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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2014

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

For the transition period from:

Commission file number **000-55097**

RIGHTSCORP, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

33-1219445

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

3100 Donald Douglas Loop North
Santa Monica, CA

(Address of principal executive offices)

90405

(Zip Code)

Issuer's telephone number: (310) 751-7510

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of August 13, 2014, the Company had 75,781,031 shares of its common stock, \$0.001 par value per share, outstanding.

TABLE OF CONTENTS

	Page	
<u>PART I - Financial Information</u>		
Item 1	Condensed Consolidated Financial Statements (Unaudited)	F-1
	Balance Sheets as of June 30, 2014 and December 31, 2013	F-1
	Statements of Operations for the three and six months ended June 30, 2014 and 2013	F-2
	Statements of Cash Flows for the six months ended June 30, 2014 and 2013	F-3
	Notes to Consolidated Financial Statements	F-4
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	3
Item 3	Quantitative and Qualitative Disclosures About Market Risk	5
Item 4	Controls and Procedures	5
<u>PART II - Other Information</u>		
Item 1	Legal Proceedings	6
Item 1A	Risk Factors	6
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	6
Item 3	Default Upon Senior Securities	6
Item 4	Mine Safety Disclosures	6
Item 5	Other Information	6
Item 6	Exhibits	6
	Signatures	7

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Rightscorp, Inc.
Consolidated Balance Sheets

	June 30, 2014 (Unaudited)	December 31, 2013
<u>Assets</u>		
Assets		
Cash	\$ 767,581	\$ 36,331
Prepaid expenses	9,504	19,639
Total Current Assets	777,085	55,970
Other Assets		
Fixed assets, net	73,857	56,453
Intangible assets, net	25,350	33,800
Total Assets	\$ 876,292	\$ 146,223
<u>Liabilities and Stockholders' Deficit</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 900,846	\$ 928,304
Convertible notes payable, net of discount of \$100 and \$10,891	209,900	202,609
Total Current Liabilities	1,110,746	1,130,913
Total Liabilities	1,110,746	1,130,913
Stockholders' Deficit		
Preferred stock, \$.001 par value; 10,000,000 shares authorized; null shares issued and outstanding	-	-
Common stock, \$.001 par value; 250,000,000 shares authorized; 75,117,358 and 68,797,102 shares issued and outstanding, respectively	75,118	68,797
Common stock to be issued	380,000	380,000
Stock subscription payable	(5,000)	-
Additional paid in capital	4,961,382	2,807,185
Accumulated deficit	(5,645,954)	(4,240,672)
Total stockholders' deficit	(234,453)	(984,690)
Total Liabilities and Stockholders' Deficit	\$ 876,292	\$ 146,223

See accompanying notes to consolidated financial statements

Rightscorp, Inc.
Consolidated Statements of Operations
(Unaudited)

	<u>Three Months Ended</u> <u>June 30, 2014</u>	<u>Three Months Ended</u> <u>June 30, 2013</u>	<u>Six Months Ended</u> <u>June 30, 2014</u>	<u>Six Months Ended</u> <u>June 30, 2013</u>
Revenue	\$ 251,481	\$ 52,670	\$ 440,414	\$ 101,926
Operating expenses:				
Copyright holder fees	125,740	26,335	220,207	50,963
General and administrative	832,334	375,579	1,524,349	647,861
Sales and marketing	24,248	28,083	55,556	42,718
Depreciation and amortization	12,758	8,133	24,357	15,542
Total operating expenses	<u>995,080</u>	<u>438,130</u>	<u>1,824,469</u>	<u>757,084</u>
Loss from operations	<u>(743,599)</u>	<u>(400,142)</u>	<u>(1,384,055)</u>	<u>(669,840)</u>
Other expenses:				
Interest expense	(10,640)	(87,788)	(21,226)	(140,137)
Total other expenses	<u>(10,640)</u>	<u>(87,788)</u>	<u>(21,226)</u>	<u>(140,137)</u>
Loss from operations before income taxes	(754,239)	(473,248)	(1,405,282)	(795,295)
Provision for income taxes	-	-	-	-
Net loss	<u>\$ (754,239)</u>	<u>\$ (473,248)</u>	<u>\$ (1,405,282)</u>	<u>\$ (795,295)</u>
Net loss per share – basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>
Weighted average common shares – basic and diluted	<u>71,921,185</u>	<u>28,641,418</u>	<u>70,504,426</u>	<u>29,192,679</u>

