350,000)
Loss on facility sublease	233,015	-
Changes in operating assets and liabilities:		
Accounts receivable	828,753	(293,459)
Inventory	90,337	121,847
Due from factor	(131,491)	104,436
Prepaid expenses and other current assets	(141,552)	18,948
Prepaid royalties	114,077	1,013,809
Deposits and other assets	(5,837)	48,449
Accounts payable and accrued expenses	(1,549,370)	2,395,269
Deferred revenue and other current liabilities	24,432	60,122
Net cash provided by (used in) operating activities	(149,409)	1,348,108
Cash flow from investing activities:		
Purchase of property and equipment	(97,662)	(60,961)
Purchase of intangible assets	-	(188,960)
Proceeds from sale of fixed asset	76,357	-
Net cash used in investing activities	(21,305)	(249,921)
Cash flow from financing activities:		
Advances (payments) to factor	54,846	10,949
Payment of notes payable	(30,631)	(38,612)
Payment of capital lease obligation	(460,921)	(611,589)

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Payment of related parties	-	(71,902)
Repayments under line of credit	(1,000,000)	(86,233)
Net cash used in financing activities	(1,436,706)	(797,387)
Effect of exchange rate changes	(39,554)	76,749
Net increase (decrease) in cash and cash equivalents	(1,646,974)	377,549
Cash and cash equivalents, beginning of period	3,150,978	2,868,260
Cash and cash equivalents, end of period	\$ 1,504,004	\$ 3,245,809

(continued)

Research Solutions, Inc. and Subsidiaries**(Formerly Derycz Scientific, Inc. and Subsidiaries)****Condensed Consolidated Statements of Cash Flows (continued)****(Unaudited)**

	Nine Months ended March 31, 2013	2012
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ (6,795)	\$ 19,629
Cash paid for interest	\$ 76,506	\$ 161,470
Supplemental disclosures of non-cash investing and financing activities:		
Acquisition of customer list through issuance of common shares	\$ 154,908	\$ -

See notes to condensed consolidated financial statements

RESEARCH SOLUTIONS, INC. AND SUBSIDIARIES

(FORMERLY DERYCZ SCIENTIFIC, INC. AND SUBSIDIARIES)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended March 31, 2013 and 2012 (Unaudited)

Note 1 — Organization, Nature of Business and Basis of Presentation

Organization

Research Solutions, Inc. (the “Company”) was incorporated in the State of Nevada on November 2, 2006. On March 4, 2013, the Company consummated a merger with DYSC Subsidiary Corporation, the Company’s wholly-owned subsidiary, pursuant to which the Company, in connection with such merger, amended its Articles of Incorporation to change its name to Research Solutions, Inc. Research Solutions is a publicly traded holding company with three wholly owned subsidiaries: Reprints Desk, Inc., a Delaware corporation (“Reprints” or “Reprints Desk”); Reprints Desk Latin America S. de R.L. de C.V, an entity organized under the laws of Mexico; and Techniques Appliquées aux Arts Graphiques, S.p.A. (“TAAG”), an entity organized under the laws of France.

Nature of Business

Our mission is to provide information logistics solutions that facilitate the flow of information from the publishers of scientific and technical content to enterprise customers in life science and other research intensive industries around the world. We provide customers with access to hundreds of thousands of newly published articles each year in addition to the tens of millions of existing articles that have been published in the past, helping them to identify the most useful and relevant content for their purposes. We serve both the publishers who own the content rights and the end-users of the content. We utilize web-based platforms as well as traditional delivery channels and are developing products and services that make it easier for our customers to find and legally use information. During the year ended June 30, 2012, we delivered more than 10 million articles in either hard copy or electronic form to over 1,000 customers in over 100 countries.

We provide three types of solutions to our customers; research solutions; marketing solutions; and publisher solutions.

Research Solutions

Researchers and regulatory personnel generally order single copies of published materials, called “document delivery,” for use in their research activities. In order to use the content, our customers must pay appropriate copyright fees and our services ensure that we have obtained the necessary permissions from the owners of the published content so that our customers’ use of the content complies with applicable copyright laws. We have developed Internet-based interfaces that allow customers to initiate orders and manage transactions, at any time, by specifying the citation or other identifying information related to the particular article they need. In some cases, we are able to fulfill the order without the need for action on the part of our employees. We also help these customers to maximize the information resources they already own or have access to via subscriptions or internal libraries, as well as organize workgroups to collaborate around scientific information. Our services alleviate the need for our customers to develop internal systems or contact multiple publishers in order to obtain the required information.

Marketing Solutions

Generally, marketing departments order large quantities of printed copies of published materials called “reprints” that they distribute to interested parties, including customers and doctors who may prescribe a customer’s products. We print the reprints we deliver to our customers whenever possible and are responsible for any logistics required to distribute such reprints. TAAG also prints other materials that are used for marketing purposes and provides other printing logistics products and services. Electronic copies, called “eprints,” are also used for distribution through the Internet and other electronic mechanisms. We have also developed eprint software systems that increase the efficiency of our customers’ content purchases by transitioning from paper reprints to electronic eprints. Our software systems also help to improve compliance with copyright and promotional regulations within the life sciences industry.

Publisher Solutions

Our publisher solutions include technology solutions and reprint management services, whereby we are responsible for all aspects of reprint and eprint production for a publisher, from taking orders to final delivery. This service eliminates the need for the publishers to establish a dedicated reprints sales force or arrange for delivery of reprinted materials. Our eprint software systems enable publishers to protect their copyrighted content and support the marketing needs of their customers.

Liquidity

Historically, we have relied upon cash from financing activities to fund substantially all of the cash requirements of our activities and have incurred significant losses and experienced negative cash flow. As of March 31, 2013, the Company had negative working capital of \$1,209,663 and shareholders’ deficiency of \$382,504. For the nine months

ended March 31, 2013, the Company recorded a net loss of \$351,148 and cash used in operating activities was \$149,409 during this period. We may be unable to sustain or increase our profitability on a quarterly or annual basis and we may incur losses in future periods. An extended period of losses and negative cash flow may prevent us from successfully operating and expanding our business.

US Operations (Reprints)

The Company believes that its current cash resources and cash flow from US operations will be sufficient to sustain current US operations for the next twelve months. The Company expects to continue to produce cash from US operating activities; however, there are no assurances that such results will be achieved.

