

OptimizeRx Corp  
Form 10-Q  
August 14, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

**FORM 10-Q**

- Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended **June 30, 2012**
- Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: **000-53605**

**OptimizeRx Corporation**

(Exact name of registrant as specified in its charter)

Nevada 26-1265381  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

**407 6th Street**

**Rochester, MI, 48307**

(Address of principal executive offices)

248-651-6568  
(Registrant's telephone number)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

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Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 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 check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:  
14,192,496 as of June 30, 2012.

Table of Contents

TABLE OF CONTENTS

Page

PART I – FINANCIAL INFORMATION

|  |   |
|--|---|
| Item 1: <u>Financial Statements</u>  | 2 |
| Item 2: <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 3 |
| Item 3: <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | 8 |
| Item 4: <u>Controls and Procedures</u>   | 8 |

PART II – OTHER INFORMATION

|  |   |
|--|---|
| Item 1: <u>Legal Proceedings</u>   | 9 |
| Item 1A: <u>Risk Factors</u>   | 9 |
| Item 2: <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 9 |
| Item 3: <u>Defaults Upon Senior Securities</u>                             | 9 |
| Item 4: <u>Mine Safety Disclosure</u>                                      | 9 |
| Item 5: <u>Other Information</u>   | 9 |
| Item 6: <u>Exhibits</u>  | 9 |

Table of Contents

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Our consolidated financial statements included in this Form 10-Q are as follows:

- F-1 Consolidated Balance Sheets (unaudited) as of June 30, 2012 and December 31, 2011 (unaudited);
- F-2 Consolidated Statements of Operations (unaudited) for the three months ended June 30, 2012 and 2011 (unaudited);
- F-3 Consolidated Statements of Operations (unaudited) for the six months ended June 30, 2012 and 2011 (unaudited);
- F-4 Consolidated Statements of Cash Flow (unaudited) for the six months ended June 30, 2012 and 2011 (unaudited);
- F-5 Notes to Consolidated Financial Statements.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended June 30, 2012 are not necessarily indicative of the results that can be expected for the full year.

Table of Contents**OPTIMIZERx CORPORATION****CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2012****AND DECEMBER 31, 2011 (UNAUDITED)**

| ASSETS   | June 30,<br>2012   | December 31,<br>2011 |
|--|--------------------|----------------------|
| Current Assets   |                    |                      |
| Cash and cash equivalents  | \$527,511          | \$959,166            |
| Accounts receivable  | 526,047            | 471,870              |
| Prepaid expenses   | 56,686             | 119,032              |
| Total Current Assets   | 1,110,244          | 1,550,068            |
| Property and equipment, net  | 23,449             | 23,931               |
| Other Assets   |                    |                      |
| Patent rights, net   | 820,589            | 847,941              |
| Website development costs, net   | 455,935            | 465,498              |
| Security deposit   | 5,049              | 5,049                |
| Total Other Assets   | 1,281,573          | 1,318,488            |
| <b>TOTAL ASSETS</b>  | <b>\$2,415,266</b> | <b>\$2,892,487</b>   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                    |                      |
| Current Liabilities  |                    |                      |
| Accounts payable - trade   | \$177,511          | \$336,712            |
| Accounts payable - related party   | 570,000            | 570,000              |
| Accrued expenses   | -0-                | 66,000               |
| Deferred revenue   | 277,076            | 330,605              |
| Total Current Liabilities  | 1,024,587          | 1,303,317            |
| Stockholders' Equity   |                    |                      |
| Common stock, \$.001 par value, 500,000,000 shares authorized,<br>14,192,496 shares issued and outstanding | 14,192             | 14,192               |
| Preferred stock, \$.001 par value, 10,000,000 shares authorized,<br>65 shares issued and outstanding       | -0-                | -0-                  |
| Stock warrants   | 20,826,934         | 20,826,934           |
| Additional paid-in-capital   | 5,303,862          | 5,125,558            |
| Accumulated deficit  | (24,754,309)       | (24,377,514)         |
| Total Stockholders' Equity   | 1,390,679          | 1,589,170            |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>\$2,415,266</b> | <b>\$2,892,487</b>   |

The accompanying notes are an integral part of these financial statements.