See accompanying notes to consolidated financial statements

Rightscorp, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Cash Flows from Operating Activities		
Net loss	\$ (1,405,282)	\$ (795,295)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization	24,357	15,542
Common stock issued for service	214,510	54,054
Warrants issued for service & compensation	15,838	72,029
Amortization of discount on convertible debt	10,791	104,142
Changes in operating assets and liabilities:		
Increase in prepaid expense	10,135	3,314
Decrease in other current asset	-	5,698
Increase (decrease) in accounts payable and accrued liabilities	(26,728)	237,645
Net cash used in operating activities	<u>(1,156,379)</u>	<u>(302,871)</u>
Cash Flows from Investing Activities		
Purchases of equipment and furniture	(33,312)	(8,699)
Net cash used in investing activities	<u>(33,312)</u>	<u>(8,699)</u>
Cash Flows from Financing Activities		
Proceeds from convertible notes	-	324,980
Repayment of convertible notes	-	(50,000)
Common stock issued for cash	1,896,574	-
Proceeds from the exercise of warrants	24,367	-
Proceeds from related party debt	-	200,000
Net cash provided by financing activities	<u>1,920,941</u>	<u>474,980</u>
Net increase in cash	731,250	163,410
Cash, beginning of period	<u>36,331</u>	<u>10,049</u>
Cash, end of period	<u>\$ 767,581</u>	<u>\$ 173,460</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>
Non-Cash Investing & Financing Disclosure		
Stock issued for conventional debt	<u>\$ 3,500</u>	<u>\$ -</u>
Stock issued for convertible debt: accrued interest	<u>\$ 729</u>	<u>\$ -</u>
Stock issued for subscription payable	<u>\$ 5,000</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements

Rightscorp, Inc.
Notes to Consolidated Financial Statements

Note 1 – Nature of the Business

The Company was organized under the laws of the State of Nevada on April 9, 2010, and its fiscal year end is December 31. The Company is the parent company of Rightscorp, Inc., a Delaware corporation formed on January 20, 2011 (“Rightscorp Delaware”). The acquisition of Rightscorp Delaware is treated as a reverse acquisition, and the business of Rightscorp Delaware became the business of the Company.

The Company has developed products and intellectual property rights relating to policing copyright infringement on the Internet. The Company is dedicated to the vision that digital creative works should be protected economically so that the next generation of great music, movies, video games and software can be made and their creators can prosper. The Company has a patent-pending, proprietary method for solving copyright infringement by collecting payments from illegal downloaders via notifications sent to their ISP’s.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements as of June 30, 2014 reflect all adjustments which, in the opinion of management, are necessary to fairly state the Company’s financial position and the results of its operations for the periods presented in accordance with the accounting principles generally accepted in the United States of America. All adjustments are of a normal recurring nature.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain amounts have been reclassified from prior periods to properly reflect the nature of the accounts.

The information included in this Form 10-Q should be read in conjunction with information included in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2013 filed with the U.S. Securities and Exchange Commission on March 25, 2014.

Use of Estimates

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

Recent Accounting Pronouncements

There are no recently issued accounting pronouncements that the Company has yet to adopt that are expected to have a material effect on its financial position, results of operations, or cash flows.

Going Concern

The Company’s financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company had a cumulative net loss from inception (January 20, 2011) to June 30, 2014 of \$5,645,954. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it establishes a revenue stream and becomes profitable. If the Company is unable to obtain adequate capital it could be forced to cease operations. Accordingly, these factors raise substantial doubt as to the Company’s ability to continue as a going concern.