TAAG (France)

The Company believes that its current cash resources and cash flow from TAAG may not be sufficient to sustain TAAG operations for the next twelve months. During the nine months ended March 31, 2013, TAAG incurred a loss from operations of \$234,546, and at March 31, 2013, had a working capital deficiency of \$1,913,284. In addition, approximately \$600,000 of payroll and VAT taxes were delinquent at March 31, 2013. The Company's line of credit with Silicon Valley Bank limits the amount of funding of TAAG to \$50,000 and no additional financing for TAAG is in place. Revenue from TAAG seems to have stabilized in early 2012, however, continuing net losses have been incurred. Our overall strategy is to improve TAAG's revenue, operations, and profitability. As a result, we have performed, and continue to perform, financial and operational analysis on TAAG. We have replaced all executive and accounting management at TAAG and hired a new executive manager and engaged a professional accounting services firm to ensure these improvements are implemented, however, there is no assurance that such results will be achieved. In the event that TAAG liquidates our exposure to creditors in France is limited to the assets of TAAG, with the exception of a \$50,000 guarantee in favor of the landlord on the facility lease. In the event that TAAG liquidates we could lose a significant percentage of revenue, or all revenue, from TAAG.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2012 filed with the SEC. The condensed consolidated balance sheet as of June 30, 2012 included herein was derived from the audited consolidated financial statements as of that date, but does not include all disclosures, including notes, required by GAAP.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to fairly present the Company's financial position and results of operations for the interim periods reflected. Except as noted, all adjustments contained herein are of a normal recurring nature. Results of operations for the fiscal periods presented herein are not necessarily indicative of fiscal year-end results.

Note 2 — Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying financial statements are consolidated and include the accounts of the Company and its wholly owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

These estimates and assumptions include estimates for reserves of uncollectible accounts, inventory obsolescence, analysis of impairments of recorded goodwill and intangibles, accruals for potential liabilities and assumptions made in valuing equity instruments issued for services or acquisitions.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents and accounts receivable. The Company places its cash with high quality financial institutions and at times may exceed the FDIC \$250,000 insurance limit. The Company does not anticipate incurring any losses related to these credit risks. The Company extends credit based on an evaluation of the customer's financial condition, generally without collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and intends to maintain allowances for anticipated losses, as required.

Cash denominated in Euros with a US Dollar equivalent of \$307,109 and \$763,462 at March 31, 2013 and June 30, 2012, respectively, was held in accounts at financial institutions located in Europe.

The following table summarizes accounts receivable concentrations:

	As of March 31, 2013	As of June 30, 2012
Customer A	*	18 %

The following table summarizes revenue concentrations:

	Three Months Ended March 31, 2013		Nine Months Ended March 31, 2012	
Customer A	16 %	*	11 %	*
Customer B	*	*	12 %	12 %

The following table summarizes content cost concentrations:

	Three Months Ended March 31, 2013		Nine Months Ended March 31, 2012	
Vendor A	13 %	23 %	19 %	18 %
Vendor B	14 %	*	*	11 %
Vendor C	*	11 %	*	14 %

* Less than 10%

Revenue Recognition

The Company's policy is to recognize revenue when services have been performed, risk of loss and title to the product transfers to the customer, the selling price is fixed or determinable, and collectability is reasonably assured. We generate revenue by providing three types of services to our customers; document delivery; reprints and eprints; and printing and reprint management.

Document Delivery

Our business model for document delivery services is based on charging our customers a copyright fee necessary to obtain permission of use from the content owner (publisher), and a service fee for delivering the content. We have existing non-exclusive arrangements with many publishers that provide us with electronic access to much of these publishers' content, which allows us to deliver single copies of such content to our customers in a more efficient and timely manner, often in a matter of minutes. The Company recognizes revenue from document delivery services upon electronic delivery to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

Reprints and eprints

Our business model for reprints and eprints is based on charging a fee for aggregating and distributing multiple copies of published materials. When possible, we obtain the right to print the reprints from the holder of the copyright and we print and ship the reprints ourselves. We also have built systems that can provide controlled distribution of electronic copies or eprints. The Company recognizes revenue from reprints and eprints services upon shipment or electronic delivery to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

Printing and Reprint Management

Our business model for printing is based on charging a fee for providing printing services and delivering hard copy materials to our customers that are generally used for marketing purposes. In addition, we also provide other printing logistics products and services. These services are complementary to our reprints and eprints, and reprint management services. The Company recognizes revenue from printing services when the printed materials have been shipped to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

Stock-based Compensation

The Company periodically issues stock options and warrants to employees and non-employees in capital raising transactions, for services and for financing costs. The Company accounts for share-based payments under the guidance as set forth in the *Share-Based Payment* Topic 718 of the FASB Accounting Standards Codification, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees, officers, directors, and consultants, including employee stock options, based on estimated fair values. The Company estimates the fair value of share-based payment awards to employees and directors on the date of grant using an option-pricing model, and the value of the portion of the award that is ultimately expected to vest is recognized as expense over the required service period in the Company's Statements of Operations. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with Topic 718 of the FASB Accounting Standards Codification, whereby the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) the date at which the necessary performance to earn the equity instruments is complete. Stock-based compensation is based on awards ultimately expected to vest and is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, as necessary, in subsequent periods if actual forfeitures differ from those estimates.

Foreign Currency Translation

The accompanying condensed consolidated financial statements are presented in United States dollars, the functional currency of the Company. Capital accounts of foreign subsidiaries are translated into US Dollars from foreign currency at their historical exchange rates when the capital transactions occurred. Assets and liabilities are translated at the exchange rate as of the balance sheet date. Income and expenditures are translated at the average exchange rate of the period. Although the majority of our revenue and costs are in US dollars, the revenues and costs of TAAG are in Euros. As a result, currency exchange fluctuations may impact our revenue and the costs of our operations. We currently do not engage in any currency hedging activities.

Net Income (Loss) Per Share

Current accounting guidance requires presentation of basic earnings per share and diluted earnings per share. Basic net income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share is computed similar to basic income (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

Loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the respective periods. Basic and diluted loss per common share is the same for all periods presented with a net loss because all warrants and stock options outstanding are anti-dilutive.

