Derycz Scientific Inc
Form 10-K
September 28, 2010

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

FORM 10-K

(Mark One):

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2010
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to ____________________

Commission File Number 000-53501

DERYCZ SCIENTIFIC, 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.)
1524 Cloverfield Blvd., Suite E, Santa Monica, CA	90404
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (310) 447-0354

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: common stock, par value $0.001 per share

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

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

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 o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter. $2,283,191.00 (based on the closing price of $0.50 as reported on the OTC Bulletin Board as of that date).

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date. As of September 23, 2010, there were 13,021,223 shares of the registrant’s common stock outstanding.

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PART I

Item 1. Business

Company Overview

Derycz Scientific, Inc. (“Derycz,” “Derycz Scientific,” “we” or the “Company”) is a publicly traded holding company with one wholly owned subsidiary, Reprints Desk, Inc. (“Reprints” or “Reprints Desk”) and one majority owned subsidiary, Pools Press, Inc. (“Pools” or “Pools Press”). Derycz, through Reprints and Pools, provides its customers with copies of published content, such as articles from published journals, in either electronic or hard copy form. Our customers use this content for marketing, regulatory or research purposes. Generally, marketing departments order large quantities of printed copies that they distribute to their customers, and electronic copies for distribution through the Internet and other electronic mechanisms. Researchers and regulatory personnel generally order single copies or small quantities of the content. Our service alleviates the need for our customers to contact multiple publishers or obtain permissions themselves. In addition, we ensure that we have obtained the necessary permissions from the owners of the content’s copyrights so that the reproduction complies with copyright laws. We also offer services to publishers, whereby we are responsible for all aspects of reprint and eprint production, 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. Pools Press also offers other commercial printing products, such as the production of booklets and newsletters.

We aggregate published materials and charge a fee for copies of them. When possible, we obtain exclusive licenses and discounts from content producers, such as publishers. We have a fixed pricing structure for single copy orders and variable pricing for orders of multiple copies. For single copies of an article we charge a fee above the cost of the article as well as a shipping fee if the article is sent in hard copy form. For multiple copies of an article, we generally obtain a price from the publisher and then add a service fee, which is dependent on the customer, the size of the order, the complexity of the order and other considerations. When possible we obtain the right to print the reprints from the holder of the copyright and we print and ship the reprints ourselves. However, many publishers have exclusive agreements with particular printers and we are required to use those printers. By purchasing the reprints or the rights to print from the publisher we are able to ensure our customers that they have proper rights under copyright laws to use the content, provided that they use the content only as specified in the order they placed with us.

While our overall revenue grew 70% during fiscal 2010, Reprints Desk’s customer base grew from approximately 150 customers at June 30, 2009 to over 250 customers on June 30, 2010. In 2008, the last time the survey was conducted, our services were ranked first in all four categories in the 2008 Document Delivery Scorecard, a customer satisfaction survey conducted by Outsell, an information industry analyst. Reprints Desk was also named to KMWorld’s “100 knowledge management companies that matter” (one of the youngest companies ever to have achieved that distinction) and it earned a 97% customer satisfaction rating from the Dun & Bradstreet 2009 Open Ratings evaluation, relative to other companies with similar classifications.

Publishers typically produce their content in order to generate subscription and advertising sales. The re-sale of published content generates additional revenues at little or no additional cost to the publisher. As an example, if an article contains a favorable mention of a chemical compound, the manufacturer of that compound may want to send its customers and potential customers copies of the article. These copies are called “reprints” or “eprints.” Reprints and eprints have traditionally been used primarily in the pharmaceutical, biotechnology and medical device industries both for research purposes and for marketing purposes. We expect that the use of reprints will gain in popularity in other industries due to society’s increasing sophistication and desire for information. Published articles are useful marketing and information dissemination tools because they provide a third party, unbiased mention of a company, product or service. Articles can effectively describe the science behind a product or its effectiveness more thoroughly than traditional advertising. Published content is also used effectively for internal corporate training and education, as well

as for research and regulatory needs.

During fiscal 2010 we entered into agreements with several publishers which gave us the ability to acquire their content electronically, making it easier and faster for us to deliver the content to our customers.

The Industry

The size of the reprint and eprint market is difficult to estimate because it is a small part of the larger publishing industry and little financial information relating specifically to the market for reprints or eprints is available. As a new business, we believe we have a small fraction of that market. However, we believe that we are able to compete with larger providers based on our ability to aggregate content from multiple publishers and integrate that with transaction management and delivery systems as well as by relying on our customer service. In addition, we have capabilities to internally print materials and produce eprints. As a result, we are often able to substantially reduce the time it takes to deliver the reprints and eprints to our customers.

Growth Strategy

Organic Growth. The Company attempts to reach customers through the use of targeted selling and marketing campaigns consisting of sales calls on potential customers, supported by innovative technological systems, aggressive pricing and excellent service. We have also submitted several proposals to potential customers in response to Requests For Proposals, or RFPs. As we are a new company with limited operating history, we have not been successful in all of these efforts. We have committed more resources to our sales efforts in fiscal year 2010, which has increased our operating expenses, but we expect it will also provide additional sales. We have invested heavily in our operations to ensure that they will be capable of supporting future growth.

Publisher Agreements. We regularly contact publishers directly and attempt to negotiate agreements with them under which the publisher would give us access to part or all of their content and would agree to a price list. Once we have access and a price list, when we receive an order for a particular article we can access the article electronically, print or eprint the required number of copies and provide it to the customer within a few days. These agreements eliminate the need to contact the publisher and obtain the rights for each individual order. Because this step is eliminated, we attempt to negotiate for discounts on the publisher's existing price list. In a few cases, we are the exclusive producer of reprints for a publisher, allowing the publisher to eliminate the need for a reprints and eprints operation internally, and we continue to aggressively market that service. In some cases, a publisher may require certain guarantees regarding revenues.

Acquisitions. The Company may attempt to acquire companies in the industry that bring revenue, profitability, growth potential and additional products, services, operations and/or geographic capabilities to the Company. The Company has targeted several potential acquisition opportunities. We intend to implement acquisitions primarily through stock transactions, supplemented only when necessary with a cash component. While we have entered into preliminary discussions with three potential targets, we have not entered into any letter of intent or other agreement relating to any target nor have we determined the financial terms of any potential acquisition. We are continuing to evaluate whether or not to pursue any opportunity further.

International Expansion. The Company operates primarily in the U.S. market, but has expanded internationally through sales to companies located abroad, particularly in Europe, and we hope to continue that growth through partnerships or acquisition opportunities.

Our Products and Services

Reprints, ePrints and Article Distribution Systems. The Company has developed services that provide reprints, ePrints and single copies of articles to its customers. We accept orders electronically, by email or phone. We have developed an internet-based ordering system that allows customers to initiate orders, 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. In addition, we have internal printing and eprinting capability. Because of this, if we are able to obtain the right from the publisher to print the reprint ourselves, rather than purchasing the printed reprints through the publisher, we are generally able to substantially reduce the time it takes to deliver the reprints to our customers. However, we are currently only able to obtain such print rights on a limited number of our orders. We are currently implementing a program to systematically obtain such rights from additional copyright owners.

Publisher Outsourced Reprint Management. Derycz Scientific helps publishers grow and manage their reprints and eprints business by providing services whereby we are responsible for all aspects of reprint and eprint production, from taking orders to final delivery. This service eliminates the need for the publishers to establish a dedicated reprints and eprints sales force or arrange for delivery of reprinted materials. While we do not charge the publishers for this service, we generate revenue by selling participating publishers' reprints to customers. In some cases, a publisher may

require certain guarantees regarding revenues.

Print on Demand.   The Company has begun to provide a print on demand service to some customers. By using this service, a customer can print one or more hard copies or send an electronic copy of a frequently used article without having to place a separate order for each use of the article with the publisher. Uses could include article reprints, course-packs, custom books, and other content re-use printing that requires strict adherence to copyright law in the printing process.

