Research Solutions, Inc.
Form 10-Q
May 15, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended: March 31, 2017

¨ **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	**11-3797644**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
15821 Ventura Blvd., Suite 165, Encino, California	**91436**
(Address of principal executive offices)	(Zip Code)

(310) 477-0354

(Registrant’s telephone number, including area code)

5435 Balboa Blvd., Suite 202, Encino, California, 91316

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

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

Indicate by check mark whether the registrant 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 þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth 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 þ
	Emerging growth company ¨

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

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 10, 2017**
Common Stock, $0.001 par value	23,925,910

TABLE OF CONTENTS

PART 1 — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Research Solutions, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

	March 31, 2017 (unaudited)	June 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$5,242,978	$6,076,875
Accounts receivable, net of allowance of $47,510 and $52,084, respectively	5,186,517	5,761,860
Prepaid expenses and other current assets	196,553	164,610
Prepaid royalties	1,276,576	173,665
Total current assets	11,902,624	12,177,010
Other assets:		
Property and equipment, net of accumulated depreciation of $682,849 and $642,051, respectively	83,662	82,207
Intangible assets, net of accumulated amortization of $602,779 and $546,679, respectively	58,499	104,848
Deposits and other assets	19,061	7,594
Right of use asset, net of accumulated amortization of $18,018	445,004	-
Total assets	$12,508,850	$12,371,659
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$6,338,404	$5,690,768
Deferred revenue	1,163,813	639,834
Lease liability, current portion	88,124	-
Total current liabilities	7,590,341	6,330,602
Long-term liabilities:		
Lease liability, long-term portion	357,063	-
Total liabilities	7,947,404	6,330,602
Commitments and contingencies		

Stockholders' equity:		
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; 23,925,910 and 23,809,593 shares issued and outstanding, respectively	23,926	23,810
Additional paid-in capital	22,070,330	21,642,763
Accumulated deficit	(17,473,411)	(15,582,295)
Accumulated other comprehensive loss	(59,399)	(43,221)
Total stockholders' equity	4,561,446	6,041,057
Total liabilities and stockholders' equity	$12,508,850	$12,371,659

See notes to condensed consolidated financial statements

Research Solutions, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations and Other Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Revenue	$8,643,799	$8,724,217	$24,832,582	$26,066,544
Cost of revenue	6,914,793	6,959,203	19,976,167	21,150,881
Gross profit	1,729,006	1,765,014	4,856,415	4,915,663
Operating expenses:				
Selling, general and administrative	2,334,189	1,665,090	6,633,521	5,244,267
Depreciation and amortization	33,906	30,310	96,801	61,144
Total operating expenses	2,368,095	1,695,400	6,730,322	5,305,411
Income (loss) from operations	(639,089)	69,614	(1,873,907)	(389,748)
Other income (expenses):				
Interest expense	(3,000)	(6,389)	(9,000)	(14,382)
Other income (expense)	10,143	(25,639)	20,277	(18,229)
Total other income (expenses)	7,143	(32,028)	11,277	(32,611)
Income (loss) from operations before provision for income taxes	(631,946)	37,586	(1,862,630)	(422,359)
Provision for income taxes	(5,544)	(5,210)	(28,486)	(22,510)
Net income (loss)	(637,490)	32,376	(1,891,116)	(444,869)
Other comprehensive income (loss):				
Foreign currency translation	(18,090)	(6,603)	(16,178)	(11,966)
Comprehensive income (loss)	$(655,580)	$25,773	$(1,907,294)	$(456,835)
Basic income (loss) per common share:				
Net income (loss) per share	$(0.03)	$-	$(0.08)	$(0.03)
Basic weighted average common shares outstanding	23,265,939	17,707,900	23,199,010	17,642,449
Diluted income (loss) per common share:				
Net income (loss) per share	$(0.03)	$-	$(0.08)	$(0.03)
Diluted weighted average common shares outstanding	23,265,939	18,464,000	23,199,010	17,642,449

See notes to condensed consolidated financial statements

Research Solutions, Inc. and Subsidiaries

Condensed Consolidated Statement of Stockholders' Equity

For the Nine Months Ended March 31, 2017

(Unaudited)

	Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity
Balance, July 1, 2016	23,809,593	$23,810	$21,642,763	$(15,582,295)	$ (43,221)	$6,041,057
Fair value of vested stock options	-	-	247,224	-	-	247,224
Fair value of vested restricted common stock	203,275	202	270,585	-	-	270,787
Repurchase of common stock	(86,958)	(86)	(90,242)	-	-	(90,328)
Net loss for the period	-	-	-	(1,891,116)	-	(1,891,116)
Foreign currency translation	-	-	-	-	(16,178)	(16,178)
Balance, March 31, 2017	23,925,910	$23,926	$22,070,330	$(17,473,411)	$ (59,399)	$4,561,446

See notes to condensed consolidated financial statements

Research Solutions, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended March 31, 2017	2016
Cash flow from operating activities:		
Net loss	$(1,891,116)	$(444,869)
Adjustment to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	96,801	61,145
Amortization of lease right	18,018	-
Fair value of vested stock options	247,224	245,523
Fair value of vested restricted common stock	270,787	276,360
Modification cost of options issued to directors	-	29,815
Changes in operating assets and liabilities:		
Accounts receivable	575,343	(614,001)
Prepaid expenses and other current assets	(31,943)	(63,367)
Prepaid royalties	(1,102,911)	184,680
Deposits and other assets	(11,467)	106
Accounts payable and accrued expenses	647,636	564,290
Deferred revenue	523,979	542,400
Lease liability	(17,835)	-
Net cash provided by (used in) operating activities	(675,484)	782,082
Cash flow from investing activities:		
Purchase of property and equipment	(42,316)	(49,784)
Purchase of intangible assets	(9,751)	(130,800)
Net cash used in investing activities	(52,067)	(180,584)
Cash flow from financing activities:		
Advance under line of credit	-	1,000,000
Payment under line of credit	-	(1,000,000)
Common stock repurchase and retirement	(90,328)	(20,147)
Net cash used in financing activities	(90,328)	(20,147)
Effect of exchange rate changes	(16,018)	(11,539)
Net increase (decrease) in cash and cash equivalents	(833,897)	569,812
Cash and cash equivalents, beginning of period	6,076,875	1,354,158
Cash and cash equivalents, end of period	$5,242,978	$1,923,970

Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$28,486	$22,510
Cash paid for interest	$9,000	$14,382
Supplemental noncash investing and financing activities:		
Acquisition of leased asset and lease liability	$463,022	$-

See notes to condensed consolidated financial statements

6

RESEARCH SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Nine Months Ended March 31, 2017 and 2016 (Unaudited)

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

Organization

Research Solutions, Inc. (the "Company," "Research Solutions," "we," "us" or "our") was incorporated in the State of Nevada November 2, 2006. On March 4, 2013, we consummated a merger with DYSC Subsidiary Corporation, our wholly-owned subsidiary, pursuant to which we, in connection with such merger, amended our Articles of Incorporation to change our name to Research Solutions, Inc. (formerly Derycz Scientific, Inc.). Research Solutions, Inc. is a publicly traded holding company with two wholly owned subsidiaries: Reprints Desk, Inc., a Delaware corporation ("Reprints Desk") and Reprints Desk Latin America S. de R.L. de C.V, an entity organized under the laws of Mexico ("Reprints Desk Latin America").