In order to continue as a going concern, develop a reliable source of revenues, and achieve a profitable level of operations the Company will need, among other things, additional capital resources. Management’s plans to continue as a going concern include raising additional capital through borrowing and sales of common stock. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 3 – Fixed Assets and Intangible Assets

As of June 30, 2014 and December 31, 2013, fixed assets and intangible assets consisted of the following:

	June 30, 2014	December 31, 2013
Furniture and equipment	\$ 115,661	\$ 82,349
Less accumulated depreciation	(41,803)	(25,896)
Fixed assets, net	\$ 73,857	\$ 56,453

	June 30, 2014	December 31, 2013
Intangible assets	\$ 84,500	\$ 84,500
Less accumulated depreciation	(59,150)	(50,700)
Intangible assets, net	\$ 25,350	\$ 33,800

Depreciation and amortization expense for the six months ended June 30, 2014 and June 30, 2013 was \$24,357 and \$15,542, respectively. Annual amortization expense will be \$16,900 per year through 2015.

Note 4 – Accounts Payable and Accrued Liabilities

As of June 30, 2014 and December 31, 2013, accounts payable and accrued liabilities consisted of the following:

	June 30, 2014	December 31, 2013
Accrued payroll	\$ 383,370	\$ 495,428
Accrued legal fees	304,835	239,015
Accrued interest	26,222	16,515
Other	186,419	177,346
Total	\$ 900,846	\$ 928,304

Note 5 – Convertible Notes Payable

Between January 3, 2013 and October 2, 2013, the Company entered into convertible notes with external parties for use as operating capital. The convertible notes payable agreements require the Company to repay the principal, together with 10% annual interest by the agreements' expiration dates ranging between October 2, 2013 and July 2, 2014. The notes are secured and mature nine months from the issuance date. Until the maturity date, the holders may elect to convert the note in whole or in part into shares of common stock at a conversion price of \$0.1276 per share. During the six months ended June 30, 2014, an aggregate of \$3,500 of principal and \$728 of interest was converted to 33,135 shares of restricted common stock.

In connection with the issuance of these notes, the Company issued warrants that were recorded as a debt discount at an initial aggregate value of \$131,927. The value of these warrants, along with the value of previously issued warrants, was amortized during the six months ended June 30, 2014, resulting in a final debt discount balance of \$100 as of June 30, 2014.

The Company evaluated these convertible notes for derivatives and determined that they do not qualify for derivative treatment.

As of June 30, 2014 and December 31, 2013 outstanding convertible notes payable consisted of the following:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Convertible Note Issued on 8/6/12		
Original Principal: \$100,000		
Interest Rate: 10%		
Maturity Date: 5/6/13, extended on a monthly basis per verbal contract		
Conversion price amended to \$0.1276 on 10/4/13	\$ 100,000	\$ 100,000
Convertible Note Issued on 10/25/12		
Original Principal: \$50,000		
Interest Rate: 10%		
Maturity Date: 7/25/13, extended on a monthly basis per verbal contract		
Conversion price amended to \$0.1276 on 10/4/13	50,000	50,000
Convertible Note Issued on 11/29/12		
Original Principal: \$6,500		
Interest Rate: 10%		
Maturity Date: 8/29/13, extended on a monthly basis per verbal contract		
Conversion price amended to \$0.1276 on 10/4/13	0	3,500
Convertible Note Issued on 9/26/13		
Original Principal: \$10,000		
Interest Rate: 10%		
Maturity Date: 6/26/14, extended on a monthly basis per verbal contract		
Conversion price amended to \$0.1276 on 10/4/13	10,000	10,000
Convertible Note Issued on 10/2/13		
Original Principal: \$50,000		
Interest Rate: 10%		
Maturity Date: 7/2/14, extended on a monthly basis per verbal contract		
Conversion price amended to \$0.1276 on 10/4/13	50,000	50,000
Total Outstanding Convertible Notes Payable	210,000	213,500
Less Debt Discount	100	10,891
	<u>\$ 209,900</u>	<u>\$ 202,609</u>

As of June 30, 2014, the annual maturities of outstanding convertible notes were \$210,000 for the year ending December 31, 2014.