Logistics.   The Company is developing a service which will allow a customer to procure a large quantity of reprints and/or eprints at one time and store them with us. We will then send them to the customer as they need them. We also have technology which allows us to monitor the number of times an electronic copy of an article has been viewed or printed. This technology allows a customer to order a large quantity of electronic copies and use them as needed while providing assurance to the publisher that the customer will not exceed the number of views that were sold.

Sales and Marketing

Derycz identifies target customers and communicates with them directly, offering our various services through traditional cold-calling and targeted marketing efforts. We also attempt to increase our awareness to the market through attendance at publishing industry fairs and conferences.

Item 1A. Risk Factors.

Not required.

Item 1B. Unresolved Staff Comments.

Not required.

Item 2. Properties.

We currently lease approximately 2,000 square feet of office space at 1524 Cloverfield Blvd., Suite E, Santa Monica, California for $5,200 per month. The lease expires in May 2012. Until May 31, 2009 we sublet approximately 1,000 square feet of office space at 10990 Wilshire Blvd., Suite 1410, Los Angeles, California from Bristol Capital Advisors, LLC for $2,740.40 per month. Bristol Capital Advisers, LLC is the investment manager of Bristol Investment Fund, Ltd., which holds a significant equity stake in the Company and our Chief Financial Officer is also a director of Bristol Investment Fund, Ltd. (see section entitled “Certain Relationships and Related Transactions”).

Our majority owned subsidiary, Pools Press, leases 13,000 square feet of office space at 3455-3501 Commercial Avenue, Northbrook, Illinois for $8,000 per month from an unrelated third party. The lease expires on May 31, 2011.

Item 3. Legal Proceedings.

Derycz is not presently a party to any pending legal proceedings.

Item 4. [Removed and Reserved].

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is quoted on the OTC Bulletin Board ("OTCBB") under the symbol "DYSC." The following table sets forth, for the periods indicated, the reported high and low closing bid quotations for our common stock as reported on the OTCBB. The bid prices reflect inter-dealer quotations, do not include retail markups, markdowns, or commissions, and do not necessarily reflect actual transactions.

Quarter Ended	High Bid	Low Bid
June 30, 2010	$ 1.02	$ 0.60
March 31, 2010	$ 0.60	$ 0.50
December 31, 2009	$ 0.51	$ 0.50
September 30, 2009	$ 0.83	$ 0.51
June 30, 2009	$ 1.00	$ 0.30
March 31, 2009	$ *	$ *
December 31, 2008	$ *	$ *
September 30, 2008	$ *	$ *

* Our common stock had no active trading market until May 11, 2009.

As of September 23, 2010, we had a total of 13,021,223 shares of our common stock outstanding. On September 23, 2010, the closing sales price for shares of our common stock was $0.94 per share on the OTCBB.

Holders

We currently have 20 record holders of our common stock.

Dividends

We have not paid any cash dividends and we currently intend to retain any future earnings to fund the development and growth of our business. Any future determination to pay dividends on our common stock will depend upon our results of operations, financial condition and capital requirements, applicable restrictions under any credit facilities or other contractual arrangements and such other factors deemed relevant by our Board of Directors.

Equity Compensation Plan Information

Information relating to compensation plans under which our equity securities are authorized for issuance is set forth in Item 12 of this report under "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Recent Sales of Unregistered Securities

During the year ended June 30, 2010, we sold the following equity securities of the Company that were not registered under the Securities Act of 1933, as amended (the “Act”), and that were not previously disclosed in a quarterly report on Form 10-Q or on a current report on Form 8-K. In each case, we relied upon the exemption from registration under the Act found in Section 4(2) of the Act because the investors took the securities for investment purposes and without a view distribution and were provided access to information regarding the Company, and because there was no general solicitation or advertising for the purchase of the shares.

On May 13, 2010, we issued 40,000 shares of common stock to a consultant in exchange for services.
On July 27, 2010, we granted options to purchase an aggregate of 379,000 shares of common stock at $1.02 per share to thirteen employees, which expire on July 27, 2020.

On August 13, 2010, we issued 19,393 shares of common stock to a consultant in exchange for services.

Item 6. Selected Financial Data

Not required.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our results of operations and financial condition for the years ended June 30, 2010 and 2009 should be read in conjunction with our financial statements and the 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 the “Business” section and elsewhere in this report. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will “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

Derycz Scientific, Inc. (the “Company” or “Derycz”) 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. (“Reprints”). 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 of its common shares to the shareholders. 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. (“Pools”) of Northbrook, Illinois, a privately held company, pursuant to which the Company acquired 75% of the issued and outstanding common stock of Pools for consideration of $616,080. Pools is a commercial printer, specializing in reprints of copyrighted articles. The results of Pools Press’ operations have been included in the consolidated financial statements since March 1, 2007. On August 31, 2010, the Company purchased the remaining shares of Pools for $120,000.

Derycz, through Reprints and Pools, provides copies of published content, such as articles from published journals, in either electronic or hard copy form. Our customers use this content for marketing, regulatory or research purposes. Generally, marketing departments order large quantities of printed copies that they distribute to their customers and electronic copies for distribution through the Internet and other electronic mechanisms. Researchers and regulatory personnel generally order single copies or small quantities of the content. Our service alleviates the need for our customers to contact multiple publishers or obtain permissions themselves. In addition, we ensure that we have obtained the necessary permissions from the owners of the content’s copyrights so that the reproduction complies with copyright laws. We also offer services to publishers, whereby we are responsible for all aspects of reprint and eprint production, 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. Pools Press also offers other commercial printing products, such as the production of booklets and newsletters.

Results of Operations

Year Ended June 30, 2010 Compared to the Year Ended June 30, 2009:

Sales and Cost of Goods Sold

We achieved revenues of $24,935,473 for the year ended June 30, 2010, compared to revenue of $14,653,374 for the year ended June 30, 2009, an increase of 70%. Our revenues for last ten fiscal quarters have been $6,359,884, $6,201,431, $7,590,459, $4,783,699, $4,205,195, $3,818,500, $3,426,953, $3,202,726, $4,143,157 and $2,910,183, respectively. These revenues have increased each quarter compared to the prior quarter, with the exception of the

quarters ending March 31, 2010 and September 30, 2008 as a result of a very strong second quarter in the 2010 fiscal year and a strong fourth quarter in the 2008 fiscal year. We expect revenues to continue to increase during the 2011 fiscal year.

The revenue of our main operating company, Reprints, increased from $13,196,956 for the year ended June 30, 2009, to $22,031,639 for the year ended June 30, 2010, an increase of 67%. Pools Press contributed the remainder of the revenue.

Our cost of goods sold increased from $12,142,967 for the year ended June 30, 2009, to $21,019,225 for the year ended June 30, 2010, which represents an increase of 73%.

Our gross margin decreased from 17% during the year ended June 30, 2009 to 15% for the year ended June 30, 2010. This has been a result of higher sales of lower margin products as well as some aggressive pricing of our products. We expect our gross margin percentage to remain relatively stable, but it will depend on the relative sales of various products, which have differing margins.

We anticipate that our sales will increase significantly during the 2011 fiscal year. Because our customers are spending cautiously we will have to rely heavily on new customer acquisition and new products and services to achieve that growth. We expect our cost gross margin to remain the same or decline slightly due to the need for aggressive pricing in order to continue to increase our revenues. While we continue to develop and market higher margin products we face price competition in our core markets for document delivery and reprints as well as commercial printing. Most of our costs are determined by the publishers from whom we purchase media for each individual order and they do not generally grant significant discounts.