The following potentially dilutive securities have been excluded from the calculation of diluted net loss per share as they would be anti-dilutive because the Company had net losses for the period below:

Potentially Dilutive Securities	As of March 31,	
	2013	2012
Warrants	2,376,173	2,576,182
Stock options	1,680,898	1,492,000
	4,057,071	4,068,182

Recently Issued Accounting Pronouncements

Recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the Securities Exchange Commission (the "SEC") did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

Note 3 — Line of Credit

The Company entered into a Loan and Security Agreement with Silicon Valley Bank (“SVB”) on July 23, 2010, which as amended, provides for a \$4,000,000 revolving line of credit that matures on October 31, 2013. On February 8, 2012, the Company entered into an Amendment to the Loan and Security Agreement pursuant to which SVB waived our failure to comply with the minimum tangible net worth financial covenant set forth in the Loan Agreement for the compliance period ended December 31, 2011, the parties agreed to amend the minimum tangible net worth required for various periods in calendar year 2012, and the parties agreed that the principal amount outstanding under the revolving line shall accrue interest at the prime rate plus 2.5% for periods in which the Company maintains an account balance with SVB (less all indebtedness owed to SVB) of at least \$800,000 at all times during the prior calendar month (the “Streamline Period”), and at the prime rate plus 4.5% when a Streamline Period is not in effect. The interest rate on the line of credit was 6.5% as of March 31, 2013. The line of credit is secured by all of the Company’s and its subsidiaries’ assets, excluding TAAG’s assets.

The line of credit is subject to certain financial and performance covenants which the Company was in compliance with as of March 31, 2013. The balance outstanding as of March 31, 2013, and June 30, 2012 was \$0 and \$1,000,000, respectively. As of March 31, 2013 and June 30, 2012, approximately \$1,930,000 and \$1,875,000, respectively, of available credit was unused under the line of credit.

Note 4 – Factor Agreements

The Company, through TAAG, has factoring agreements with ABN Amro (“ABN”) and Credit Cooperatif for working capital and credit administration purposes. Under the agreements, the factors purchase trade accounts receivable assigned to them by the Company. The accounts are sold (with recourse) at the invoice amount subject to a factor commission and other miscellaneous fees. Trade accounts receivable not sold remain in the Company's custody and control and the Company maintains all credit risk on those accounts.

Under the agreement with ABN, the Company can borrow up to approximately \$1.3 million (Euro 1,000,000), limited to 40% of its trade accounts. The factor fee is 0.26% of the customer invoice including VAT and interest is charged on the amount financed at the one month Euribor interest rate plus 1.2%. The interest rate under the agreement was 1.82% per annum at March 31, 2013. As of March 31, 2013 and June 30, 2012, \$328,530 and \$197,039 was due from ABN, respectively.

Under the agreement with Credit Cooperatif, the Company can borrow up to approximately \$325,000 (Euro 250,000). The factor fee is determined on a case by case basis and is not specified in the agreement. The fee charged for the obligations outstanding as of March 31, 2013 was approximately 5%. As of March 31, 2013 and June 30, 2012, \$311,482 and \$256,636 was due to Credit Cooperatif, respectively, that relate to funds paid to the Company not yet returned to the factor.

Note 5 — Stockholders' Equity

Stock Options

On December 21, 2007, the Company established the 2007 Equity Compensation Plan (the "Plan") as approved by our Board of Directors and stockholders. On November 15, 2012, the maximum number of shares of common stock that may be issued pursuant to awards granted under the Plan increased from 1,500,000 to 3,000,000, as approved by our Board of Directors and stockholders. The majority of awards issued under the Plan vest immediately or over three years, and have a term of ten years. There were 1,245,769 shares available for grant under the Plan as of March 31, 2013. Stock-based compensation cost is measured at the grant date, based on the fair value of the award, and recognized over the requisite service period, which is generally the vesting period.

The following table summarizes vested and unvested options activity:

	All Options		Vested Options		Unvested Options	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at June 30, 2012	1,471,167	\$ 1.27	1,141,666	\$ 1.27	329,500	\$ 1.29
Granted	363,898	1.15	183,898	1.14	180,000	1.16
Options vesting	-	-	145,000	1.25	(145,000)	1.25
Exercised	(73,333)	1.01	(73,333)	1.01	-	-
Forfeited/Cancelled	(80,834)	1.82	(80,834)	1.82	-	-
Outstanding at March 31, 2013	1,680,898	\$ 1.23	1,316,397	\$ 1.23	364,500	\$ 1.25

The weighted average remaining contractual life of all options outstanding as of March 31, 2013 was 7.31 years. The weighted average remaining contractual life for options vested and exercisable at March 31, 2013 was 6.77 years. Furthermore, the aggregate intrinsic value for all options outstanding as of March 31, 2013 was \$59,937, and the aggregate intrinsic value of options vested and exercisable at March 31, 2013 was \$57,410, in each case based on the fair value of the Company's common stock on March 31, 2013. The total fair value of options vested during the nine months ended March 31, 2013 was \$267,501 and is included in selling, general and administrative expenses in the accompanying statement of operations. As of March 31, 2013, the amount of unvested compensation related to these options was \$307,214 which will be recorded as an expense in future periods as the options vest.

On July 20, 2012, a former employee exercised options to purchase 73,333 shares of the Company's common stock on a cashless basis. The Company issued 17,844 shares of common stock as a result of the exercise.

Additional information regarding stock options outstanding and exercisable as of March 31, 2013 is as follows:

Option Exercise Price	Options Outstanding	Remaining Contractual Life (in years)	Options Exercisable
\$ 1.00	352,000	6.16	352,000
1.02	289,000	7.33	264,916
1.07	53,898	9.55	33,898
1.15	278,000	9.86	150,000
1.25	32,000	9.88	-
1.30	263,000	8.93	109,583
1.50	385,000	4.81	385,000
3.00	15,000	7.79	11,250
3.05	10,000	7.87	7,500
3.65	3,000	7.98	2,250
Total	1,680,898		1,316,397

Warrants

The following table summarizes warrant activity:

Number of Warrants	Weighted Average Exercise Price
--------------------	---------------------------------

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Outstanding, June 30, 2012	2,576,182	\$ 2.06
Granted	-	-
Exercised	-	-
Expired	(200,009)	2.00
Outstanding, March 31, 2013	2,376,173	\$ 2.06
Exercisable, June 30, 2012	2,576,182	\$ 2.06
Exercisable, March 31, 2013	2,376,173	\$ 2.06

There was no intrinsic value for all warrants outstanding as of March 31, 2013, based on the fair value of the Company's common stock on March 31, 2013.