Nature of Business

We provide a cloud based software-as-a-service ("SaaS") research intelligence platform that allows on-demand access to scientific, technical, and medical ("STM") information for life science companies, academic institutions, and other research-intensive organizations. We provide three service offerings to our customers: Article Galaxy SaaS Platforms ("Platform(s)"), Article Galaxy Transactions ("Transactions"), and Reprints and ePrints.

Platforms

Our cloud-based SaaS solution consists of proprietary software and Internet-based interfaces. Legacy functionality allows customers to initiate orders, manage transactions, obtain reporting, automate authentication, and connect seamlessly to corporate intranets. Customers can also enhance the information resources they already own or access via subscriptions or internal libraries, as well as organize workgroups to collaborate around scientific and technical information.

New functionality has recently been added to our Platform in the form of interactive app-like gadgets. An alternative to manual data filtering and extraction, gadgets are designed to gather, augment, and extract data across a variety of formats, including bibliographic citations, tables of contents, RSS feeds, PDF files, XML feeds, and web content. We are rapidly developing new gadgets in order to build an ecosystem of gadgets. Together, these gadgets will provide researchers with an “all in one” toolkit, delivering efficiencies in core research workflows and knowledge creation processes.

Our Platform is deployed as a single system across our entire customer base. Customers access the Platform securely through online web interfaces and via web service APIs, which enable customers to leverage features and functionality from within proprietary and other 3rd party software systems. The Platform can also be configured to satisfy a customer’s individual preferences in areas such as user experience, business processes, and spend management. The Platform benefits from efficiencies in scalability, stability and development costs, resulting in significant advantages versus multiple instance or installed desktop software alternatives. We leverage these technical efficiencies to fuel rapid innovation and competitive advantage.

Transactions

Our Platform provides our customers with a single source to the universe of published STM content that includes over seventy million existing STM articles and over one million newly published STM articles each year. Our Platform allows customers to find and download in digital format STM articles that are critical to their research. In addition, it facilitates customers’ compliance with applicable copyright laws.

Researchers and knowledge workers in life science and other research-intensive organizations generally require single copies of published STM journal articles for use in their research activities. They place orders with us for the articles they need and we source and electronically deliver the requested content to them generally in under an hour. This service is known in the industry as single article delivery or document delivery. We also obtain the necessary permissions from the content publisher so that our customer’s use complies with applicable copyright laws. We have arrangements with numerous content publishers that allow us to distribute their content. The majority of these publishers provide us with electronic access to their content, which allows us to electronically deliver single articles to our customers often in a matter of minutes.

Reprints and ePrints

Marketing departments in life science and other research-intensive organizations generally require large quantities of printed copies of published STM journal articles called “Reprints” that are distributed to physicians and at conferences. We obtain the necessary permissions from the content publisher so that our customer’s use complies with applicable copyright laws. The majority of content publishers print their content in-house and prohibit others from printing their content; however, when not prohibited by the content publisher, we use third parties to print Reprint orders. Electronic copies, called “ePrints”, are also used for distribution through the Internet and other electronic mechanisms. We have developed proprietary ePrint software that increases the efficiency of our customers’ content purchases by transitioning from paper Reprints to electronic ePrints, and by improving compliance with applicable copyright laws and promotional regulations within the life science industry. Reprints and ePrints are charged on a transactional basis and order volume typically fluctuates from month to month based on customer marketing budgets and the existence of STM journal articles that fit customer requirements.

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.

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, 2016 filed with the SEC. The condensed consolidated balance sheet as of June 30, 2016 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

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, analysis of impairments of recorded 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 $181,634 and $76,793 at March 31, 2017 and June 30, 2016, respectively, was held by Reprints Desk in accounts at financial institutions located in Europe.

The Company has no customers that represent 10% of revenue or more for the three and nine months ended March 31, 2017 and 2016.

The Company has no customers that accounted for greater than 10% of accounts receivable at March 31, 2017 and June 30, 2016.

The following table summarizes vendor concentrations:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Vendor A	16 %	18 %	18 %	16 %
Vendor B	*	*	*	13 %

* 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 service offerings to our customers: Platforms, Transactions, and Reprints and ePrints.

Platforms

We charge a subscription fee that allows customers to access and utilize our SaaS platform. Revenue is recognized ratably over the term of the subscription agreement, which is typically one year, provided all other revenue recognition criteria have been met. Billings or payments received in advance of revenue recognition are recorded as deferred revenue.

Transactions

We charge a transactional service fee for the electronic delivery of single articles, and a corresponding copyright fee for the permitted use of the content. This service is known in the industry as single article delivery or document delivery. We recognize revenue from single article delivery services upon delivery to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

Reprints and ePrints

We charge a transactional fee for each Reprint or ePrint order and are responsible for printing and delivery of Reprint orders, and the electronic delivery and, in some cases, the electronic delivery mechanism of ePrint orders. The majority of content publishers print their content in-house and prohibit others from printing their content; however, when not prohibited by the content publisher, we use third parties to print Reprint orders. We recognize 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.

Deferred Revenue

Customer deposits and billings or payments received in advance of revenue recognition are recorded as deferred revenue.

Cost of Revenue

Platforms

Cost of Platform revenue consists primarily of personnel costs of our operations team, and to a lesser extent managed hosting providers and other third-party service and data providers.

Transactions

Cost of Transaction revenue consists primarily of the respective copyright fee for the permitted use of the content, less a discount in most cases, and to a much lesser extent, personnel costs of our operations team and third-party service providers.

Reprints and ePrints

Cost of Reprints and ePrints revenue consists primarily of the respective copyright fee for the permitted use of the content, and to a much lesser extent, personnel costs of our operations team, shipping, and printing.

Stock-Based Compensation

The Company periodically issues stock options, warrants and restricted stock to employees and non-employees for services, in capital raising transactions, 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 (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 stock option and warrant 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 estimates the fair value of restricted stock awards to employees and directors using the market price of the Company's common stock on the date of grant, 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 share-based payments to non-employees in accordance with Topic 505 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

The accompanying 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 costs of Reprints Desk Latin America are in Mexican Pesos. 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.