Operating Expenses

General and Administrative

Our general and administrative expenses increased 9% from $3,289,642 for the year ended June 30, 2009 to $3,590,933 for the year ended June 30, 2010. These expenses include Reprints' administrative salary costs, which were $1,261,632 in the 2009 fiscal year and $1,943,935 in the 2010 fiscal year, an increase of $682,303 or 54%. These costs included $344,443 and $282,222 for the years ended June 30, 2010 and 2009, respectively, paid to our information technology staff who work primarily on new products and enhancements to existing projects.

We also incurred investor relations expenses totaling $184,131 during the 2010 fiscal year compared to $571,445 in the 2009 period, a decrease of $387,314 or 68%. We will continue to incur significant expenses related to investor relations as a result of being a publicly traded company. Also included in this figure is the expense related to stock option grants of $0 in the 2010 year and $161,271 in fiscal 2009.

Marketing and Advertising

Our marketing and advertising expenses increased from $158,524 for the year ended June 30, 2009, to $439,877, an increase of $281,353 or 177%. We expanded our marketing efforts during the 2010 fiscal year and we expect our marketing costs will increase to approximately $500,000 during fiscal 2011.

Depreciation and Amortization

Our depreciation and amortization expense decreased from $235,660 for the year ended June 30, 2009, to $206,616 during the year ended June 30, 2010, a decrease of $29,044 or 12%. Pools' share of these expenses was $37,471 in the 2009 period and included $36,667 related to the amortization of Pools' customer list, which has been fully depreciated as of June 30, 2009.

Realized gains on marketable securities

We recognized realized gains on marketable securities of $33,668 during the year ended June 30, 2009. These investments consisted of preferred stock auction rate securities held in an account with UBS Financial Services, Inc., and the gains were based on the proceeds from the sale of those securities. In January 2009, we received cash for the par value of the outstanding auction rate securities.

Interest Expense

Interest expense was $34,993 for the year ended June 30, 2009, and $6,919 for the year ended June 30, 2010, a decrease of $28,074 or 80%. This interest expense was primarily attributable to the interest paid on a credit line with UBS that was secured by marketable securities. This credit line was cancelled in January 2009 when we liquidated our position in the marketable securities. In July 2010 we entered into a loan agreement with Silicon Valley Bank which provides a $3 million credit line secured by all of the assets of the Company. We expect to incur significantly higher interest costs during the 2011 fiscal year as we expect to utilize the credit line.

Interest Income

Interest income was $39,527 for the year ended June 30, 2009, and decreased to $4,169 for the year ended June 30, 2010, a decrease of $35,358 or 89%. This interest income was primarily attributable to the interest earned on investments in marketable securities, which were liquidated in January 2009.

Other Income

The Company earned $98,605 in other income during the year ended June 30, 2009, and $5,415 during the year ended June 30, 2010, a decrease of $93,190 or 95%. This income represents income we receive from publishers and customers for miscellaneous services.

Net Loss

We had a net loss of $1,066,041 for the year ended June 30, 2009 compared to a net loss of $307,193 for the year ended June 30, 2010. Investor relations expenses of $571,445 represented over half of the net loss for 2009. We anticipate that our revenues will continue to grow as we aggressively market our products and services and we do not anticipate to generate significant profits during the fiscal year ending June 30, 2011.

Liquidity and Capital Resources

Since our inception, we have funded our operations primarily through private sales of equity securities. Reprints Desk's initial investors were Bristol Capital, LLC, which is owned by Paul Kessler and Diana Derycz-Kessler, Bristol Investment Fund, Ltd., over which Paul Kessler has investment and voting control, and three employees of Bristol Capital, LLC, including the current Chief Financial Officer of Derycz, Richard McKilligan. These initial investors purchased 275,000 shares of Reprints Desk for a total of $275,000. Their 275,000 shares were converted into a total of 4,000,003 common shares of Derycz Scientific in November 2006. Peter Derycz, as the founder of Reprints Desk, paid $275 for his 275,000 shares of Reprints Desk, which were exchanged for 4,000,000 common shares of Derycz Scientific. On December 22, 2006, we sold units consisting of 4,500,000 shares of common stock and warrants to purchase 2,250,000 shares of common stock at an exercise price of $1.25 per share to 45 accredited investors in a private transaction. We received $4,500,000 in proceeds from this transaction.

On July 17, 2008, we sold 400,017 shares of common stock and warrants to purchase 200,009 shares of common stock at an exercise price of $2.00 per share at anytime prior to July 17, 2011 for an aggregate purchase price of $600,025. These shares and warrants were sold to a total of 4 investors.

As of June 30, 2010, we had cash of $1,852,231.

Net cash provided by operating activities was $233,767 for the year ended June 30, 2009 compared to net cash provided by operating activities of $352,441 for the year ended June 30, 2010. The $118,674 increase in cash provided by operating activities was due primarily to an increase in accounts receivable of $948,421 and an increase in accounts payable of $1,851,021 which offset the net loss of $319,646 and the increase in prepaid royalties of $496,307.

Net cash provided by investing activities was $1,478,452 for the year ended June 30, 2009 compared to net cash used in investing activities of $327,381 for the year ended June 30, 2010. The $1,805,833 difference in cash flows from investing activities was due to the proceeds from the sale of our short term investments of $1,770,298 in the 2009 period.

Net cash used in financing activities was $707,960 for the year ended June 30, 2009 compared to net cash used in financing activities of $26,922 for the year ended June 30, 2010. The decrease in cash used in financing activities was due primarily to our repayment of our credit line associated with our short term investments of $1,291,855 during the 2009 period. We made no sales of our common stock during the years ended June 30, 2010 or June 30, 2009.

We believe that our current cash resources will be sufficient to sustain our current operations for at least one year. However, we may need to obtain additional cash resources during the next year if we are able to acquire complementary businesses. The need for cash to finance acquisitions will depend on the businesses acquired and we cannot predict those needs with any certainty. In the event such funds are needed, we may engage in additional sales of debt or equity securities. The sale of additional equity or convertible debt securities would result in additional dilution to our shareholders. The issuance of additional debt would result in increased expenses and could subject us to covenants that may have the effect of restricting our operations. Should we need to raise additional debt or equity capital, we can provide no assurance that additional financing will be available in an amount or on terms acceptable to us, if at all.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements and accompanying notes, which have been prepared in accordance with accounting principles

generally accepted in the United States. The preparation of these financial statements requires management 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Revenue Recognition

The Company's primary source of revenue is from information and printing services. The Company recognizes revenue when the sales process is deemed complete and associated revenue has been earned. 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 and determinable and collectability is reasonably assured.

The Company recognizes revenues from printing services when services have been rendered and accepted by the customer while revenues from the re-use of published articles and rights management services are recognized upon shipment or electronic delivery to the customer.

The Company applies the provisions of the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB No. 104 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. In general, the Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) shipment of products has occurred or services have been rendered, (iii) the sales price charged is fixed or determinable and (iv) collection is reasonably assured.

Included in revenues are fees charged to customers for shipping, handling and delivery services.

Impairment of Long-lived Assets

The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets, including goodwill, if any. An impairment loss is measured and recorded based on discounted estimated future cash flows. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups.

Based upon management's assessment, there were no indicators of impairment of the Company's long lived assets as of June 30, 2010 or 2009.

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 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 the authoritative guidance whereas 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.

We estimate the fair value of stock options using the Black-Scholes option-pricing model, which was developed for use in estimating the fair value of options that have no vesting restrictions and are fully transferable. This model requires the input of subjective assumptions, including the expected price volatility of the underlying stock and the expected life of stock options. Projected data related to the expected volatility of stock options is based on the average volatility of the trading prices of comparable companies and the expected life of stock options is based upon the average term and vesting schedules of the options. Changes in these subjective assumptions can materially affect the

fair value of the estimate, and therefore the existing valuation models do not provide a precise measure of the fair value of our employee stock options.