Additional information regarding warrants outstanding and exercisable as of March 31, 2013 is as follows:

Warrant Exercise Price	Warrants Outstanding	Remaining Contractual Life (in years)	Warrants Exercisable
\$ 1.19	150,000	8.73	150,000
1.25	150,000	1.60	150,000
1.75	333,331	1.64	333,331
2.00	1,081,175	0.58	1,081,175
2.25	266,667	1.73	266,667
3.00	390,000	0.88	390,000
3.50	2,500	3.25	2,500
4.00	2,500	3.25	2,500
Total	2,376,173		2,376,173

Shares Issued for Customer List

On November 1, 2012, the Company purchased a customer list for 182,244 shares of common stock valued at approximately \$200,000, and an earnout of up to 6.5% of revenue derived from the customer list over a two year period. The customer list will be amortized over an estimated useful life of 2 years.

Treasury Stock

On March 28, 2013, the Company entered into a Settlement Agreement with Fimmotaag, S.p.A., a privately held company domiciled in France (“Fimmotaag”), and its 2 principal owners, pursuant to which Fimmotaag agreed to return to the Company the 336,921 shares of the Company’s common stock issued to Fimmotaag for the April 2011 purchase of Techniques Appliquées aux Arts Graphiques, S.p.A (“TAAG”). The 336,921 shares were held as treasury stock as of March 31, 2013 and subsequently retired and restored to authorized and unissued share in May 2013.

Note 6 — Commitments and Contingencies

Lease Commitments

On March 24, 2013, the Company entered into an agreement to sublease the printing facility in Chicago to a third party effective April 1, 2013. The amount of the expected rental proceeds from the sublease will be less than the amount the Company is contractually obligated to pay under the lease agreement. The Company determined that current accounting guidance on Accounting for Costs Associated with Exit or Disposal Activities requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. As such a cost of \$219,591 was recorded at March 31, 2013 which represents the deficiency of the expected sub lease income over the remaining contractual rent liability.

Legal Settlement

On March 28, 2013, the Company entered into a Settlement Agreement with Fimmotaag, S.p.A., a privately held company domiciled in France (“Fimmotaag”), and its 2 principal owners (the “Settlement Agreement”), pursuant to which Fimmotaag agreed to return 336,921 shares of the Company’s common stock to the Company and to forego future payments payable to Fimmotaag by the Company pursuant to the terms of the agreement under which the Company

acquired Techniques Appliquées aux Arts Graphiques, S.p.A (“TAAG”) from Fimmotaag. The 2 principal owners of Fimmotaag also agreed to pay 285,000 Euros that they personally guaranteed to TAAG’s landlord, of which TAAG will reimburse them 100,000 Euros. As a condition of the settlement, the Company placed 100,000 Euros in escrow, which will be applied to their share of the settlement, and has been recorded as a prepaid asset at March 31, 2013. The Settlement Agreement resolves the suit filed within the Commercial Court of Evry, France, by the Company in February 2013 against Fimmotaag and its 2 principal owners. The Company recorded the shares as Treasury stock at March 31, 2013.

Note 7 — Geographical Information

As of March 31, 2013, the Company had two reportable diverse geographical concentrations: US Operations and TAAG, which operates in France. Information related to these operating segments, net of eliminations, consists of the following for the periods below:

	Three Months Ended		Nine Months Ended	
	March 31, 2013		March 31, 2013	
	US	TAAG	US	TAAG
	Operations	(France)	Operations	(France)
Revenue	\$7,878,181	\$2,768,576	\$26,525,404	\$7,645,450
Cost of revenue	6,714,629	1,672,723	22,399,973	4,595,931
Selling, general and administrative expenses	1,387,339	967,668	3,752,936	3,007,482
Depreciation and amortization	47,857	92,478	185,324	276,583
Loss on facility sublease	233,015	-	233,015	-
Income (loss) from operations	\$(504,659)	\$35,707	\$(45,844)	\$(234,546)

	As of March 31, 2013		As of June 30, 2012	
	US	TAAG	US	TAAG
	Operations	(France)	Operations	(France)
Current assets	\$5,749,070	\$2,245,523	\$7,765,813	\$2,635,878
Property and equipment, net	216,384	744,624	300,831	993,686
Intangible assets, net and goodwill	123,711	-	65,510	-
Other non-current assets	16,833	233,206	27,155	217,047
Total assets	\$6,105,998	\$3,223,353	\$8,159,309	\$3,846,611
Current liabilities	\$5,045,449	\$4,158,807	\$7,468,482	\$4,105,377
Long term liabilities	-	507,599	-	866,625
Total liabilities	\$5,045,449	\$4,666,406	\$7,468,482	\$4,972,002

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Notice Regarding Forward-Looking Statements

In this document, Research Solutions, Inc. and its subsidiaries are referred to as "we," "our," "us," or the "Company".

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our June 30, 2012 Annual Report on Form 10-K.

Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including, without limitation:

- *the projected growth or contractions in the industry within which we operate;*
- *our business strategy for expanding, maintaining or contracting our presence in these markets;*
- *anticipated trends in our financial condition and results of operations; and*
- *our ability to distinguish ourselves from our current and future competitors.*

We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements. All forward-looking statements included in this report are based on information available to us on the date hereof and, except as required by law, we assume no obligation to update any such forward-looking statements.

Overview

Research Solutions, Inc. was incorporated in the State of Nevada on November 2, 2006. In November 2006 the Company entered into a Share Exchange Agreement with Reprints Desk, Inc., a Delaware corporation. At the closing of the transaction contemplated by the Share Exchange Agreement, the Company acquired all of the outstanding shares of Reprints from the shareholders of Reprints and issued 8,000,003 common shares to the former shareholders of Reprints. Following completion of the exchange transaction, Reprints became a wholly-owned subsidiary of the Company.

On February 28, 2007, the Company entered into an agreement with Pools Press, Inc., an Illinois corporation, pursuant to which the Company acquired 75% of the issued and outstanding common stock of Pools for consideration of \$616,080. The Company purchased the remaining interest in Pools that it did not already own on August 31, 2010. Pools is a commercial printer, specializing in reprints of copyrighted articles. The results of Pools Press' operations have been included in the Company's consolidated financial statements since March 1, 2007. On January 1, 2012, Pools merged with and into Reprints whereby Reprints assumed all of the rights and properties of Pools, forming one consolidated subsidiary and eliminating the separate legal existence of Pools.