Note 6 – Capital Stock

The total number of shares of all classes of capital stock, which the Company is authorized to issue, is 260,000,000 shares, consisting of 250,000,000 shares of common stock, par value \$.001 per share (the “Common Stock”), and 10,000,000 shares of preferred stock, par value \$.001 per share (the “Preferred Stock”). The Board of Directors of the Company is authorized to provide for the issuance of shares of Preferred Stock in one or more series and to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and relative, participating, optional or other special rights, if any, if each series and the qualifications, limitations and restrictions thereof.

- During the six months ended June 30, 2014, we entered into a securities purchase agreement (the “Purchase Agreement”) with Seaside 88, LP (the “Investor”), pursuant to which we agreed to sell, and the Investor agreed to purchase, up to 7,000,000 shares of common stock, in closings to be held monthly over a one-year period, subject to certain conditions. The initial closing under the Purchase Agreement, pursuant to which we sold to the Investor 835,530 shares of common stock at a purchase price of \$0.374 per share for total proceeds of \$312,488, occurred on March 7, 2014.

Subsequent closings will occur on a monthly basis over a one-year period, subject to certain conditions. We agreed to sell to the Investor, at each subsequent closing, 10% of the total number of shares of our common stock traded during the 20 trading days immediately preceding such closing, at a purchase price per share equal to the lower of (a) the average of the high and low trading prices of the common stock for the 5 consecutive trading days immediately prior to a closing date, multiplied by 0.50 and (b) the average of the high and low trading prices of the common stock for the trading day immediately prior to a closing date, multiplied by 0.55, provided that, no monthly closing will occur if the purchase price for such closing would be lower than \$0.25 per share (the “Floor”). The failure to have a subsequent closing due to failure to meet the Floor will not impact any other subsequent closing. The Investor agreed not to engage in any short sales of our common stock while it holds any shares purchased under the Purchase Agreement. The Company has the right to terminate the Purchase Agreement at any time by providing written notice to the Investor. During the three months ended June 30, 2014, we issued 1,145,740 shares of common stock to the Investor for total proceeds of \$333,135.

- During the six months ended June 30, 2014, we entered into a Consulting Agreement with an Investment Bank. We agreed to issue up to 300,000 shares of common stock in exchange for services per the Consulting Agreement. Upon execution of the agreement, we issued 75,000 shares of common stock for prepaid services at \$0.73 per share. The agreement was cancelled on May 1, 2014. We are not obligated to issue any more shares.
- During the six months ended June 30, 2014, we issued 334,711 shares of common stock to note holders in a cashless conversion at \$0.0862 per share.
- During the six months ended June 30, 2014, we issued 282,117 shares of common stock upon exercise for warrants at an exercise price of \$0.0862 per share for total proceeds of \$24,367.
- During the six months ended June 30, 2014, we issued 33,135 shares of common stock to a note holder in a note conversion at \$0.1276 per share. At the time of conversion, the note was valued at \$4,228 for outstanding principal and interest owed.
- During the six months ended June 30, 2014, we issued 1,370,000 shares of common stock to multiple investors at \$0.25 per share for total proceeds of \$342,500.
- During the six months ended June 30, 2014, we received \$921,000 in funding from Hartford Equity per their financing agreement with the Company. We have issued 1,842,000 shares of our common stock to Hartford.
- During the six months ended June 30, 2014, we had a balance of \$380,000 of common stock to be issued to Hartford Equity. \$300,000 was received from Hartford Equity in 2014 in exchange for 600,000 shares of common stock per the financing agreement. \$80,000 of debt related to the merger was assumed by Hartford Equity in exchange for 160,000 shares of common stock per the Subscription Agreement dated October 28, 2013. As of August 13, 2014, all of the 760,000 shares have not been issued.