Goodwill and Intangible Assets

Management performs impairment tests of goodwill and indefinite-lived intangible assets whenever an event occurs or circumstances change that indicate impairment has more likely than not occurred. Also, management performs impairment testing of goodwill and indefinite-lived intangible assets at least annually.

The Company accounts for acquisition of a business in accordance with guidance issued by the FASB, which may result in the recognition of goodwill. Goodwill is related to the Company's acquisition of 75% majority interest in Pools Press in February 2007. Goodwill is not amortized. Rather, goodwill is assessed for impairment at least annually. Management tests goodwill for impairment at the reporting unit level. The Company has two reporting units. The Company tests goodwill by using a two-step process. In the first step, the fair value of the reporting unit is compared with the carrying amount of the reporting unit, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second step is performed to measure the amount of impairment loss, if any.

The Company reviews intangible assets subject to amortization at least annually to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If the carrying value of an asset exceeds its undiscounted cash flows, the Company writes down the carrying value of the intangible asset to its fair value in the period identified. If the carrying value of assets is determined not to be recoverable, the Company records an impairment loss equal to the excess of the carrying value over the fair value of the assets. The Company's estimate of fair value is based on the best information available, in the absence of quoted market prices. The Company generally calculates fair value as the present value of estimated future cash flows that the Company expects to generate from the asset using a discounted cash flow income approach as described above. If the estimate of an intangible asset's remaining useful life is changed, the Company amortizes the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

Based upon management's assessment, there were no indicators of impairment of the Company's goodwill or intangible assets as of June 30, 2010 or 2009.

Recent Accounting Pronouncements

In April 2010, the FASB issued new accounting guidance in applying the milestone method of revenue recognition to research or development arrangements. Under this guidance management may recognize revenue contingent upon the achievement of a milestone in its entirety, in the period in which the milestone is achieved, only if the milestone meets all the criteria within the guidance to be considered substantive. This standard is effective on a prospective basis for research and development milestones achieved in fiscal years, beginning on or after June 15, 2010. Early adoption is permitted; however, adoption of this guidance as of a date other than January 1, 2011 will require the Company to apply this guidance retrospectively effective as of January 1, 2010 and will require disclosure of the effect of this guidance as applied to all previously reported interim periods in the fiscal year of adoption. As the Company plans to implement this standard prospectively, the effect of this guidance will be limited to future transactions. The Company does not expect adoption of this standard to have a material impact on its financial position or results of operations as it has no material research and development arrangements which will be accounted for under the milestone method.

In January 2010, the FASB issued new accounting guidance which requires new disclosures regarding transfers in and out of Level 1 and Level 2 fair value measurements, as well as requiring presentation on a gross basis of information about purchases, sales, issuances and settlements in Level 3 fair value measurements. The guidance also clarifies existing disclosures regarding level of disaggregation, inputs and valuation techniques. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2009. Disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010. As this guidance requires only additional disclosure, there should be no impact on the consolidated financial statements of the Company upon adoption.

In October 2009, a new accounting consensus was issued for multiple-deliverable revenue arrangements. This consensus amends existing revenue recognition accounting standards. This consensus provides accounting principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated and the consideration allocated. This guidance eliminates the requirement to establish the fair value of undelivered products and services and instead provides for separate revenue recognition based upon management's estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. Previously the existing accounting consensus required that the fair value of the undelivered item be the price of the item either sold in a separate transaction between unrelated third parties or the price charged for each item when the item is sold separately by the vendor. Under the existing accounting consensus, if the fair value of all of the elements in the arrangement was not determinable, then revenue was deferred until all of the items were delivered or fair value was determined. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is in the process of evaluating whether the

adoption of this standard will have a material effect on its financial position, results of operations or cash flows.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and 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.

The Company does not believe that the adoption of the above recent pronouncements will have a material effect on the Company’s consolidated results of operations, financial position, or cash flows.

Off-Balance Sheet Arrangements

At June 30, 2010, we had no obligations that would require disclosure as off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not required.

Item 8. Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Derycz Scientific, Inc. and Subsidiaries
Santa Monica, California

We have audited the consolidated balance sheets of Derycz Scientific, Inc. (the "Company") and Subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Derycz Scientific, Inc. and Subsidiaries as of June 30, 2010 and 2009 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Weinberg and Company, P.A

September 27, 2010
Los Angeles, California

Derycz Scientific, Inc.
Consolidated Balance Sheets

	June 30, 2010	June 30, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,852,231	$ 1,854,093
Accounts receivable, net of allowance of $59,061 and $35,000, respectively	4,448,269	3,499,848
Inventory	6,628	10,188
Prepaid royalties	714,287	217,980
Other current assets	84,470	37,890
TOTAL CURRENT ASSETS	7,105,885	5,619,999
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $317,629 and $188,266	372,868	340,776
INTANGIBLE ASSETS		
Customer lists, net of accumulated amortization of $50,000 and $43,056	-	6,944
Intellectual property licenses, net of accumulated amortization of $297,887 and $163,209	674,779	600,887
GOODWILL	223,385	223,385
TOTAL ASSETS	$ 8,376,917	$ 6,791,991
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 4,887,636	$ 3,036,615
Capital lease obligation, current	33,682	17,861
Income tax payable	600	3,659
Other current liabilities	97,224	116,769
TOTAL CURRENT LIABILITIES	5,019,142	3,174,904
CAPITAL LEASE OBLIGATIONS, LONG TERM	43,514	43,617
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; 13,001,830 and 12,961,830 shares issued and outstanding	13,002	12,962
Additional paid-in capital	5,510,620	5,450,223
Accumulated deficit	(2,244,265)	(1,937,072)

TOTAL STOCKHOLDERS' EQUITY	3,279,357	3,526,113
NONCONTROLLING INTEREST	34,904	47,357
TOTAL EQUITY	3,314,261	3,573,470
TOTAL LIABILITIES AND EQUITY	$ 8,376,917	$ 6,791,991

See notes to consolidated financial statements

Derycz Scientific, Inc.
Consolidated Statements of Operations

	Years ended June 30, 2010	Years ended June 30, 2009
NET SALES	$ 24,935,473	$ 14,653,374
COST OF SALES	21,019,225	12,142,967
GROSS PROFIT	3,916,248	2,510,407
OPERATING EXPENSES:		
General and administrative	3,590,933	3,289,642
Marketing and advertising	439,877	158,524
Depreciation and amortization	206,616	235,660
TOTAL OPERATING EXPENSES	4,237,426	3,683,826
LOSS FROM OPERATIONS	(321,178)	(1,173,419)
Gain on marketable securities	-	33,668
Other Income	5,415	98,605
Interest expense	(6,919)	(34,993)
Interest income	4,169	39,527
LOSS BEFORE INCOME TAXES AND NONCONTROLLING INTEREST	(318,513)	(1,036,612)
PROVISION FOR INCOME TAXES	(1,133)	(32,174)
NET LOSS	(319,646)	(1,068,786)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	12,453	2,745
NET LOSS ATTRIBUTABLE TO DERYCZ SCIENTIFIC, INC.	$ (307,193)	$ (1,066,041)
NET LOSS PER SHARE:		
BASIC AND DILUTED	$ (0.02)	$ (0.08)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
BASIC AND DILUTED	12,966,830	12,945,163

See notes to consolidated financial statements

Derycz Scientific, Inc.

Consolidated Statement of Stockholders' Equity
For the years ended June 30, 2010 and 2009

	Common stock Shares	Amount	Additional paid-in capital	Accumulated Deficit	Noncontrolling Interest	Total stockholders' equity
Balance, July 1, 2008	12,561,813	$ 12,562	$ 4,645,364	$ (871,031)	$ 50,102	$ 3,836,997
Fair value of vested options issued to employees	-	-	161,271	-		161,271
Issuance of warrant for services			43,963	-		43,963
Issuance of common stock for cash	400,017	400	599,625	-		600,025
Net loss for the period				(1,066,041)	(2,745)	(1,068,786)
Balance, July 1, 2009	12,961,830	12,962	5,450,223	(1,937,072)	47,357	3,573,470
Fair value of shares issued for services	40,000	40	45,960			46,000
Fair value of warrants issued for services			14,437			14,437
Net loss for the period				(307,193)	(12,453)	(319,646)
Balance, June 30, 2010	13,001,830	$ 13,002	$ 5,510,620	$ (2,244,265)	$ 34,904	$ 3,314,261

See notes to consolidated financial statements

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Derycz Scientific, Inc.