Gains and losses from foreign currency transactions, which result from a change in exchange rates between the functional currency and the currency in which a foreign currency transaction is denominated, are included in selling, general and administrative expenses and amounted to a loss of $6,272 for the three months ended March 31, 2017, and a gain of $2,829, for the three months ended March 31, 2016, and a gain of $27,227 and $4,293, for the nine months ended March 31, 2017 and 2016, respectively.

The following table summarizes the exchange rates used:

	Nine Months Ended March 31,		Year Ended June 30,	
	2017	2016	2016	2015
Period end Euro : US Dollar exchange rate	1.08	1.14	1.11	1.11
Average period Euro : US Dollar exchange rate	1.09	1.10	1.11	1.20
Period end Mexican Peso : US Dollar exchange rate	0.05	0.06	0.05	0.06
Average period Mexican Peso : US Dollar exchange rate	0.05	0.06	0.06	0.07

Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period, excluding shares of unvested restricted common stock. Shares of restricted stock are included in the basic weighted average number of common shares outstanding from the time they vest. Diluted earnings per share is computed by dividing the net income applicable to common stock holders by the weighted average number of common shares outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued, using the treasury stock method. Shares of restricted stock are included in the diluted weighted average number of common shares outstanding from the date they are granted. Potential common shares are excluded from the computation when their effect is antidilutive. At March 31, 2017 potentially dilutive securities include options to acquire 3,125,951 shares of common stock, and warrants to acquire 1,985,000 shares of common stock. At March 31, 2016 potentially dilutive securities include options to acquire 2,551,028 shares of common stock, and warrants to acquire 205,000 shares of common stock. The dilutive effect of potentially dilutive securities is reflected in diluted net income per share if the exercise prices were lower than the average fair market value of common shares during the reporting period.

Basic and diluted net loss per common share is the same for the three and nine months ended March 31, 2017 and the nine months ended March 31, 2016, because all stock options, warrants, and unvested restricted common stock are anti-dilutive. For the three months ended March 31, 2016, the calculation of diluted earnings per share includes unvested restricted common stock, stock options, and warrants, calculated under the treasury stock method.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted only in annual reporting periods beginning after December 15, 2016, including interim periods therein. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the adoption of ASU 2014-09 and has not determined the effect of the standard on our ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, Leases. ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company adopted ASU No. 2016-02 for a new lease entered into during the period.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission 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 revolving line of credit for the lesser of $4,000,000, or 80% of eligible accounts receivable. The line of credit matures on October 31, 2017, and is subject to certain financial and performance covenants with which we were in compliance as of March 31, 2017. Financial covenants include maintaining a ratio of quick assets to current liabilities of at least 0.8 to 1.0, and maintaining tangible net worth of $600,000, plus 50% of net income for the fiscal quarter ended from and after December 31, 2015, plus 50% of the dollar value of equity issuances after October 1, 2015 and the principal amount of subordinated debt. The line of credit bears interest at the prime rate plus 2.25% for periods in which we maintain 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 5.25% when a Streamline Period is not in effect. The interest rate on the line of credit was 5.75% as of March 31, 2017. The line of credit is secured by the Company's consolidated assets.

There were no outstanding borrowings under the line as of March 31, 2017 and June 30, 2016, respectively. As of March 31, 2017 and June 30, 2016, approximately $2,945,000 and $3,390,000, respectively, of available credit was unused.

Note 4. Obligations Leases

During the period ended March 31, 2017, the Company entered into a 48 month non-cancellable lease for its office facilities that will require monthly payments ranging from $10,350 to $11,475 through January 2021. In accounting for the lease, the Company adopted ASU 2016-02, Leases which requires a lessee to record a right-of-use asset and a corresponding lease liability at the inception of the lease initially measured at the present value of the lease payments. The Company classified the lease as an operating lease and determined that the fair value of the lease liability at the inception of the lease was $463,000 using a discount rate of 3.75%. ASU 2016-02 requires recognition in the statement of operations of a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis.

Note 5. Stockholders' Equity

Stock Options

In December 2007, we established the 2007 Equity Compensation Plan (the "Plan"). The Plan was approved by our board of directors and stockholders. The purpose of the Plan is to grant stock and options to our employees, directors and key consultants to purchase our common stock. On November 10, 2016, the maximum number of shares of common stock that may be issued pursuant to awards granted under the Plan (including issuance of restricted common stock) increased from 5,000,000 to 7,000,000, as approved by our board of directors and stockholders. Cancelled and forfeited stock options and stock awards may again become available for grant under the Plan. There were 2,231,753 shares available for grant under the Plan as of March 31, 2017. All stock option grants are made under the 2007 Equity Compensation Plan.

The majority of awards issued under the Plan vest immediately or over three years, with a one year cliff vesting period, and have a term of ten years. Stock-based compensation cost is measured at the grant date, based on the fair value of the awards that are ultimately expected to vest, and recognized on a straight-line basis over the requisite service period, which is generally the vesting period.

The following table summarizes vested and unvested stock option 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, 2016	2,717,193	1.16	2,517,333	1.17	199,860	1.06
Granted	408,758	1.05	325,000	1.05	83,758	1.05
Options vesting	-	-	52,224	1.09	(52,224)	1.09
Exercised	-	-	-	-	-	-
Forfeited/Cancelled	-	-	-	-	-	-
Outstanding at March 31, 2017	3,125,951	$ 1.15	2,894,557	$ 1.15	231,394	$ 1.05

The weighted average remaining contractual life of all options outstanding as of March 31, 2017 was 5.81 years. The remaining contractual life for options vested and exercisable at March 31, 2017 was 5.54 years. Furthermore, the aggregate intrinsic value of options outstanding as of March 31, 2017 was $185,399, and the aggregate intrinsic value of options vested and exercisable at March 31, 2017 was $178,278, in each case based on the fair value of the Company's common stock on March 31, 2017.

During the nine months ended March 31, 2017, the Company granted 408,758 options to employees and directors with a fair value of $248,549. The fair value was calculated using a Black-Scholes option pricing model with the following assumptions: (i) volatility rate between 77.8% and 81.4%, (ii) discount rate between 1.27% and 2.06%, (iii) zero expected dividend yield, and (iv) expected term of between 5 and 6 years based upon the average of the term of the option and the vesting period. The total fair value of options that vested during the nine months ended March 31, 2017 was $247,224 and is included in selling, general and administrative expenses in the accompanying statement of operations. As of March 31, 2017, the amount of unvested compensation related to these options was $113,069 which will be recorded as an expense in future periods as the options vest.