Note 7 – Stock Warrants

During the six months ended June 30, 2014, we issued warrants to purchase 50,000 shares of common stock. The shares were issued to an employee with an exercise price of \$0.61 per share.

Using the Black-Scholes method, warrants issued during the six months ended June 30, 2014 were valued at \$15,838. The following weighted-average assumptions were used in the Black-Scholes calculation:

	<u>June 30, 2014</u>
Expected term (years)	5
Expected volatility	140%
Risk-free interest rate	1.66%
Dividend yield	0%

A summary of the Company’s warrant activity during the six months ended June 30, 2014 is presented below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>
Balance outstanding, December 31, 2013	7,022,703	\$ 0.65	4.80
Granted	50,000	\$ 0.61	4.55
Exercised	(680,671)	\$ 0.09	3.07
Forfeited	-	\$ -	-
Expired	-	\$ -	-
Balance outstanding, June 30, 2014	<u>6,392,032</u>	\$ 0.27	2.68

Exercisable, June 30, 2014	<u>6,392,032</u>	\$	0.42	2.68
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Note 8 – Commitments & Contingencies

Since May 31, 2012 the Company leases its office space on a month-to-month basis at a fixed rate of \$2,600 per month.

Note 9 – Subsequent Events

Subsequent to the end of the period we issued 39,974 shares of common stock upon exercise for warrants at an exercise price of \$0.0862 per share for total proceeds of \$3,446, 100,000 shares of common stock to an accredited investor at \$0.25 per share for total proceeds of \$25,000, and 523,699 shares of common stock issued for services valued at \$204,243.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis of the results of operations and financial condition of Rightscorp, Inc. (the "Company", "we", "us" or "our") for the six months ended June 30, 2014 and 2013, should be read in conjunction with the financial statements of Rightscorp, Inc., and the notes to those financial statements that are included elsewhere in this Form 10-Q. This 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 Risk Factors and Business sections in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission on March 25, 2014. Words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions are used to identify forward-looking statements.

Overview

The Company was organized under the laws of the State of Nevada on April 9, 2010, and its fiscal year end is December 31. The Company is the parent company of Rightscorp, Inc., a Delaware corporation formed on January 20, 2011 ("Rightscorp Delaware"). The acquisition of Rightscorp Delaware is treated as a reverse acquisition, and the business of Rightscorp Delaware became the business of the Company.

The Company has developed products and intellectual property rights relating to policing copyright infringement on the Internet. The Company is dedicated to the vision that digital creative works should be protected economically so that the next generation of great music, movies, video games and software can be made and their creators can prosper. The Company has a patent-pending, proprietary method for solving copyright infringement by collecting payments from illegal downloaders via notifications sent to their ISP's.

Results of Operations

Three Months ended June 30, 2014 Compared To Three Months ended June 30, 2013

We generated revenues of \$251,481 during the three months ended June 30, 2014, an increase of \$198,811 or 377% as compared to \$52,670 for the three months ended June 30, 2013. This increase in revenue was driven by an increase in the number of copyrights ingested into our system for which we have contracts to detect infringements of, from approximately 21,000 on June 30, 2013 to approximately 100,000 on June 30, 2014.

We incurred operating expenses of \$995,080 during the three months ended June 30, 2014, an increase of \$556,950 as compared to \$438,130 for the three months ended June 30, 2013. We pay copyright holders a percentage of the revenue we collect. This increase was due to increased payroll expenses and fees paid to copyright holders in the period. General and administrative expenses were \$832,334 for the three months ended June 30, 2014, compared to \$375,579 for the three months ended June 30, 2013, an increase of \$456,755 due to increased wages expenses, professional and investment banking fees, and travel and other expenses related to securing financing. Sales and marketing costs were \$24,248 for the period ended June 30, 2014 compared to \$28,083 for the three months ended June 30, 2013, a decrease of \$3,835. Depreciation and amortization expenses were \$12,758 during the three months ended June 30, 2014, an increase of \$4,625, as compared to \$8,133 for the three months ended June 30, 2013.