Consolidated Statements of Cash Flows

	Years ended June 30, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (319,646)	$ (1,068,786)
Adjustment to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	270,981	283,583
Fair value of vested stock options	14,437	161,271
Fair value of common stock warrant issued for services	46,000	43,963
Realized gain on investment	-	(33,668)
Changes in assets and liabilities:		
Accounts receivable	(948,421)	(380,690)
Inventory	3,560	5,768
Prepaid royalties	(496,307)	108,097
Other current assets	(46,581)	42,850
Accounts payable and accrued expenses	1,851,021	1,039,382
Other current liabilities	(19,544)	28,338
Income taxes payable	(3,059)	3,659
Net cash provided by operating activities	352,441	233,767
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	(118,811)	(76,524)
Purchase of Intellectual Property licenses	(208,570)	(181,122)
Additional investment in Pools Press	-	(34,200)
Proceeds from sale of short term investments	-	1,770,298
Net cash provided by (used in) investing activities	(327,381)	1,478,452
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of common stock	-	600,025
Capital lease obligation	(26,922)	(16,130)
Payments on line of credit	-	(1,291,855)
Net cash used in financing activities	(26,922)	(707,960)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,862)	1,004,259
CASH AND CASH EQUIVALENTS, Beginning of period	1,854,093	849,834
CASH AND CASH EQUIVALENTS, End of period	$ 1,852,231	$ 1,854,093

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Taxes paid	$	32,174	$	-
Interest paid	$	6,919	$	34,500
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Minority share of losses in subsidiary	$	12,453		2,745
Capital lease obligation	$	42,640		-

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DERYCZ SCIENTIFIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009

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

(a) Organization

Derycz Scientific, Inc. was incorporated in the State of Nevada on November 2, 2006. On November 2, 2006 the Company entered into a Share Exchange Agreement with Reprints Desk, Inc., a Delaware corporation formed on January 6, 2006. Derycz was formed to facilitate a holding company structure. At the closing of the transaction contemplated by the Share Exchange Agreement, the Company acquired all of the 550,000 outstanding shares of Reprints from the shareholders of Reprints and issued 8,000,003 of its common shares to the shareholders of Reprints. As the intention behind forming Derycz was the creation of a holding company structure and Derycz had no appreciable assets prior to the acquisition of Reprints, the exchange ratio was determined arbitrarily and was not based on any determination of the value of shares of Derycz common stock as compared to Reprints shares acquired. As each former Reprints shareholder acquired a percentage interest in Derycz equal to the percentage interest such shareholder held in Reprints immediately prior to the transaction, there was no dilution of the interest of any former Reprints shareholder. Following completion of the exchange transaction, Reprints became a wholly owned subsidiary of the Company. The transaction was accounted as a statutory merger of companies under common control. As such, the historical financial statements of the Company are combined with the operations of Reprints since its inception, and the merger shares are accounted for as a stock split as of the inception of Reprints for financial reporting purposes.

(b) Nature of business

Reprints is a content repurposing and rights management company, with a focus on content re-use services and products. The Company operates within the periodicals publishing industry which is a large and growing market. The Company has developed products in the following areas:

- Reprints, ePrints and Article Distribution Systems
- Commercial Printing Services
- Publisher Outsourced Reprint Management
- Print-on-Demand Services for copyright and regulatory sensitive documents

(c) Basis of Presentation

The accompanying financial statements are consolidated and include the accounts of the Company and its wholly and majority owned subsidiaries. The consolidated accounts include 100% of assets and liabilities of our majority owned subsidiary, and the ownership interests of minority investors are recorded as a minority interest. Intercompany balances and transactions have been eliminated in consolidation.

Note 2 — Summary of Significant Accounting Policies

(a) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

The more significant items subject to such estimates and assumptions include fair value of our equity securities, carrying amount and useful lives of property and equipment, goodwill, other intangible assets, valuations of accounts receivable and accounting for income taxes.

(b) Fair value of financial instruments

Effective January 1, 2008, fair value measurements are determined by the Company's adoption of authoritative guidance issued by the Financial Accounting Standards Board (the “FASB”), with the exception of the application of the statement to non-recurring, non-financial assets and liabilities as permitted. The adoption of the authoritative guidance did not have a material impact on the Company's fair value measurements. Fair value is defined in the authoritative guidance as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy was established, which prioritizes the inputs used in measuring fair value into three broad levels as follows:
Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Inputs, other than the quoted prices in active markets, are observable either directly or indirectly.

Level 3 – Unobservable inputs based on the Company's assumptions.

The Company is required to use observable market data if such data is available without undue cost and effort. The Company has no fair value items required to be disclosed as of June 30, 2010 or 2009.

(c) Cash and cash equivalents

For purposes of the statements of cash flows, the Company defines cash equivalents as all highly liquid debt instruments purchased with a maturity of three months or less.

(d) Allowance for doubtful accounts

The Company regularly reviews the accounts receivable aging and applies various expected loss percentages to certain accounts receivable categories based upon historical bad debt experience in order to determine whether an allowance for doubtful accounts resulting from the inability, failure or refusal of customers to make required payments, is appropriate. The Company established an allowance for doubtful accounts of $59,061 and $35,000 as of June 30, 2010 and June 30, 2009, respectively.

(e) Concentration of credit risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents and accounts receivables. 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.

One customer accounted for 22% of the revenues for the year ended June 30, 2010 and one customer accounted for 16% of the revenue for the year ended June 30, 2009.

As of June 30, 2010, three customers accounted for 14%, 13% and 12% of accounts receivable, and two customers accounted for 15% and 14% of accounts receivable at June 30, 2009.

During the years ended June 30, 2010 and 2009 the Company's purchases from one vendor represented 23% and 16%, respectively, of our content costs.

(f) Property and equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives of 3-5 years. Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Gains and losses on disposals are included in the results of operations.

(g) Intellectual property licenses

The Company has purchased licenses to use certain intellectual property. These licenses are amortized on the straight-line method over their estimated useful lives of 7 years.

(h) Customer lists

From time to time, the Company purchases customer lists. These lists are amortized using an accelerated method that management presently estimates matches the utilization of those lists over an estimated useful life of 2 years.

(i) Revenue recognition

The Company's primary source of revenue is from the re-use of published articles and rights management services as well as printing services. The Company recognizes revenue from printing services when the sales process is deemed complete and associated revenue has been earned which occurs when services have been rendered and the printed materials have been delivered to the customer. 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 and determinable and collectability is reasonably assured.

The Company recognizes revenues from the re-use of published articles and rights management services are recognized upon shipment or electronic delivery to the customer.

(j) Impairment of long-lived assets

The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets, including goodwill, if any. An impairment loss is measured and recorded based on discounted estimated future cash flows. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups.

Based upon management's assessment, there were no indicators of impairment of the Company's long lived assets as of June 30, 2010 or 2009.

(k) 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 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 the authoritative guidance whereas 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.

(l) Goodwill and intangible assets

Management performs impairment tests of goodwill and indefinite-lived intangible assets whenever an event occurs or circumstances change that indicate impairment has more likely than not occurred. Also, management performs impairment testing of goodwill and indefinite-lived intangible assets at least annually.