On March 31, 2011, the Company entered into an agreement with Fimmotaag, S.p.A., a privately held company domiciled in France, pursuant to which the Company acquired 100% of the issued and outstanding common stock of Techniques Appliquées aux Arts Graphiques, S.p.A., in exchange for 336,921 shares of the Company's common stock in addition to future payments payable at the option of Fimmotaag in cash or the Company's common stock under the terms of the purchase agreement. TAAG is a printing and logistics company located outside of Paris, France.

On July 24, 2012, the Company formed Reprints Desk Latin America S. de R.L. de C.V, an entity organized under the laws of Mexico.

On March 4, 2013, the Company consummated a merger with DYSC Subsidiary Corporation, the Company's wholly-owned subsidiary, pursuant to which the Company, in connection with such merger, amended its Articles of Incorporation to change its name to Research Solutions, Inc.

Our mission is to provide information logistics solutions that facilitate the flow of information from the publishers of scientific and technical content to enterprise customers in life science and other research intensive industries around the world. We make the hundreds of thousands of new articles each year, in addition to the tens of millions of existing articles that have been published in the past, available to our customers and help them identify the most useful and relevant content for their purposes. We serve both the publishers who own the content rights and the end-users of the content. We utilize web-based platforms as well as traditional delivery channels and are developing products and services that make it easier for our customers to find and use information. During the year ended June 30, 2012, we delivered more than 10 million articles in either hard copy or electronic form to over 1,000 customers in over 100 countries.

We provide three types of solutions to our customers; research solutions; marketing solutions; and publisher solutions.

Research Solutions

Researchers and regulatory personnel generally order single copies of published materials, called “document delivery,” for use in their research activities. In order to use the content, our customers must pay appropriate copyright fees and our services ensure that we have obtained the necessary permissions from the owners of the published content so that our customers’ use of the content complies with applicable copyright laws. We have developed Internet-based interfaces that allow customers to initiate orders and manage transactions, at any time, by specifying the citation or other identifying information related to the particular article they need. In some cases, we are able to fulfill the order without the need for action on the part of our employees. We also help these customers to maximize the information resources they already own or have access to via subscriptions or internal libraries, as well as organize workgroups to collaborate around scientific information. Our services alleviate the need for our customers to develop internal systems or contact multiple publishers in order to obtain the required information.

Marketing Solutions

Generally, marketing departments order large quantities of printed copies of published materials called “reprints” that they distribute to interested parties, including customers and doctors who may prescribe a customer’s products. We print the reprints we deliver to our customers whenever possible and are responsible for any logistics required to distribute such reprints. TAAG also prints other materials that are used for marketing purposes and provides other printing logistics products and services. Electronic copies, called “eprints,” are also used for distribution through the Internet and other electronic mechanisms. We have also developed eprint software systems that increase the efficiency of our customers’ content purchases by transitioning from paper reprints to electronic eprints. Our software systems also help to improve compliance with copyright and promotional regulations within the life sciences industry.

Publisher Solutions

Our publisher solutions include technology solutions and reprint management services, whereby we are responsible for all aspects of reprint and eprint production for a publisher, from taking orders to final delivery. This service eliminates the need for the publishers to establish a dedicated reprints sales force or arrange for delivery of reprinted materials. Our eprint software systems enable publishers to protect their copyrighted content and support the marketing needs of their customers.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. When making these estimates and assumptions, we consider our historical experience, our knowledge of economic and market factors and various other factors that we believe to be reasonable under the circumstances. Actual results may differ under different estimates and assumptions.

The accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties.

Revenue Recognition

The Company's policy is to recognize revenue when services have been performed, risk of loss and title to the product transfers to the customer, the selling price is fixed or determinable, and collectability is reasonably assured. We generate revenue by providing three types of services to our customers; document delivery; reprints and eprints; and printing and reprint management.

Document Delivery

Our business model for document delivery services is based on charging our customers a copyright fee necessary to obtain permission of use from the content owner (publisher), and a service fee for delivering the content. We have existing non-exclusive arrangements with many publishers that provide us with electronic access to much of these publishers' content, which allows us to deliver single copies of such content to our customers in a more efficient and timely manner, often in a matter of minutes. The Company recognizes revenue from document delivery services upon electronic delivery to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

Reprints and eprints

Our business model for reprints and eprints is based on charging a fee for aggregating and distributing multiple copies of published materials. When possible, we obtain the right to print the reprints from the holder of the copyright and we print and ship the reprints ourselves. We also have built systems that can provide controlled distribution of electronic copies or eprints. The Company recognizes revenue from reprints and eprints services upon shipment or electronic delivery to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

Printing and Reprint Management

Our business model for printing is based on charging a fee for providing printing services and delivering hard copy materials to our customers that are generally used for marketing purposes. In addition, we also provide other printing logistics products and services. These services are complementary to our reprints and eprints, and reprint management services. The Company recognizes revenue from printing services when the printed materials have been shipped to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

Stock-Based Compensation

The Company periodically issues stock options and warrants to employees and non-employees in capital raising transactions, for services and for financing costs. The Company accounts for share-based payments under the guidance as set forth in the *Share-Based Payment* Topic 718 of the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees, officers, directors, and consultants, including employee stock options based on estimated fair values. The Company estimates the fair value of share-based payment awards to employees and directors on the date of grant using an option-pricing model, and the value of the portion of the award that is ultimately expected to vest is recognized as expense over the required service period in the Company's Statements of Operations. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with Topic 718 of the FASB Accounting Standards Codification, whereby the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) the date at which the necessary performance to earn the equity instruments is complete. Stock-based compensation is based on awards ultimately expected to vest and is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, as necessary, in subsequent periods if actual forfeitures differ from those estimates.