Other expense totaled \$10,640 during the three months ended June 30, 2014, a decrease of \$77,149 from the three months ended June 30, 2013, due to decreased interest owed on convertible notes used to finance our operations.

As a result of the foregoing, during the three months ended June 30, 2014, we recorded a net loss of \$754,239 compared to \$473,248 for the three months ended June 30, 2013.

Six Months ended June 30, 2014 Compared To Six Months ended June 30, 2013

We generated revenues of \$440,414 during the six months ended June 30, 2014, an increase of \$338,488 or 332% as compared to \$101,926 for the six months ended June 30, 2013. This increase in revenue was driven by an increase in the number of copyrights ingested into our system for which we have contracts to detect infringements of, from approximately 21,000 on June 30, 2013 to approximately 100,000 on June 30, 2014.

We incurred operating expenses of \$1,824,469 during the six months ended June 30, 2014, an increase of \$1,067,385, as compared to \$757,084 for the six months ended June 30, 2013. We pay copyright holders a percentage of the revenue we collect. This increase was due to increased payroll expenses and fees paid to copyright holders in the period. General and administrative expenses were \$1,524,349 for the period ended June 30, 2014, compared to \$647,861 for the six months ended June 30, 2013, an increase of \$876,488 due to increased wages expenses, professional and investment banking fees, and travel and other expenses related to securing financing. Sales and marketing costs were \$55,556 for the period ended June 30, 2014 compared to \$42,718 for the six months ended June 30, 2013, an increase of \$12,838 due to increased presence at industry conferences to meet potential clients. Depreciation and amortization expenses were \$24,357 during the six months ended June 30, 2014, an increase of \$8,815, as compared to \$15,542 for the six months ended June 30, 2013.

Other expense totaled \$21,226 during the six months ended June 30, 2014, a decrease of \$118,912 from the six months ended June 30, 2013, due to decreased interest owed on convertible notes used to finance our operations.

As a result of the foregoing, during the six months ended June 30, 2014, we recorded a net loss of \$1,405,282 compared to \$795,295 for the six months ended June 30, 2013.

Liquidity and Capital Resources

As of June 30, 2014 we had cash and equivalents of \$767,581, which we estimate will be sufficient to sustain our operations for four months. We expect that it will take approximately \$1,800,000 to operate the Company over the next 12 months. We anticipate that \$300,000 in needed capital will come from the remaining \$300,000 available from the \$2.0 million financing transaction entered into with Hartford Equity, Inc. We anticipate the additional \$600,000 will come from the Seaside 88 financing which we entered into in March 2014 or from seeking other sources of financing, as discussed below; however, Seaside 88's obligation to purchase additional shares is subject to certain conditions, including a minimum market price for our common stock, that may not be met. Our revenues continue to increase, which generate cashflow reducing the need for financing. It is possible that the Company could become cashflow positive from operations in 2014 no longer requiring financing to offset negative cashflows.

Our current cash requirements are significant based upon our plan to develop our intellectual property and grow our business. Beyond the financing transactions entered into with Hartford Equity Inc. and Seaside 88, we may in the future use debt and equity financing to fund operations, as we look to expand and fund development of our products and services and changes in our operating plans, increased expenses, acquisitions, or other events, may cause us to seek additional financing sooner than anticipated. There are no assurances that we will be able to raise such required working capital on favorable terms, or that such working capital will be available on any terms when needed. The terms of such additional financing may result in substantial dilution to existing shareholders. Any failure to secure additional financing may force the Company to modify its business plan. In addition, we cannot be assured of profitability in the future.

We had cash and equivalents of \$767,581 and \$36,331 at June 30, 2014 and December 31, 2013, respectively.