The Company accounts for acquisition of a business in accordance with guidance issued by the FASB, which may result in the recognition of goodwill. Goodwill is related to the Company's acquisition of 75% majority interest in Pools Press in February 2007. Goodwill is not amortized. Rather, goodwill is assessed for impairment at least annually. Management tests goodwill for impairment at the reporting unit level. The Company has two reporting units. The Company tests goodwill by using a two-step process. In the first step, the fair value of the reporting unit is compared with the carrying amount of the reporting unit, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second step is performed to measure the amount of impairment loss, if any.

The Company reviews intangible assets subject to amortization at least annually to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If the carrying value of an asset exceeds its undiscounted cash flows, the Company writes down the carrying value of the intangible asset to its fair value in the period identified. If the carrying value of assets is determined not to be recoverable, the Company records an impairment loss equal to the excess of the carrying value

over the fair value of the assets. The Company's estimate of fair value is based on the best information available, in the absence of quoted market prices. The Company generally calculates fair value as the present value of estimated future cash flows that the Company expects to generate from the asset using a discounted cash flow income approach as described above. If the estimate of an intangible asset's remaining useful life is changed, the Company amortizes the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

Based upon management's annual assessment at June 30, there were no indicators of impairment of the Company's goodwill or intangible assets as of June 30, 2010 or 2009.

(m) Shipping and handling costs

The Company includes shipping and handling charges billed to its customers in its revenues, and classifies shipping and handling costs of the sale of its products as a component of cost of sales. Those costs were approximately $323,107 and $151,544, respectively, for the years ended June 30, 2010 and 2009.

(n) Income taxes

The Company accounts for income taxes using the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

(o) Net Income (Loss) per share

The FASB requires presentation of basic earnings per share (“Basic EPS”) and diluted earnings per share (“Diluted EPS”).   Basic net income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares available. Weighted average number of shares outstanding reflects the equivalent number of shares received as a result of the exchange transaction as if these shares had been outstanding as of the beginning of the earliest period presented. 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. Warrants to purchase 2,855,009 and 2,800,009 shares of common stock have been excluded from the calculation of diluted net loss per share for the years ended June 30, 2010 and 2009, respectively, and options to purchase 1,022,000 shares of common stock outstanding as of June 30, 2010 and June 30, 2009, have been excluded from the calculation as the effect would have been anti-dilutive.

(p) Marketing and advertising expenses

Marketing and advertising expenses are expensed as incurred and consist primarily of various forms of media purchased from Internet-based marketers and search engines. Marketing and advertising expense amounted to $439,877 and $158,524 for the years ended June 30, 2010 and 2009, respectively.

(q) Reclassifications

The Company has reclassified $729,423 of costs previously included in general administrative costs in 2009 to costs of sales to conform to 2010 presentation.

(r) Recently issued accounting pronouncements

In April 2010, the FASB issued new accounting guidance in applying the milestone method of revenue recognition to research or development arrangements. Under this guidance management may recognize revenue contingent upon the achievement of a milestone in its entirety, in the period in which the milestone is achieved, only if the milestone meets all the criteria within the guidance to be considered substantive. This standard is effective on a prospective basis for research and development milestones achieved in fiscal years, beginning on or after June 15, 2010. Early adoption is permitted; however, adoption of this guidance as of a date other than January 1, 2011 will require the Company to apply this guidance retrospectively effective as of January 1, 2010 and will require disclosure of the effect of this guidance as applied to all previously reported interim periods in the fiscal year of adoption. As the Company plans to implement this standard prospectively, the effect of this guidance will be limited to future transactions. The Company does not expect adoption of this standard to have a material impact on its financial position or results of operations as it has no material research and development arrangements which will be accounted for under the milestone method.

In January 2010, the FASB issued new accounting guidance which requires new disclosures regarding transfers in and out of Level 1 and Level 2 fair value measurements, as well as requiring presentation on a gross basis of information about purchases, sales, issuances and settlements in Level 3 fair value measurements. The guidance also clarifies existing disclosures regarding level of disaggregation, inputs and valuation techniques. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2009. Disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010. As this guidance requires only additional disclosure, there should be no impact on the consolidated financial statements of the Company upon adoption.

In October 2009, a new accounting consensus was issued for multiple-deliverable revenue arrangements. This consensus amends existing revenue recognition accounting standards. This consensus provides accounting principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated and the consideration allocated. This guidance eliminates the requirement to establish the fair value of undelivered products and services and instead provides for separate revenue recognition based upon management’s estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. Previously the existing accounting consensus required that the fair value of the undelivered item be the price of the item either sold in a separate transaction between unrelated third parties or the price charged for each item when the item is sold separately by the vendor. Under the existing accounting consensus, if the fair value of all of the elements in the arrangement was not determinable, then revenue was deferred until all of the items were delivered or fair value was determined. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is in the process of evaluating whether the adoption of this standard will have a material effect on its financial position, results of operations or cash flows.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the Securities 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.

The Company does not believe that the adoption of the above recent pronouncements will have a material effect on the Company’s consolidated results of operations, financial position, or cash flows.

Note 3 — Property and Equipment

Property and equipment consists of the following as of June 30, 2010 and 2009:

	June 30, 2010	June 30, 2009
Computer equipment	$ 122,687	$ 68,640
Software	176,586	112,570
Printing equipment	329,092	286,452
Furniture and fixtures	58,132	57,380
Autos and vans	4,000	4,000
	690,497	529,042
Less accumulated depreciation	(317,629)	(188,266)
	$ 372,868	$ 340,776

Printing equipment includes $91,792 of equipment under capital lease and related accumulated depreciation of $53,545 and $35,187 as of June 30, 2010 and June 30, 2009, respectively.

Depreciation expense for the years ended June 30, 2010 and 2009 was $129,363 and $98,555, respectively.

Note 4 — Intangible Assets

Intangible assets consist of the following at June 30, 2010 and 2009:

June 30, 2010	June 30, 2009

Customer list	$	-	$	50,000
Intellectual property licenses		972,666		764,096
Accumulated amortization		(297,887)		(206,265)
	$	674,779	$	607,831

Customer lists are amortized using an accelerated method that management presently estimates matches the utilization of those lists over an estimated useful life of 2 years.

The Company has purchased licenses to use certain intellectual property, including computer software. These licenses are depreciated using the straight-line method over their estimated useful lives of 7 years.

Future annual amortization under these intangible assets at June 30, 2010 is as follows:

Year ending June 30,		Amount
2011	$	140,356
2012		136,606
2013		136,606
2014		134,641
Thereafter		126,570
	$	674,779

Note 5 — Leases

The Company leases space in Northbrook, Illinois in accordance with the terms of a non-cancelable operating lease agreement. The lease requires monthly payments between $7,750 and $8,000 through May 2011 and is being accounted for by the Company on a straight-line basis over the term of the lease. In addition to monthly rentals, the lease requires the payment of real estate taxes and maintenance. Rent, including real estate taxes, for the years ended June 30, 2010 and 2009 was $141,339 and $143,727, respectively.

The Company leases space in Santa Monica, California in accordance with the terms of a non-cancelable operating lease agreement. The lease requires monthly payments between $5,200 and $5,517 through May 2012 and is being accounted for by the Company on a straight-line basis over the term of the lease. In addition to monthly rentals, after June 1, 2010, the lease requires the payment of any increases in real estate taxes. The Company also leases space in North Hollywood, California and Bethesda, Maryland, in accordance with the terms of non-cancelable operating lease agreements which require monthly payments of $1,200 and $625, respectively, through January 31, 2011, and April 1, 2012, respectively. Rent, including real estate taxes, for the years ended June 30, 2010 and 2009 was $94,563 and $5,200, respectively.