Results of Operations**Comparison of the Three Months and Nine Months Ended March 31, 2013 and 2012**

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2013	2012	2013	2012
Revenue	\$10,646,757	\$9,986,862	\$34,170,854	\$31,937,600
Cost of revenue	8,387,352	7,743,917	26,995,904	26,442,918

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Gross profit	2,259,405	2,242,945	7,174,950	5,494,682
Operating expenses:				
Selling, general and administrative	2,197,912	1,992,351	6,492,917	7,511,155
Stock-based compensation expense	157,095	44,880	267,501	156,907
Depreciation and amortization	140,335	359,220	461,907	1,325,315
Impairment loss related to the acquisition of TAAG	-	1,602,638	-	1,602,638
Impairment loss on intangible assets related to intellectual property licenses	-	688,138	-	688,138
Loss on facility sublease	233,015	-	233,015	-
Total operating expenses	2,728,357	4,687,227	7,455,340	11,284,153
Loss from operations	(468,952)	(2,444,282)	(280,390)	(5,789,471)
Gain on sale of fixed assets	10,130	-	17,009	-
Interest expense	(16,946)	(38,457)	(76,506)	(161,470)
Other income (expense)	(8,142)	3,721	(18,056)	22,591
Loss before provision for income taxes	(483,910)	(2,479,018)	(357,943)	(5,928,350)
Income tax benefit	8,476	350,000	6,795	330,371
Net loss	(475,434)	(2,129,018)	(351,148)	(5,597,979)

Revenue

	Three Months Ended March 31,			
	2013	2012	2013-2012 \$ Change	2013-2012 % Change
Revenue:				
US operations	\$7,878,181	\$7,537,065	\$ 341,116	4.5 %
TAAG (France)	2,768,576	2,449,797	318,779	13.0 %
Total revenue	\$10,646,757	\$9,986,862	\$ 659,895	6.6 %

	Nine Months Ended March 31,			
	2013	2012	2013-2012 \$ Change	2013-2012 % Change
Revenue:				
US operations	\$26,525,404	\$23,300,946	\$3,224,458	13.8 %
TAAG (France)	7,645,450	8,636,654	(991,204)	(11.5)%
Total revenue	\$34,170,854	\$31,937,600	\$2,233,254	7.0 %

Revenue from US operations increased \$341,116 or 4.5%, for the three months ended March 31, 2013 compared to the three months ended March 31, 2012, and \$3,224,458, or 13.8%, for the nine months ended March 31, 2013 compared to the nine months ended March 31, 2012. In both periods, the increase was primarily due to increased orders from current customers and the acquisition of new customers. We expect revenue from US operations to continue to increase during the 2013 fiscal year.

Revenue from TAAG increased \$318,779 or 13%, for the three months ended March 31, 2013 compared to the three months ended March 31, 2012, and decreased \$991,204, or 11.5%, for the nine months ended March 31, 2013 compared to the nine months ended March 31, 2012. Despite the increase in revenue in the current quarter compared to the same quarter last year, disappointing sales efforts and general financial uncertainty in Europe persist. The Company has replaced the local management of TAAG as part of our overall strategy for improving revenue, operations, and profitability; however, there is no assurance that such results will be achieved, or that revenue will continue to decrease.

Cost of Revenue

Three Months Ended March 31,	
2013	2012

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			2013-2012 \$ Change	2013-2012 % Change	
Cost of Revenue:					
US operations	\$6,714,629	\$6,178,610	\$ 536,019	8.7	%
TAAG (France)	1,672,723	1,565,307	107,416	6.9	%
Total cost of revenue	\$8,387,352	\$7,743,917	\$ 643,435	8.3	%
As a percentage of revenue:					
US operations	85.2	% 82.0	% 3.3	%	
TAAG (France)	60.4	% 63.9	% (3.5))%	
Total	78.8	% 77.5	% 1.2	%	

Nine Months Ended March 31,

	2013	2012	2013-2012 \$ Change	2013-2012 % Change	
Cost of Revenue:					
US operations	\$22,399,973	\$21,209,156	\$1,190,817	5.6	%
TAAG (France)	4,595,931	5,233,762	(637,831)	(12.2))%
Total cost of revenue	\$26,995,904	\$26,442,918	\$552,986	2.1	%
As a percentage of revenue:					
US operations	84.4	% 91.0	% (6.6))%	
TAAG (France)	60.1	% 60.6	% (0.5))%	
Total	79.0	% 82.8	% (3.8))%	

Cost of revenue as a percentage of revenue from US operations increased 3.3%, for the three months ended March 31, 2013 compared to the three months ended March 31, 2012, and decreased 6.6%, for the nine months ended March 31, 2013 compared to the nine months ended March 31, 2012. In both periods, the variance was primarily due to payments to publishers.

Cost of revenue as a percentage of revenue from TAAG decreased 3.5%, for the three months ended March 31, 2013 compared to the three months ended March 31, 2012, and 0.5%, for the nine months ended March 31, 2013 compared to the nine months ended March 31, 2012. In both periods, the decrease was primarily due to reductions in production expenses.

Gross Profit

	Three Months Ended March 31,				
	2013	2012	2013-2012	2013-2012	
			\$ Change	% Change	
Gross Profit:					
US operations	\$1,163,552	\$1,358,455	\$(194,903)	(14.3))%
TAAG (France)	1,095,853	884,490	211,363	23.9	%
Total gross profit	\$2,259,405	\$2,242,945	\$16,460	0.7	%
As a percentage of revenue:					
US operations	14.8	% 18.0	% (3.3)%	
TAAG (France)	39.6	% 36.1	% 3.5	%	
Total	21.2	% 22.5	% (1.2)%	

	Nine Months Ended March 31,				
	2013	2012	2013-2012	2013-2012	
			\$ Change	% Change	
Gross Profit:					
US operations	\$4,125,431	\$2,091,790	\$2,033,641	97.2	%
TAAG (France)	3,049,519	3,402,892	(353,373)	(10.4))%
Total gross profit	\$7,174,950	\$5,494,682	\$1,680,268	30.6	%
As a percentage of revenue:					
US operations	15.6	% 9.0	% 6.6	%	
TAAG (France)	39.9	% 39.4	% 0.5	%	
Total	21.0	% 17.2	% 3.8	%	

Operating Expenses

	Three Months Ended March 31,			
	2013	2012	2013-2012 \$ Change	2013-2012 % Change
Operating Expenses:				
US Operations:				
Selling, general and administrative	\$1,230,244	\$1,023,455	\$206,789	20.2 %
Depreciation and amortization	47,857	110,212	(62,355)	(56.6)%
Stock-based compensation expense	157,095	44,880	112,215	250.0 %
Impairment loss on database licenses	-	688,138	(688,138)	(100.0)%
Loss on facility sublease	233,015	-	233,015	-
Total US operations	1,668,211	1,866,685	(198,474)	(10.6)%
TAAG (France):				
Selling, general and administrative	967,668	968,896	(1,228)	(0.1)%
Depreciation and amortization	92,478	249,008	(156,530)	(62.9)
Impairment loss related to the acquisition of TAAG	-	1,620,638	(1,602,638)	(100)%
Total TAAG (France) operations	1,060,146	2,820,542	(1,760,396)	(62.4)%
Total operating expenses	\$2,728,357	\$4,687,227	\$(1,958,870)	(41.8)%