Additional information regarding stock options outstanding and exercisable as of March 31, 2017 is as follows:

Option Exercise Price	Options Outstanding	Remaining Contractual Life (in years)	Options Exercisable
$ 0.59	8,150	8.91	3,396
0.60	5,000	8.87	2,500
0.65	6,150	7.61	5,125
0.70	225,000	8.68	225,000
0.77	59,500	7.39	55,792
0.80	16,000	8.39	16,000
0.90	25,667	8.35	21,222
0.97	6,000	9.40	-
1.00	370,890	2.53	364,916
1.02	287,000	3.33	287,000
1.05	507,529	9.33	430,630
1.07	53,898	5.55	53,898
1.09	166,165	9.15	43,750
1.10	255,000	8.25	255,000
1.14	3,674	9.89	-
1.15	228,000	5.86	228,000
1.20	31,414	7.14	31,414
1.25	32,000	5.88	32,000
1.30	263,000	4.93	263,000
1.50	380,000	0.81	380,000
1.75	1,067	6.83	1,067
1.80	169,425	6.48	169,425
1.85	24,000	6.14	24,000
1.97	1,422	6.65	1,422
Total	3,125,951		2,894,557

Warrants

The following table summarizes warrant activity:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, June 30, 2016	1,990,000	1.25

Granted	-		-
Exercised	-		-
Expired/Cancelled	(5,000	)	3.75
Outstanding, March 31, 2017	1,985,000	$	1.25
Exercisable, June 30, 2016	1,990,000	$	1.25
Exercisable, March 31, 2017	1,985,000	$	1.25

There was no intrinsic value for all warrants outstanding as of March 31, 2017, based on the fair value of the Company's common stock on March 31, 2017.

Additional information regarding warrants outstanding and exercisable as of March 31, 2017 is as follows:

Warrant Exercise Price	Warrants Outstanding	Remaining Contractual Life (in years)	Warrants Exercisable
$ 1.19	100,000	4.73	100,000
1.25	1,885,000	4.20	1,885,000
Total	1,985,000		1,985,000

Restricted Common Stock

Prior to July 1, 2016, the Company issued 1,303,687 shares of restricted common stock to employees valued at $1,286,474, of which $783,845 had been recognized as an expense.

During the nine months ended March 31, 2017, the Company issued an additional 203,275 shares of restricted stock to employees. These shares vest over a three year period, with a one year cliff vesting period, and remain subject to forfeiture if vesting conditions are not met. The aggregate fair value of the stock awards was $210,365 based on the market price of our common stock ranging from $0.97 to $1.14 per share on the date of grant, which will be amortized over the three-year vesting period. Restricted common stock grants are made under the 2007 Equity Compensation Plan.

The total fair value of restricted common stock vested during the nine months ended March 31, 2017 was $270,788 and is included in selling, general and administrative expenses in the accompanying statements of operations. As of March 31, 2017, the amount of unvested compensation related to issuances of restricted common stock was $442,567, which will be recognized as an expense in future periods as the shares vest. When calculating basic net income (loss) per share, these shares are included in weighted average common shares outstanding from the time they vest. When calculating diluted net income per share, these shares are included in weighted average common shares outstanding as of their grant date.

The following table summarizes restricted common stock activity:

	Number of Shares	Weighted Average Grant Date

		Fair Value
Non-vested, June 30, 2016	706,642	0.82
Granted	203,275	1.03
Vested	(359,703)	0.81
Forfeited	-	-
Non-vested, March 31, 2017	550,213	$ 0.90

Common Stock Repurchase and Retirement

During the nine months ended March 31, 2017, the Company repurchased 86,958 shares of our common stock from employees at an average market price of approximately $1.04 per share for an aggregate amount of $90,329. The shares of common stock were surrendered by employees to cover tax withholding obligations with respect to the vesting of restricted stock. Shares repurchased are retired and deducted from common stock for par value and from additional paid in capital for the excess over par value.

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

Cautionary Notice Regarding Forward-Looking Statements

The following discussion and analysis of our financial condition and results of operations for the three and nine months ended March 31, 2017 and 2016 should be read in conjunction with our consolidated financial statements and related notes to those financial statements that are included elsewhere in this report. 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 those set forth under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016.

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

On July 24, 2012, we formed Reprints Desk Latin America to provide operational and administrative support services to Reprints Desk.

On March 4, 2013, we consummated a merger with DYSC Subsidiary Corporation, our wholly-owned subsidiary, pursuant to which we, in connection with such merger, amended our Articles of Incorporation to change our name to Research Solutions, Inc. (formerly Derycz Scientific, Inc.).

We provide a cloud based software-as-a-service ("SaaS") research intelligence platform that allows on-demand access to scientific, technical, and medical ("STM") information for life science companies, academic institutions, and other research-intensive organizations. We provide three service offerings to our customers: Article Galaxy SaaS Platforms ("Platform(s)"), Article Galaxy Transactions ("Transactions"), and Reprints and ePrints.

Platforms

Our cloud-based SaaS solution consists of proprietary software and Internet-based interfaces. Legacy functionality allows customers to initiate orders, manage transactions, obtain reporting, automate authentication, and connect seamlessly to corporate intranets. Customers can also enhance the information resources they already own or access via subscriptions or internal libraries, as well as organize workgroups to collaborate around scientific and technical information.

New functionality has recently been added to our Platform in the form of interactive app-like gadgets. An alternative to manual data filtering and extraction, gadgets are designed to gather, augment, and extract data across a variety of formats, including bibliographic citations, tables of contents, RSS feeds, PDF files, XML feeds, and web content. We are rapidly developing new gadgets in order to build an ecosystem of gadgets. Together, these gadgets will provide researchers with an "all in one" toolkit, delivering efficiencies in core research workflows and knowledge creation processes.

Our Platform is deployed as a single system across our entire customer base. Customers access the Platform securely through online web interfaces and via web service APIs, which enable customers to leverage features and functionality from within proprietary and other 3rd party software systems. The Platform can also be configured to satisfy a customer's individual preferences in areas such as user experience, business processes, and spend management. The Platform benefits from efficiencies in scalability, stability and development costs, resulting in significant advantages versus multiple instance or installed desktop software alternatives. We leverage these technical efficiencies to fuel rapid innovation and competitive advantage. We are continually improving the functionality of the platform to further differentiate it from potential competition.

Transactions

Our Platform provides our customers with a single source to the universe of published STM content without the limitations of a fixed catalog, and includes over seventy million existing STM articles and over one million newly published STM articles each year. Our Platform allows customers to find and download in digital format STM articles that are critical to their research. In addition, it facilitates customers' compliance with applicable copyright laws.

Researchers and knowledge workers in life science and other research-intensive organizations generally require single copies of published STM journal articles for use in their research activities. They place orders with us for the articles they need and we source and electronically deliver the requested content to them generally in under an hour. This service is known in the industry as single article delivery or “document delivery”. We also obtain the necessary permissions from the content publisher so that our customer’s use complies with applicable copyright laws. We have arrangements with numerous content publishers that allow us to distribute their content. The majority of these publishers provide us with electronic access to their content, which allows us to electronically deliver single articles to our customers often in a matter of minutes.