Operating Activities

During the six months ended June 30, 2014, we used \$1,156,379 of cash in operating activities. Non-cash adjustments included \$24,357 related to the depreciation and amortization, \$214,510 for common stock issued for services, \$15,838 for warrants issued to employee, \$10,791 related to amortization of discount on convertible debt, and net changes in operating assets and liabilities of \$16,593.

During the six months ended June 30, 2013, we used \$302,871 of cash in operating activities. Non-cash adjustments included \$15,542 related to the depreciation and amortization, \$54,054 for common stock issued for services, \$72,029 warrants issued for services, \$104,142 related to amortization of discount on convertible debt, and net changes in operating assets and liabilities of \$246,657.

Investing Activities

During the six months ended June 30, 2014, we acquired equipment in the aggregate amount of \$33,312 related to office operations. During the six months ended June 30, 2013, we acquired equipment in the aggregate amount of \$8,699 related to office operations.

Financing Activities

Financing activities provided \$1,920,941 to us during the six months ended June 30, 2014. We received \$1,896,574 in proceeds from common stock issued for cash, and \$24,367 in proceeds from common stock to be issued for cash. During the six months ended June 30, 2013, financing activities provided \$474,981. We received \$324,980 in proceeds from convertible notes, and \$20,000 in proceeds from related party debt. As of June 30, 2014, we had an accumulated deficit of \$5,645,954.

Critical Accounting Policies and Estimates

The discussion and analysis of its financial condition and results of operations is based upon the Company's unaudited condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires it to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, the Company evaluates its critical accounting policies and estimates. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The Company's critical accounting policies and estimates are discussed in its Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, the Company is not required to provide this disclosure.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures were designed to provide reasonable assurance that the controls and procedures would meet their objectives.

As required by SEC Rule 13a-15(b), our management carried out an evaluation, with the participation of our Chief Executive and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level.

A material weakness is a control deficiency (within the meaning of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2) or combination of control deficiencies that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified the following two material weaknesses in our disclosure controls and procedures:

1. We do not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

2. We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

Changes in internal controls

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None.

ITEM 1A - RISK FACTORS

Not applicable

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unless otherwise noted, the issuances noted below are all considered exempt from registration by reason of Section 4(a)(2) of the Securities Act of 1933, as amended, for transactions not involving a public offering.

During the three months ended June 30, 2014, the Company issued 382,000 shares of its common stock for services.

During the three months ended June 30, 2014, we issued 552,889 shares of common stock upon warrant exercises at a price of \$0.0862 per share.

During the three months ended June 30, 2014, we issued 4,377,740 of common stock to multiple accredited investors per their financing agreements with the Company for aggregate gross proceeds of \$1,601,635.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

None.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS

No.	Description
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to Section 906 Certifications under Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to Section 906 Certifications under Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

SIGNATURES

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

RIGHTSCORP, INC.

Dated: August 13, 2014

By: /s/ Christopher Sabec

Name: Christopher Sabec

Title: Chief Executive Officer (principal executive officer)

Dated: August 13, 2014

By: /s/ Robert Steele

Name: Robert Steele

Title: Chief Financial Officer (principal financial and accounting officer)

**CERTIFICATION PURSUANT TO RULE 13A-14(a) OR 15D-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher Sabec, certify that:

1. I have reviewed this report on Form 10-Q of Rightscorp, Inc. for the period ending June 30, 2014;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting procedures;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2014

/s/ Christopher Sabec

Christopher Sabec
Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13A-14(a) OR 15D-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Steele, certify that:

1. I have reviewed this report on Form 10-Q of Rightscorp, Inc. for the period ending June 30, 2014;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting procedures;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2014

/s/ Robert Steele

Robert Steele
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Rightscorp, Inc. (the "Company") for the period ended June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher Sabec, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher Sabec

Christopher Sabec
Chief Executive Officer

Date: August 13, 2014

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Rightscorp, Inc. (the "Company") for the period ended June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Steele, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert Steele

Robert Steele
Chief Financial Officer

Date: August 13, 2014