The Company also has two non-cancelable leases for machinery and equipment that are accounted for as capital leases that require monthly payments of $1,945 including interest at a rate of 10.25% per annum through July 2012 and $1,275 including interest at a rate of 5.13% per annum through October 2012, respectively. Annual future minimum rentals under operating and capital leases as of June 30, 2010 are as follows:

Fiscal Year		Operating Leases		Capital Leases
2011	$	155,806	$	38,640
2012		152,433		38,640
2013		60,687		7,045
Total minimum lease payments	$	368,926	$	84,325
Amounts representing interest				(7,129)
Total				77,196
Less current portion				(33,682)
Long term			$	43,514

Note 6 — Stockholders' Equity

Stock Options

On December 21, 2007, the Company established the 2007 Equity Compensation Plan (the "Plan"). The Plan was approved by our Board of Directors and security holders holding a majority of the shares of our common stock

outstanding. The total amount of shares subject to the Plan is 1,500,000 shares. On December 21, 2007, we granted options to purchase 530,000 shares of common stock at $1.50 per share to eight employees and one consultant, which expire on December 21, 2017. The options were valued at $112,000 using a Black-Scholes valuation model and will be amortized over the vesting period. The exercise price for the options was $1.50 per share and was based on the fair value of the shares on the date of issuance. For the Black-Scholes calculation, the Company assumed no dividend yield, a risk free interest rate of 4.18%, expected volatility of 25% and an expected term for the options of 7 years.

On May 28, 2009, we granted options to purchase 492,000 shares of common stock at $1.00 per share to nine employees, which expire on May 28, 2019. The options were valued at $148,327 using a Black-Scholes valuation model and were expensed on the grant date as the options all vested immediately. The exercise price for the options was $1.00 per share and was based on the fair value of the shares on the date of issuance. For the Black-Scholes calculation, the Company assumed no dividend yield, a risk free interest rate of 3.67%, expected volatility of 83% and an expected term for the options of 10 years.

Stock-based compensation expense of $0 and $161,271 was recognized during the years ended June 30, 2010 and 2009, respectively, relating to the vesting of such options. No future compensation expense related to these options remains as of June 30, 2010. As of June 30, 2010, these options have no intrinsic value.

At June 30, 2010 options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance at July 1, 2008	530,000	$ 1.50
Granted	492,000	$ 1.00
Exercised	—	—
Cancelled	—	$ —
Balance at June 30, 2009	1,022,000	$ 1.26
Granted	—	$ —
Exercised	—	—
Cancelled	—	$ —
Balance at June 30, 2010	1,022,000	$ 1.26

Additional information regarding options outstanding as of June 30, 2010 is as follows:

	Options Outstanding			Options Exercisable
Weighted Average Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable
$ 1.26	1,022,000	8	$ 1.26	1,022,000

Warrants

At June 30, 2010 warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at July 1, 2008	2,450,000	$ 1.25
Granted	350,009	2.00
Exercised	—	
Cancelled	—	
Balance, June 30, 2009	2,800,009	$ 1.34
Granted	55,000	$ 2.00
Exercised	-	
Balance at June 30, 2010	2,855,009	$ 1.34

On July 1, 2008, the Company issued warrants to acquire 150,000 shares of our stock at an exercise price of $2.00 per share and a life of five years to a consultant. The warrants were valued at $43,693 using a Black-Scholes pricing model with the following assumptions; no dividend yield, risk free interest rate of 4.5%, expected volatility of 25%, and an expected term of the warrants of five years.

On October 8, 2009, the Company issued warrants to acquire 55,000 shares of our stock to a consultant at an exercise price of $1.50 per share and with a life of five years and which vest over a period of one year. The fair market value of the warrants amortized during the year was $14,437 using a Black-Scholes pricing model with the following assumptions; no dividend yield, risk free interest rate of 4.5%, expected volatility of 25%, and an expected term of the warrants of five years.

The above warrants are fully vested, except for the 55,000 warrants issued on October 8, 2009, and have a five year contractual life. There was no intrinsic value to these warrants as of June 30, 2010 and 2009 based on the trading price of the Company's common stock on June 30, 2010 and 2009.

Shares issued for services

During the year ended June 30, 2010, the Company issued 40,000 shares of its common stock valued at $46,000 based on the trading price of the Company's common stock on the date of the grant to a consultant. Such costs are included in operating expenses in our accompanying statement of operations for the year ended June 30, 2010.

Note 7 — Contingencies and Commitments

The Company has long-term contractual commitments with several vendors to purchase content during the next several fiscal years. These commitments total in aggregate $4,650,000, $4,350,000, $4,650,000, $5,000,000, $5,400,000, and $2,800,000 for the fiscal years ending June 30, 2011, 2012, 2013, 2014, 2015 and 2016, respectively.

Note 8 — Related Party Transactions

The Company leased furniture and office space on a month-to-month basis from a stockholder of the Company until May 31, 2009. The total rent expense paid to the stockholder for the years ended June 30, 2010 and 2009 was $0 and $27,404, respectively.

Note 9 — Income Taxes

The provision for income taxes consists of the following for the years ended June 30, 2010 and 2009:

	June 30, 2010	June 30, 2009
Current		
Federal	$ 326	$ 21,007
State	807	11,167
Deferred		
Federal		
State	—	—
Provision for income tax expense	$ 1,133	$ 32,174

The reconciliation of the effective income tax rate to the federal statutory rate is as follows:

	Years Ended June 30,	
	2010	2009
Federal income tax rate	(34.00)%	(34.00)%
State tax, net of federal benefit	(9.57)%	(3.00)%
Permanent differences	2.12%	5.53%
Change in valuation allowance	43.85%	33.98%
Other	(1.97)%	0.59%
Effective income tax rate	0.43%	3.10%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at June 30, 2010 and 2009 are as follows:

	June 30, 2010	June 30, 2009
Deferred tax assets:		
Federal net operating loss	$ 496,900	$ 458,540
State net operating loss	62,845	45,139
Intangibles	105,655	79,976
Stock based compensation	22,566	16,345
Other	13,602	845
Total deferred tax assets	701,568	600,845
Deferred tax liability		
Fixed asset depreciation	(76,056)	(91,778)
Net deferred tax assets	625,512	509,067
Less valuation allowance	(624,604)	(509,067)
	$ 908	$ —

The Company has provided a valuation allowance on the deferred tax assets at June 30, 2010 and 2009 to reduce such asset to $908 and zero, respectively, since there is no assurance that the Company will generate future taxable income to utilize such asset. Management will review this valuation allowance requirement periodically and make adjustments as warranted. The net change in the valuation allowance for the year ended June 30, 2010 was an increase of $115,537.

At June 30, 2010 and 2009, the Company had federal net operating loss ("NOL") carryforwards of approximately $1,461,470 and $1,349,000, respectively, and state NOL carryforwards of approximately $1,093,932 and $792,000, respectively. Federal NOLs could, if unused, expire in 2030. State NOLs, if unused, could expire in 2020.

Effective January 1, 2007, the Company adopted FASB guidelines that address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. This guidance also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. At the date of adoption, and as of June 30, 2010 and 2009, the Company

did not have a liability for unrecognized tax benefits, and no adjustment was required at adoption.

The Company files income tax returns in the U.S. federal jurisdiction and various states. The Company is subject to U.S. federal or state income tax examinations by tax authorities for years after 2006.

The Company's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of June 30, 2010 and 2009, the Company has no accrued interest or penalties related to uncertain tax positions. Additionally, tax years 2006 through 2010 remain open to examination by the major taxing jurisdictions to which the Company is subject.

Note 10 — Subsequent events

On July 27, 2010, the Company issued options to purchase 379,000 shares of the Company's common stock to several employees under the 2007 Equity Compensation Plan, at an exercise price of $1.02. These option vest over 3 years, with one-twelfth of the grant vesting on the last day of each calendar quarter though September 30, 2013.

On August 13, 2010, the Company granted 19,393 shares of the Company's common stock valued at $17,648 to a consultant in exchange for services.