Reprints and ePrints

Marketing departments in life science and other research-intensive organizations generally require large quantities of printed copies of published STM journal articles called Medical Reprints or “Reprints” that are distributed to physicians and at conferences. We obtain the necessary permissions from the content publisher so that our customer’s use complies with applicable copyright laws. The majority of content publishers print their content in-house and prohibit others from printing their content; however, when not prohibited by the content publisher, we use third parties to print Reprint orders. Electronic copies, called “ePrints”, are also used for distribution through the Internet and other electronic mechanisms. We have developed proprietary ePrint software that increases the efficiency of our customers’ content purchases by transitioning from paper Reprints to electronic ePrints, and by improving compliance with applicable copyright laws and promotional regulations within the life science industry. Reprints and ePrints are charged on a transactional basis and order volume typically fluctuates from month to month based on customer marketing budgets and the existence of STM journal articles that fit customer requirements.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States, or 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

Our 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 service offerings to our customers: Platforms, Transactions, and Reprints and ePrints.

Platforms

We charge a subscription fee that allows customers to access and utilize our SaaS platform. Revenue is recognized ratably over the term of the subscription agreement, which is typically one year, provided all other revenue recognition criteria have been met. Billings or payments received in advance of revenue recognition are recorded as deferred revenue.

Transactions

We charge a transactional service fee for the electronic delivery of single articles, and a corresponding copyright fee for the permitted use of the content. This service is known in the industry as single article delivery or document delivery. We recognize revenue from single article delivery services upon delivery to the customer only when the selling price is fixed or determinable, and collectability is reasonably assured.

Reprints and ePrints

We charge a transactional fee for each Reprint or ePrint order and are responsible for printing and delivery of Reprint orders, and the electronic delivery and, in some cases, the electronic delivery mechanism of ePrint orders. The majority of content publishers print their content in-house and prohibit others from printing their content; however, when not prohibited by the content publisher, we use third parties to print Reprint orders. We recognize 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.

Stock-Based Compensation

We periodically issue stock options, warrants and restricted stock to employees and non-employees for services, in capital raising transactions, and for financing costs. We account 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. We estimate the fair value of stock option and warrant 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 our Statements of Operations. We estimate the fair value of restricted stock awards to employees and directors using the market price of our common stock on the date of grant, 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 our Statements of Operations. We account for share-based payments to non-employees in accordance with Topic 505 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.

Recent Accounting Pronouncements

Please refer to footnote 2 to the condensed consolidated financial statements contained elsewhere in this Form 10-Q for a discussion of Recent Accounting Pronouncements.

Quarterly Information (Unaudited)

The following table sets forth unaudited and quarterly financial data for the most recent eight quarters:

	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015
Revenue:								
Platforms	$270,920	$219,137	$172,072	$129,963	$121,034	$92,578	$58,463	$32,000
Transactions	6,372,679	5,866,562	6,006,399	6,025,972	6,394,127	5,702,733	5,567,241	5,382,124
Reprints and ePrints	2,000,200	2,444,368	1,480,245	2,141,466	2,209,056	3,519,915	2,401,397	2,166,382

Total revenue	8,643,799	8,530,067	7,658,716	8,297,401	8,724,217	9,315,226	8,027,101	7,580,506
Cost of revenue:								
Platforms	58,367	45,623	29,964	23,426	21,557	17,177	11,762	7,744
Transactions	4,997,842	4,664,690	4,714,999	4,702,892	4,918,679	4,471,950	4,290,025	4,161,298
Reprints and ePrints	1,858,584	2,221,742	1,384,356	1,986,081	2,018,967	3,229,797	2,170,967	1,948,287
Total cost of revenue	6,914,793	6,932,055	6,129,319	6,712,399	6,959,203	7,718,924	6,472,754	6,117,329
Gross profit:								
Platforms	212,553	173,514	142,108	106,537	99,477	75,401	46,701	24,256
Transactions	1,374,837	1,201,872	1,291,400	1,323,080	1,475,448	1,230,783	1,277,216	1,220,826
Reprints and ePrints	141,616	222,626	95,889	155,385	190,089	290,118	230,430	218,095
Total gross profit	1,729,006	1,598,012	1,529,397	1,585,002	1,765,014	1,596,302	1,554,347	1,463,177
Operating expenses:								
Sales and marketing	963,784	854,724	580,778	520,402	525,681	498,835	496,641	419,290
General and administrative	1,251,807	1,226,181	1,211,008	902,667	1,011,670	1,092,187	1,063,262	943,500
Depreciation and amortization	33,906	32,426	30,469	29,702	30,310	16,096	14,738	16,934
Stock-based compensation expense	112,326	303,097	102,589	162,192	130,568	277,389	143,741	506,634
Foreign currency transaction loss (gain)	6,272	17,631	3,324	994	(2,829)	5,805	1,317	4,004
Total operating expenses	2,368,095	2,434,059	1,928,168	1,615,957	1,695,400	1,890,312	1,719,699	1,890,362
Income (loss) from operations	(639,089)	(836,047)	(398,771)	(30,955)	69,614	(294,010)	(165,352)	(427,185)

	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015
Net income (loss):								
Income (loss) from continuing operations	$(637,490)	$(842,960)	$(410,666)	$(52,989)	$32,376	$(298,425)	$(178,820)	$(439,25

Income from discontinued operations	-	-	-	-	-	-	-	163,45
Net income (loss)	$(637,490)	$(842,960)	$(410,666)	$(52,989)	$32,376	$(298,425)	$(178,820)	$(275,80
Basic income (loss) per common share:								
Loss per share from continuing operations	$(0.03)	$(0.04)	$(0.02)	$(0.01)	$-	$(0.02)	$(0.01)	$(0.03
Income (loss) per share from discontinued operations	$-	$-	$-	$-	$-	$-	$-	$0.01
Net income (loss) per share	$(0.03)	$(0.04)	$(0.02)	$(0.01)	$-	$(0.02)	$(0.01)	$(0.02
Basic weighted average common shares outstanding	23,265,939	23,200,975	23,131,570	18,154,762	17,707,900	17,656,087	17,564,070	17,462,
Diluted income (loss) per common share:								
Loss per share from continuing operations	$(0.03)	$(0.04)	$(0.02)	$(0.01)	$-	$(0.02)	$(0.01)	$(0.03
Income (loss) per share from discontinued operations	$-	$-	$-	$-	$-	$-	$-	$0.01
Net income (loss) per share	$(0.03)	$(0.04)	$(0.02)	$(0.01)	$-	$(0.02)	$(0.01)	$(0.02
Diluted weighted average common shares	23,265,939	23,200,975	23,131,570	18,154,762	18,464,000	17,656,087	17,564,070	17,462,