	Nine Months Ended March 31,			
	2013	2012	2013-2012 \$ Change	2013-2012 % Change
Operating Expenses:				
US Operations:				
Selling, general and administrative	\$3,485,435	\$4,245,626	\$(760,191)	(17.9)%
Depreciation and amortization	185,324	278,657	(93,333)	(33.5)%
Stock-based compensation expense	267,501	156,907	110,594	70.5 %
Impairment loss on database licenses	-	688,138	(688,138)	(100.0)%
Loss on facility sublease	233,015	-	233,015	-
Total US operations	4,171,275	5,369,328	(1,198,053)	(22.3)%
TAAG (France):				
Selling, general and administrative	3,007,482	3,265,529	(258,047)	(7.9)%
Depreciation and amortization	276,583	1,046,658	(770,075)	(73.6)%
Impairment loss related to the acquisition of TAAG	-	1,602,638	(1,602,638)	(100.0)%
Total TAAG (France) operations	3,284,065	5,914,825	(2,630,760)	(44.5)%
Total operating expenses	\$7,455,340	\$11,284,153	\$(3,828,813)	(33.9)%

Selling, General and Administrative

Selling, general and administrative expenses from US operations increased \$206,789 or 20.2%, for the three months ended March 31, 2013 compared to the three months ended March 31, 2012, and decreased \$760,191 or 17.9%, for the nine months ended March 31, 2013 compared to the nine months ended March 31, 2012. In both periods, the variance was primarily due to compensation and professional service fees.

Selling, general and administrative expenses from TAAG decreased \$258,047 or 7.9%, for the nine months ended March 31, 2013 compared to the nine months ended March 31, 2012 primarily due to reductions in compensation.

Depreciation and Amortization

Depreciation and amortization for the three and nine months ended March 31, 2013, amounted to \$145,068 and \$488,883, respectively, with \$4,733 and \$26,976 recorded under cost of revenue in the same respective periods.

The amounts recorded for US operations are split between depreciation and amortization of customer lists. We expect depreciation and amortization expense for US operations to remain at current levels during the 2013 fiscal year.

The amounts recorded for TAAG consist mostly of depreciation on printing equipment. We expect depreciation expense for TAAG to remain at current levels during the 2013 fiscal year.

Interest Expense

Interest expense was \$76,506 for the nine months ended March 31, 2013, compared to \$161,470 for the nine months ended March 31, 2012, a decrease of \$84,964. The decrease was primarily attributable to decreased borrowing on the credit line for US operations with Silicon Valley Bank which provides a \$4 million revolving line of credit secured by all of the assets of the Company, excluding TAAG's assets. The majority of interest expense is from capital leases of printing equipment at TAAG. We expect interest expense to remain at current levels during the 2013 fiscal year.

Net Income (Loss)

	Three Months Ended March 31,			
	2013	2012	2013-2012 \$ Change	2013-2012 % Change
Net Income (Loss):				
US Operations	\$(494,628)	\$(523,443)	\$28,815	5.5 %
TAAG (France)	19,194	(1,605,575)	1,624,769	101.2 %
Total net loss	\$(475,434)	\$(2,129,018)	\$1,653,584	77.7 %

	Nine Months Ended March 31,			
	2013	2012	2013-2012 \$ Change	2013-2012 % Change
Net Income (Loss):				
US Operations	\$(54,776)	\$(3,347,417)	\$3,292,641	98.4 %
TAAG (France)	(296,372)	(2,250,562)	1,954,190	86.8 %
Total net loss	\$(351,148)	\$(5,597,979)	\$5,246,831	93.7 %

Net income from US operations increased \$28,815 or 5.5%, for the three months ended March 31, 2013 compared to the three months ended March 31, 2012, and \$3,292,641 or 98.4%, for the nine months ended March 31, 2013 compared to the nine months ended March 31, 2012. In both periods, the increase was primarily due to gross profit variances and decreased operating expenses as described above.

The net income from TAAG increased \$1,624,769 or 101.2%, for the three months ended March 31, 2013 compared to the three months ended March 31, 2012, and \$1,954,190 or 86.8%, for the nine months ended March 31, 2013 compared to the nine months ended March 31, 2012. In both periods, the increase was primarily due to decreased operating expenses as described above.

Liquidity and Capital Resources

	Nine Months Ended March 31,	
	2013	2012
Consolidated Statements of Cash Flow Data:		
Net cash provided by (used) in operating activities	\$(149,409)	\$1,348,108
Net cash provided by (used) in investing activities	\$(21,305)	\$(249,921)

Net cash provided by (used) in financing activities \$(1,436,706) \$(797,387)

Since our inception, we have funded our operations primarily through private sales of equity securities and the exercise of warrants, which have provided aggregate net cash proceeds to date of approximately \$10,350,000, of which \$5,250,000 was raised in the fiscal year ended June 30, 2011.

As of March 31, 2013, we had cash and cash equivalents of \$1,504,004 compared to \$3,150,978 as of June 30, 2012, a decrease of \$1,646,974. This decrease is primarily attributable to a decrease in accounts payable of \$1,549,370, and repayments under our credit line of \$1,000,000, partially offset by a decrease in accounts receivable of \$828,753.

We believe that our current cash resources and future cash flows will be sufficient to sustain current operations for the next twelve months.

US Operations (Reprints)

The Company believes that its current cash resources and cash flow from US operations will be sufficient to sustain current US operations for the next twelve months. The Company expects to continue to produce cash from US operating activities; however, there are no assurances that such results will be achieved.