On August 31, 2010, the Company purchased the remaining 20% of Pools Press, Inc. that it did not already own for a purchase price of $120,000.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

There were no changes in or disagreements with our accountants on accounting and financial disclosure during the last two fiscal years.

Item 9A. Controls and Procedures.

Evaluation of 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 Annual Report on Form 10-K. 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 June 30, 2010, 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

* Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
* Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
* Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of June 30, 2010 management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Based on that evaluation, they concluded that, during the period covered by this Annual Report, such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses.

The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were the lack of a functioning audit committee due to a lack of a majority of independent members and a lack of a majority of outside directors on our board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures. This material weakness was identified by our Chief Executive Officer in connection with the review of our financial statements as of June 30, 2010.

Management believes that the lack of a functioning audit committee and the lack of a majority of outside directors on our board of directors results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in our financial statements in future periods.

Management's Remediation Initiatives

In an effort to remediate the identified material weaknesses and other deficiencies and enhance our internal controls, we are in the process of seeking outside directors and we expect to have appointed outside directors to our board before December 31, 2010. We also intend to appoint outside directors to a fully functioning audit committee which will undertake the oversight in the establishment and monitoring of required internal controls and procedures such as reviewing and approving estimates and assumptions made by management.

Management believes that the appointment of outside directors, who shall be appointed to a fully functioning audit committee, will remedy the lack of a functioning audit committee and a lack of a majority of outside directors on our Board.

Changes in Internal Controls Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table identifies our current executive officers and directors, their respective offices and positions, and their respective dates of election or appointment:

Name	Age	Position	Date of Appointment
Peter Derycz	48	Chief Executive Officer, President and Chairman of the Board	January 6, 2006
Richard McKilligan	47	Chief Financial Officer, Secretary and General Counsel	January 1, 2007
Scott Ahlberg	47	Director, Head of Corporate Services of Reprints Desk	February 6, 2006
Jan Peterson	62	Director, Head of Publisher Relations of Reprints Desk	July 1, 2006

All directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Officers are elected annually by the Board of Directors and serve at the discretion of the Board.

Business Experience Descriptions

Peter Derycz – Chief Executive Officer, President and Chairman

Peter Derycz founded Reprints as its President in 2006. Mr. Derycz was a founder of Infotrieve, Inc. in 1989 and served as its President from February 2003 until September 2003. He served as the Chief Executive Officer of Puerto Luperon, Ltd. (Bahamas) from January 2004 until December 2005. In January 2006, he was appointed to, and currently serves as a member of, the board of directors of Insignia Systems, Inc. Mr. Derycz received a B.A. in Psychology from the University of California at Los Angeles.

Richard McKilligan – Chief Financial Officer, Secretary and General Counsel

Richard McKilligan earned his law degree from Cornell Law School, his MBA from the University of Chicago and his undergraduate degree in Accountancy from the University of Illinois at Urbana-Champaign. He joined Derycz in January 2007. Mr. McKilligan is also a director of Bristol Investment Fund, Ltd., which holds a significant equity stake in the Company, and Chief Financial Officer and a director of Genesis Biopharma, Inc., of which Bristol Investment Fund, Ltd. also holds a significant equity stake. He was an associate with Morgan, Lewis & Bockius, LLP in their New York and London offices from 2000 until January 2006. He is a member of the State Bar of California, the New York State Bar Association and the Florida Bar.

Scott Ahlberg – Head of Corporate Services of Reprints Desk

Scott Ahlberg has degrees from Stanford University (BA, 1984) and the University of London (MA, 1990). Mr. Ahlberg was Vice President of Infotrieve, Inc. from 1991 until 2001 and Executive Vice President from 2001 until May 2005. From May 2005 until February 2006, Mr. Ahlberg provided consulting services to ventures in professional networking and medical podcasting. He joined Reprints Desk in 2006.

Jan Peterson – Head of Publisher Relations of Reprints Desk

Jan Peterson was Vice President for Content Development at Infotrieve, Inc. from 2000 to 2006 and Vice President for Publisher Relations and Content Development at RoweCom, formerly Faxon/Dawson, from 1997 to 2000. Ms.

Peterson was at Academic Press (now Elsevier) for 14 years, where her last position was Fulfillment Director. Ms. Peterson is Past Chair of the Board of Directors for the National Information Standards Organization (NISO), and she is the past chair of the International Committee for EDI in Serials (ICEDIS). She has a degree in History from Whittier College and an M.A. in Asian Studies from California State College, San Diego. She joined Reprints in 2006.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Involvement in Certain Legal Proceedings

None of the directors or executive officers have, during the past ten years:

- Had any petition under the federal bankruptcy laws or any state insolvency law filed by or against, or had a receiver, fiscal agent, or similar officer appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

- Been convicted in a criminal proceeding or a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

- Been the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:

(i) Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;

(ii) Engaging in any type of business practice; or

(iii) Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;

- Been the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any federal or state authority barring, suspending, or otherwise limiting for more than 60 days the right of such person to engage in any activity described in (i) above, or to be associated with persons engaged in any such activity;

- Been found by a court of competent jurisdiction in a civil action or by the SEC to have violated any federal or state securities law, where the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated ;

- Been found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, where the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended, or vacated;

- Been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

(i) Any federal or state securities or commodities law or regulation; or

(ii) Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or

(iii) Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

- Been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in

Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our officers, directors, and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC and to furnish the Company with copies of all Section 16(a) forms they file. Our review of copies of the Section 16(a) reports filed during the fiscal year ended June 30, 2010 indicates that all filing requirements applicable to our officers, directors, and greater than ten percent beneficial owners were complied with. However, our review of copies of the Section 16(a) reports filed subsequent to June 30, 2010 indicates that Mr. McKilligan, Mr. Ahlberg and Ms. Peterson did not timely file their respective reports on Form 4 pertaining to transactions involving each of them that occurred on May 28, 2009 and July 27, 2010. Each of the relevant reports was filed on August 12, 2010.

Code of Ethics

We have not yet adopted a written code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, principal accounting officer or persons performing similar functions. We currently are considering the terms of such a code and expect to adopt a code of ethics during the current fiscal year.

Item 11. Executive Compensation.

Executive Compensation

The following table summarizes all compensation for the fiscal years ended June 30, 2010 and June 30, 2009 awarded to, earned by or paid to our Chief Executive Officer and the Company's two most highly compensated executive officers who earned more than $100,000 in fiscal year 2010. The following table summarizes all compensation for the last two fiscal years awarded to, earned by or paid to (i) our Chief Executive Officer (principal executive officer), (ii) two most highly compensated executive officers other than our CEO who were serving as executive officers at the end of our last completed fiscal year, whose total compensation exceeded $100,000 during such fiscal year ends, and (iii) up to two additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer at the end of our last completed fiscal year, whose total compensation exceeded $100,000 during such fiscal year ends.

SUMMARY COMPENSATION TABLE FOR FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

Name and principle Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock awards ($) (e)	Option awards ($) (f)	Non-equity incentive plan compensation ($) (g)	Nonqualified deferred compensation earnings ($) (h)	All other compensation ($) (i)	Total ($) (j)
Peter Derycz	2010	270,000(1)	-	-	-	-	-	-	270,000
Chief Executive Officer	2009	240,000	-	-	-	-	-	-	240,000
Richard McKilligan	2010	155,000	-	-	-	-	-	-	155,000
Chief Financial Officer	2009	111,000	-	-	27,133(2)	-	-	-	138,133

(1) Includes a bonus of $30,000 paid on July 30, 2010 for services performed during the fiscal year ended June 30, 2010 and accrued as as an expense at June 30, 2010.

(2) Represents a grant made on May 28, 2009, of options to purchase 90,000 common shares which vested immediately.

The following table sets forth, at June 30, 2010, information regarding unexercised options for each named executive officer. There were no stock awards outstanding at June 30, 2010.

OUTSTANDING EQUITY AWARDS AT 2010 FISCAL YEAR-END

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)