outstanding

16

Comparison of the Three and Nine Months Ended March 31, 2017 and 2016

Results of Operations

	Three Months Ended March 31,			
	2017	2016	2017-2016 $ Change	2017-2016 % Change
Revenue	$8,643,799	$8,724,217	$(80,418)	(0.9)%
Cost of revenue	6,914,793	6,959,203	(44,410)	(0.6)%
Gross profit	1,729,006	1,765,014	(36,008)	(2.0)%
Operating expenses:				
Sales and marketing	963,784	525,681	438,103	83.3 %
General and administrative	1,251,807	1,011,670	240,137	23.7 %
Depreciation and amortization	33,906	30,310	3,596	11.9 %
Stock-based compensation expense	112,326	130,568	(18,242)	(14.0)%
Foreign currency transaction loss (gain)	6,272	(2,829)	9,101	321.7 %
Total operating expenses	2,368,095	1,695,400	672,695	39.7 %
Income (loss) from operations	(639,089)	69,614	(708,703)	(1,018.0)%
Other income (expenses):				
Interest expense	(3,000)	(6,389)	(3,389)	(53.0)%
Other income (expense)	10,143	(25,639)	35,782	139.6 %
Total other income (expenses)	7,143	(32,028)	39,171	122.3 %
Income (loss) from operations before provision for income taxes	(631,946)	37,586	(669,532)	(1,781.3)%
Provision for income taxes	(5,544)	(5,210)	(334)	(6.4)%
Net income (loss)	$(637,490)	$32,376	$(669,866)	(2,069.0)%

	Nine Months Ended March 31,			
	2017	2016	2017-2016 $ Change	2017-2016 % Change
Revenue	$24,832,582	$26,066,544	$(1,233,962)	(4.7)%
Cost of revenue	19,976,167	21,150,881	(1,174,714)	(5.6)%
Gross profit	4,856,415	4,915,663	(59,248)	(1.2)%
Operating expenses:				
Sales and marketing	2,399,286	1,521,157	878,129	57.7 %

General and administrative	3,688,996	3,167,119	521,877	16.5 %
Depreciation and amortization	96,801	61,144	35,657	58.3 %
Stock-based compensation expense	518,012	551,698	(33,686)	(6.1)%
Foreign currency transaction loss (gain)	27,227	4,293	22,934	534.2 %
Total operating expenses	6,730,322	5,305,411	1,424,911	26.9 %
Income (loss) from operations	(1,873,907)	(389,748)	(1,484,159)	(380.8)%
Other income (expenses):				
Interest expense	(9,000)	(14,382)	5,382	37.4 %
Other income (expense)	20,277	(18,229)	38,506	211.2 %
Total other income (expenses)	11,277	(32,611)	43,888	134.6 %
Income (loss) from operations before provision for income taxes	(1,862,630)	(422,359)	(1,440,271)	(341.0)%
Provision for income taxes	(28,486)	(22,510)	(5,976)	(26.5)%
Net income (loss)	$(1,891,116)	$(444,869)	$(1,446,247)	(325.1)%

Revenue

	Three Months Ended March 31,				
	2017	2016	**2017-2016 $ Change**	**2017-2016 % Change**	
Revenue:					
Platforms	$270,920	$121,034	$149,886	123.8	%
Transactions	6,372,679	6,394,127	(21,448)	(0.3	)%
Reprints and ePrints	2,000,200	2,209,056	(208,856)	(9.5	)%
Total revenue	$8,643,799	$8,724,217	$(80,418)	(0.9	)%

Total revenue decreased $80,418, or 0.9%, for the three months ended March 31, 2017 compared to the prior year, due to the following:

Category	**Impact**	**Key Drivers**
Platforms	$149,886	Increased due to additional deployments to new and existing customers. Revenue is recognized ratably over the term of the subscription agreement, which is typically one year, provided all other revenue recognition criteria have been met. Billings or payments received in advance of revenue recognition are recorded as deferred revenue.
Transactions	$21,448	Decreased primarily due to a net decrease in orders from existing customers, partially offset by orders from new customers.
Reprints and ePrints	$208,856	Decreased due to a net decrease in orders from existing customers. Reprints and ePrints are charged on a transactional basis and order volume typically fluctuates from month to month based on customer marketing budgets and the existence of STM journal articles that fit customer requirements.

	Nine Months Ended March 31,				
	2017	2016	**2017-2016 $ Change**	**2017-2016 % Change**	
Revenue:					
Platforms	$662,129	$272,075	$390,054	143.4	%
Transactions	18,245,640	17,664,101	581,539	3.3	%
Reprints and ePrints	5,924,813	8,130,368	(2,205,555)	(27.1	)%
Total revenue	$24,832,582	$26,066,544	$(1,233,962)	(4.7	)%

Total revenue decreased $1,233,962, or 4.7%, for the nine months ended March 31, 2017 compared to the prior year, due to the following:

Category	**Impact**	**Key Drivers**
Platforms	$ 390,054	Increased due to additional deployments to new and existing customers. Revenue is recognized ratably over the term of the subscription agreement, which is typically one year, provided all other revenue recognition criteria have been met. Billings or payments received in advance of revenue recognition are recorded as deferred revenue.
Transactions	$ 581,539	Increased primarily due to a net increase in orders from new and existing customers.
Reprints and ePrints	$ 2,205,555	Decreased due to a net decrease in orders from existing customers. Reprints and ePrints are charged on a transactional basis and order volume typically fluctuates from month to month based on customer marketing budgets and the existence of STM journal articles that fit customer requirements.

18

Cost of Revenue

	Three Months Ended March 31,			
	2017	2016	2017-2016 $ Change	2017-2016 % Change
Cost of Revenue:				
Platforms	$58,367	$21,557	$36,810	170.8 %
Transactions	4,997,842	4,918,679	79,163	1.6 %
Reprints and ePrints	1,858,584	2,018,967	(160,383)	(7.9)%
Total cost of revenue	$6,914,793	$6,959,203	$(44,410)	(0.6)%

	Three Months Ended March 31,		
	2017	2016	2017-2016 Change *
As a percentage of revenue:			
Platforms	21.5 %	17.8 %	3.7 %
Transactions	78.4 %	76.9 %	1.5 %
Reprints and ePrints	92.9 %	91.4 %	1.5 %
Total	80.0 %	79.8 %	0.2 %

* The difference between current and prior period cost of revenue as a percentage of revenue

Total cost of revenue as a percentage of revenue increased 0.2%, from 79.8% for the previous year to 80.0%, for the three months ended March 31, 2017, due to the following:

Category	**Impact as percentage of revenue**	**Key Drivers**
Platforms	3.7 %	Increased due to additional third-party data costs.
Transactions	1.5 %	Increased primarily due to a reduction in copyright discounts.
Reprints and ePrints	1.5 %	Increased primarily due to increased content costs.