TAAG (France)

The Company believes that its current cash resources and cash flow from TAAG may not be sufficient to sustain TAAG operations for the next twelve months. During the nine months ended March 31, 2013, TAAG incurred a loss from operations of \$234,546, and at March 31, 2013, had a working capital deficiency of \$1,913,284. In addition, approximately \$600,000 of payroll and VAT taxes were delinquent at March 31, 2013. The Company's line of credit with Silicon Valley Bank limits the amount of funding of TAAG to \$50,000 and no additional financing for TAAG is in place. Revenue from TAAG seems to have stabilized in early 2012, however, continuing net losses have been incurred. Our overall strategy is to improve TAAG's revenue, operations, and profitability. As a result, we have performed, and continue to perform, financial and operational analysis on TAAG. We have replaced all executive and accounting management at TAAG and hired a new executive manager and engaged a professional accounting services firm to ensure these improvements are implemented, however, there is no assurance that such results will be achieved. In the event that TAAG liquidates our exposure to creditors in France is limited to the assets of TAAG, with the exception of a \$50,000 guarantee in favor of the landlord on the facility lease. In the event that TAAG liquidates we could lose a significant percentage of revenue, or all revenue, from TAAG.

Operating Activities

Our net cash used in operating activities was \$149,409 for the nine months ended March 31, 2013 and resulted primarily from a decrease in accounts payable of \$1,549,370 and an increase in prepaid expenses of \$157,668, partially offset by a decrease in accounts receivable of \$828,753 and non-cash depreciation and amortization of \$488,883.

Our net cash provided by operating activities was \$1,348,108 for the nine months ended March 31, 2012 and resulted primarily from an increase in accounts payable of \$2,395,269, non-cash depreciation and amortization of \$1,378,984, non-cash impairment losses of \$2,290,776 and a decrease of prepaid royalties of \$1,013,809, partially offset by a decrease in deferred income tax liability of \$350,000 and an increase in accounts receivable of \$293,459 as well as the net loss of \$5,597,979 for the period.

Investing Activities

Our net cash used in investing activities was \$21,305 for the nine months ended March 31, 2013 and resulted primarily from the purchase of property and equipment.

Our net cash used in investing activities was \$249,921 for the nine months ended March 31, 2012 and resulted primarily from the purchase of intangible assets and property and equipment.

Financing Activities

Our net cash used in financing activities was \$1,436,706 for the nine months ended March 31, 2013 and resulted primarily from repayments under our credit line of \$1,000,000 and payments of capital lease obligations of \$460,921.

Our net cash used in financing activities was \$797,387 for the nine months ended March 31, 2012 and resulted primarily from payments of capital lease obligations of \$611,589.

The Company entered into a Loan and Security Agreement with Silicon Valley Bank (“SVB”) on July 23, 2010, which as amended, provides for a \$4,000,000 revolving line of credit that matures on October 31, 2013. The SVB line of credit bears interest at the prime rate plus 2.5% for periods in which the Company maintains an account balance with SVB (less all indebtedness owed to SVB) of at least \$800,000 at all times during the prior calendar month (the “Streamline Period”), and at the prime rate plus 4.5% when a Streamline Period is not in effect. The interest rate on the line of credit was 6.5% as of March 31, 2013. The line of credit is secured by all of the Company’s and its subsidiaries’ assets, excluding TAAG’s assets.

The line of credit is subject to certain financial and performance covenants which the Company was in compliance with as of March 31, 2013. The balance outstanding as of March 31, 2013, and June 30, 2012 was \$0 and \$1,000,000, respectively. As of March 31, 2013 and June 30, 2012, approximately \$1,930,000 and \$1,875,000, respectively, of available credit was unused under the line of credit.

The Company, through TAAG, has factoring agreements with ABN Amro (“ABN”) and Credit Cooperatif for working capital and credit administration purposes. Under the agreements, the factors purchase trade accounts receivable assigned to them by the Company. The accounts are sold (with recourse) at the invoice amount subject to a factor commission and other miscellaneous fees. Trade accounts receivable not sold remain in the Company's custody and control and the Company maintains all credit risk on those accounts.

Under the agreement with ABN, the Company can borrow up to approximately \$1.3 million (Euro 1,000,000), limited to 40% of its trade accounts. The factor fee is 0.26% of the customer invoice including VAT and interest is charged on the amount financed at the one month Euribor interest rate plus 1.2%. The interest rate under the agreement was 1.82% per annum at March 31, 2013. As of March 31, 2013 and June 30, 2012, \$328,530 and \$197,039 was due from ABN, respectively.

Under the agreement with Credit Cooperatif, the Company can borrow up to approximately \$325,000 (Euro 250,000). The factor fee is determined on a case by case basis and is not specified in the agreement. The fee charged for the obligations outstanding as of March 31, 2013 was approximately 5%. As of March 31, 2013 and June 30, 2012, \$311,482 and \$256,636 was due to Credit Cooperatif, respectively, that relate to funds paid to the Company not yet returned to the factor.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Recently Issued Accounting Pronouncements

For information about recently issued accounting standards, refer to Note 2 to our Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, the Company is not required to provide the information required by this item.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. For purposes of this section, the term *disclosure controls and procedures* means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2013, the Company's disclosure controls and procedures were effective to ensure that information it is required to disclose in reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Inherent Limitations on the Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of

controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control Over Financial Reporting

In addition, our management with the participation of our principal executive officer and principal financial officer have determined that no change in our internal control over financial reporting (as that term is defined in Rules 13(a)-15(f) and 15(d)-15(f) of the Exchange Act) occurred during the quarter ended March 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 6. Exhibits

See “Exhibit Index” on the page immediately following the signature page hereto for a list of exhibits filed as part of this report, which is incorporated herein by reference.

SIGNATURES

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

**RESEARCH
SOLUTIONS, INC.**

By: /s/ Peter Derycz

Date: May 15, 2013

Peter Derycz
Chief Executive
Officer

By: /s/ Alan Urban

Date: May 15, 2013

Alan Urban
Chief Financial
Officer

EXHIBIT INDEX

Exhibit Number	Description
3.1	Articles of Merger Effective March 4, 2013. Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-7 (File No. 000-53501) filed with the Securities and Exchange Commission on March 6, 2013.
10.1	Settlement Agreement dated March 28, 2013, among Research Solutions, Inc., Techniques Appliquées aux Arts Graphiques, S.p.A., Fimmotaag, S.p.A., Patrice Chambin, and Mario Vendemiati.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document **
101.SCH	XBRL Taxonomy Extension Schema **
101.CAL	XBRL Taxonomy Extension Calculation Linkbase **
101.DEF	XBRL Taxonomy Extension Definition Linkbase**
101.LAB	XBRL Taxonomy Extension Label Linkbase **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase **

**Furnished herewith