	Nine Months Ended March 31,			
	2017	2016	**2017-2016 $ Change**	**2017-2016 % Change**
Cost of Revenue:				

Platforms	$133,954	$50,496	$83,458	165.3	%
Transactions	14,377,531	13,680,654	696,877	5.1	%
Reprints and ePrints	5,464,682	7,419,731	(1,955,049)	(26.3	)%
Total cost of revenue	$19,976,167	$21,150,881	$(1,174,714)	(5.6	)%

	Nine Months Ended March 31,					
	2017		2016		2017-2016 Change *	
As a percentage of revenue:						
Platforms	20.2	%	18.6	%	1.6	%
Transactions	78.8	%	77.4	%	1.4	%
Reprints and ePrints	92.2	%	91.3	%	0.9	%
Total	80.4	%	81.1	%	(0.7	)%

* The difference between current and prior period cost of revenue as a percentage of revenue

Total cost of revenue as a percentage of revenue decreased 0.7%, from 81.1% for the previous year to 80.4%, for the nine months ended March 31, 2017, due to the following:

Category	**Impact as percentage of revenue**	**Key Drivers**
Platforms	1.6 %	Increased due to additional third-party data costs.
Transactions	1.4 %	Increased primarily due to a reduction in copyright discounts.
Reprints and ePrints	0.9 %	Increased primarily due to greater fixed personnel cost as a percentage of revenue.

Gross Profit

	Three Months Ended March 31,			
	2017	2016	2017-2016 $ Change	2017-2016 % Change
Gross Profit:				
Platforms	$212,553	$99,477	$113,076	113.7 %
Transactions	1,374,837	1,475,448	(100,611)	(6.8)%
Reprints and ePrints	141,616	190,089	(48,473)	(25.5)%
Total gross profit	$1,729,006	$1,765,014	$(36,008)	(2.0)%

	Three Months Ended March 31,		
	2017	2016	**2017-2016 Change ***
As a percentage of revenue:			
Platforms	78.5 %	82.2 %	(3.7)%
Transactions	21.6 %	23.1 %	(1.5)%
Reprints and ePrints	7.1 %	8.6 %	(1.5)%
Total	20.0 %	20.2 %	(0.2)%

* The difference between current and prior period gross profit as a percentage of revenue

	Nine Months Ended March 31,			
	2017	2016	2017-2016 $ Change	2017-2016 % Change

Gross Profit:					
Platforms	$528,175	$221,579	$306,596	138.4	%
Transactions	3,868,109	3,983,447	(115,338)	(2.9	)%
Reprints and ePrints	460,131	710,637	(250,506)	(35.3	)%
Total gross profit	$4,856,415	$4,915,663	$(59,248)	(1.2	)%

	Nine Months Ended March 31,					
	2017		2016		2017-2016 Change *	
As a percentage of revenue:						
Platforms	79.8	%	81.4	%	(1.6	)%
Transactions	21.2	%	22.6	%	(1.4	)%
Reprints and ePrints	7.8	%	8.7	%	(0.9	)%
Total	19.6	%	18.9	%	0.7	%

* The difference between current and prior period gross profit as a percentage of revenue

20

Operating Expenses

	Three Months Ended March 31, 2017	2016	2017-2016 $ Change	2017-2016 % Change
Operating Expenses:				
Sales and marketing	$963,784	$525,681	$438,103	83.3 %
General and administrative	1,251,807	1,011,670	240,137	23.7 %
Depreciation and amortization	33,906	30,310	3,596	11.9 %
Stock-based compensation expense	112,326	130,568	(18,242)	(14.0)%
Foreign currency transaction loss (gain)	6,272	(2,829)	9,101	321.7 %
Total operating expenses	$2,368,095	$1,695,400	$672,695	39.7 %

Category	**Impact**	**Key Drivers**
Sales and marketing	$438,103	Increased primarily due to greater personnel and consulting cost.
General and administrative	$240,137	Increased primarily due to greater personnel and consulting cost.
Depreciation and amortization	$3,596	Increased due to greater amortization of customer list.

	Nine Months Ended March 31, 2017	2016	**2017-2016 $ Change**	**2017-2016 % Change**
Operating Expenses:				
Sales and marketing	$2,399,286	$1,521,157	$878,129	57.7 %
General and administrative	3,688,996	3,167,119	521,877	16.5 %
Depreciation and amortization	96,801	61,144	35,657	58.3 %
Stock-based compensation expense	518,012	551,698	(33,686)	(6.1)%
Foreign currency transaction loss	27,227	4,293	22,934	534.2 %
Total operating expenses	$6,730,322	$5,305,411	$1,424,911	26.9 %

Category	**Impact**	**Key Drivers**
Sales and marketing	$878,129	Increased primarily due to greater personnel and consulting cost.
General and administrative	$521,877	Increased primarily due to greater personnel and consulting cost.
Depreciation and amortization	$35,657	Increased due to greater amortization of customer list.

Net Income (Loss)

Three Months Ended March 31, 2017	2016

			2017-2016 $ Change	**2017-2016 % Change**
Net income (loss)	$(637,490)	$32,376	$(669,866)	(2,069)%

Net income decreased $669,866 or 2,069%, for the three months ended March 31, 2017 compared to the three months ended March 31, 2016, primarily due to increased operating expenses as described above.

	Nine Months Ended March 31,			
	2017	2016	**2017-2016 $ Change**	**2017-2016 % Change**
Net loss	$(1,891,116)	$(444,869)	$(1,446,247)	(325.1)%

Net loss increased $1,446,247 or 325.1%, for the nine months ended March 31, 2017 compared to the nine months ended March 31, 2016, primarily due to increased operating expenses as described above.

Liquidity and Capital Resources

	Nine Months Ended March 31,	
Consolidated Statements of Cash Flow Data:	2017	2016
Net cash provided by operating activities	$ (675,484)	$ 782,082
Net cash used in investing activities	(52,067)	(180,584)
Net cash used in financing activities	(90,328)	(20,147)
Effect of exchange rate changes	(16,018)	(11,539)
Net increase in cash and cash equivalents	(833,897)	569,812
Cash and cash equivalents, beginning of period	6,076,875	1,354,158
Cash and cash equivalents, end of period	$ 5,242,978	$ 1,923,970

Liquidity

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 $15,972,000. As of March 31, 2017, we had working capital of $4,312,283 and stockholders' equity of $4,561,446. For the nine months ended March 31, 2017, we recorded a net loss of $1,891,116, and cash used in operating activities was $675,484. We may incur losses for an indeterminate period and may never sustain profitability. We may be unable to achieve and maintain profitability on a quarterly or annual basis. An extended period of losses and negative cash flow may prevent us from successfully operating and expanding our business.

As of March 31, 2017, we had cash and cash equivalents of $5,242,978, compared to $6,076,875 as of June 30, 2016, a decrease of $833,897. This decrease was primarily due to cash used in operating activities.

Operating Activities

Net cash used in operating activities was $675,484 for the nine months ended March 31, 2017 and resulted primarily from an increase in prepaid royalties of $1,102,911, partially offset by a decrease in accounts receivable of $575,343.

Net cash provided by operating activities was $782,082 for the nine months ended March 31, 2016 and resulted primarily from an increase in accounts payable and accrued expenses of $564,290 and an increase in deferred revenue of $542,400, partially offset by an increase in accounts receivable of $614,001.

Investing Activities

Net cash used in investing activities was $52,067 for the nine months ended March 31, 2017 and resulted from the purchase of intangible assets and property and equipment.

Net cash used in investing activities was $180,584 for the nine months ended March 31, 2016 and resulted from the purchase of intangible assets and property and equipment.

Financing Activities

Net cash used in financing activities was $90,328 for the nine months ended March 31, 2017 and resulted from the repurchase of common stock.

Net cash used in financing activities was $20,147 for the nine months ended March 31, 2016 and resulted from the repurchase of common stock.

We entered into a Loan and Security Agreement with Silicon Valley Bank ("SVB") on July 23, 2010, which, as amended, provides for a revolving line of credit for the lesser of $4,000,000, or 80% of eligible accounts receivable. The line of credit matures on October 31, 2017, and is subject to certain financial and performance covenants with which we were in compliance as of March 31, 2017. Financial covenants include maintaining a ratio of quick assets to current liabilities of at least 0.8 to 1.0, and maintaining tangible net worth of $600,000, plus 50% of net income for the fiscal quarter ended from and after December 31, 2015, plus 50% of the dollar value of equity issuances after October 1, 2015 and the principal amount of subordinated debt. The line of credit bears interest at the prime rate plus 2.25% for periods in which we maintain 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 5.25% when a Streamline Period is not in effect. The interest rate on the line of credit was 5.75% as of March 31, 2017. The line of credit is secured by our consolidated assets.

There were no outstanding borrowings under the line as of March 31, 2017 and June 30, 2016, respectively. As of March 31, 2017 and June 30, 2016, approximately $2,945,000 and $3,390,000, respectively, of available credit was unused.

Non-GAAP Measure – Adjusted EBITDA

In addition to our GAAP results, we present Adjusted EBITDA as a supplemental measure of our performance. However, Adjusted EBITDA is not a recognized measurement under GAAP and should not be considered as an alternative to net income, income from operations or any other performance measure derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of liquidity. We define Adjusted EBITDA as net income (loss), plus interest expense, other income (expense), foreign currency transaction loss, provision for income taxes, depreciation and amortization, stock-based compensation, and (gain) loss on sale of fixed assets. Management considers our core operating performance to be that which our managers can affect in any particular period through their management of the resources that affect our underlying revenue and profit generating operations that period. Non-GAAP adjustments to our results prepared in accordance with GAAP are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

22

Set forth below is a reconciliation of Adjusted EBITDA to net income (loss) for the three and nine months ended March 31, 2017 and 2016:

	Three Months Ended March 31,		
	2017	2016	**2017-2016 $ Change**
Net loss	$(637,490)	$32,376	$(669,866)
Add (deduct):			
Interest expense	3,000	6,389	(3,389)
Other (income) expense	(10,143)	25,639	(35,782)
Foreign currency transaction loss	6,272	(2,829)	9,101
Provision for income taxes	5,544	5,210	334
Depreciation and amortization	33,906	30,310	3,596
Stock-based compensation	112,326	130,568	(18,242)
Adjusted EBITDA	$(486,585)	$227,663	$(714,248)

	Nine Months Ended March 31,		
	2017	2016	**2017-2016 $ Change**
Net loss	$(1,891,116)	$(444,869)	$(1,446,247)
Add (deduct):			
Interest expense	9,000	14,382	(5,382)
Other (income) expense	(20,277)	18,229	(38,506)
Foreign currency transaction loss	27,227	4,293	22,934
Provision for income taxes	28,486	22,510	5,976
Depreciation and amortization	96,801	61,144	35,657
Stock-based compensation	518,012	551,698	(33,686)
Adjusted EBITDA	$(1,231,867)	$227,387	$(1,459,254)

We present Adjusted EBITDA because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Adjusted EBITDA in developing our internal budgets, forecasts and strategic plan; in analyzing the effectiveness of our business strategies in evaluating potential acquisitions; and in making compensation decisions and in communications with our board of directors concerning our financial performance. Adjusted EBITDA has limitations as an analytical tool, which includes, among others, the following:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect interest expense, or the cash requirements necessary to service interest or principal payments, on our debts; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>

Not required.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our 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 upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2017, the end of the period covered by this report, our disclosure controls and procedures were effective at a reasonable assurance level.

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, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On February 16, 2017, the Compensation Committee of our Board of Directors authorized the repurchase, over a 12-month period on the last day of each trading window and otherwise in accordance with our insider trading policies, of up to $300,000 of outstanding common stock (at prices no greater than $2.00 per share) from our employees to satisfy their tax obligations in connection with the vesting of stock incentive awards. The actual number of shares repurchased will be determined by applicable employees in their discretion, and will depend on their evaluation of market conditions and other factors.

During the three months ended March 31, 2017, we repurchased 7,250 shares of our common stock under the repurchase plan at a price of $1.10 per share for an aggregate amount of $7,975. As of March 31, 2017, $292,025 remains under the current authorization to repurchase our outstanding common stock from our employees.

The following table summarizes repurchases of our common stock on a monthly basis:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 through January 31	-	-	-	$300,000
February 1 through February 28	-	-	-	$300,000
March 1 through March 31	7,250[1]	$1.10	-	$292,025
Total	7,250	$1.10	-	$292,025

[1] Consists of shares of common stock purchased from an employee to satisfy tax obligations in connection with the vesting of stock incentive awards.

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 Victor Derycz

	Peter Victor Derycz
Date: May 15, 2017	Chief Executive Officer (Principal Executive Officer)

By: /s/ Alan Louis Urban

	Alan Louis Urban
Date: May 15, 2017	Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
10.1	Office Lease dated December 29, 2016, between Research Solutions, Inc. and Douglas Emmett 2014, LLC. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K (File No. 000-53501) filed with the Commission on January 6, 2017.
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