F-1

Table of Contents**OPTIMIZERx CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)****FOR THE THREE MONTHS ENDED JUNE 31, 2012 AND 2011**

|   | For the three<br>months ended<br>June 30, 2012 | For the three<br>months ended<br>June 30, 2011<br>(Restated) |
|---|--|--|
| REVENUE   |  |  |
| Sales   | \$515,423                                      | \$200,174  |
| TOTAL REVENUE   | 515,423  | 200,174  |
| EXPENSES  |  |  |
| Operating expenses  | 591,628  | 620,654  |
| TOTAL EXPENSES  | 591,628  | 620,654  |
| OPERATING LOSS  | (76,205 )                                      | (420,480 )   |
| OTHER INCOME (EXPENSE)  |  |  |
| Interest income   | 146  | 395  |
| Interest expense  | -0-  | (140,098 )   |
| TOTAL OTHER INCOME (EXPENSE)  | 146  | (139,703 )   |
| LOSS BEFORE PROVISION FOR INCOME TAXES                              | (76,059 )                                      | (560,183 )   |
| PROVISION FOR INCOME TAXES  | -0-  | -0-  |
| NET LOSS  | \$(76,059 )                                    | \$(560,183 )   |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:<br>BASIC AND DILUTED | 14,192,496                                     | 13,869,202   |
| NET LOSS PER SHARE: BASIC AND DILUTED                               | \$(0.01 )                                      | \$(0.04 )  |

The accompanying notes are an integral part of these financial statements.

Table of Contents**OPTIMIZERx CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)****FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011**

|   | For the six<br>months ended<br>June 30, 2012 | For the six<br>months ended<br>June 30, 2011<br>(Restated) |
|---|--|--|
| REVENUE   |  |  |
| Sales   | \$844,826                                    | \$594,017  |
| TOTAL REVENUE   | 844,826                                      | 594,017  |
| EXPENSES  |  |  |
| Operating expenses  | 1,221,952                                    | 1,254,935  |
| TOTAL EXPENSES  | 1,221,952                                    | 1,254,935  |
| LOSS FROM OPERATIONS  | (377,126 )                                   | (660,918 )   |
| OTHER INCOME (EXPENSE)  |  |  |
| Interest income   | 331  | 835  |
| Other income  | -0-  | 66   |
| Interest expense  | -0-  | (280,098 )   |
| TOTAL OTHER INCOME (EXPENSE)  | 331  | (279,197 )   |
| LOSS BEFORE PROVISION FOR INCOME TAXES                              | (376,795 )                                   | (940,115 )   |
| PROVISION FOR INCOME TAXES  | -0-  | -0-  |
| NET LOSS  | \$(376,795 )                                 | \$(940,115 )   |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:<br>BASIC AND DILUTED | 14,192,496                                   | 13,749,300   |
| NET LOSS PER SHARE: BASIC AND DILUTED                               | \$(0.03 )                                    | \$(0.07 )  |

The accompanying notes are an integral part of these financial statements.



Table of Contents**OPTIMIZERx CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011**

|   | For the six<br>months<br>ended<br>June 30,<br>2012 | For the six<br>months<br>ended<br>June 30,<br>2011<br>(Restated) |
|---|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                  |  |  |
| Net loss for the period   | \$(376,795)  | \$(940,115 )   |
| Adjustments to reconcile net loss to net cash used by operating activities:   |  |  |
| Depreciation and amortization   | 93,352   | 60,100   |
| Stock-based compensation  | 228,383  | 110,707  |
| Amortization of debt discount   | -0-  | 250,000  |
| Changes in:   |  |  |
| Accounts receivable   | (54,177 )  | 85,900   |
| Prepaid expenses  | 62,347   | (34,813 )  |
| Accounts payable  | (158,502)  | 260,852  |
| Accrued interest  | -0-  | 30,000   |
| Accrued expenses  | (66,700 )  | 25,000   |
| Deferred revenue  | (53,529 )  | (73,110 )  |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                                  | <b>(375,700)</b>                                   | <b>(225,479 )</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                  |  |  |
| Purchases of property and equipment   | (2,230 )   | -0-  |
| Website site development costs  | (53,725 )  | (82,850 )  |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                  | <b>(55,955 )</b>                                   | <b>(82,850 )</b>   |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                              | <b>(431,655)</b>                                   | <b>(308,329 )</b>  |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>                        | <b>959,166</b>                                     | <b>1,278,094</b>   |
| <b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>                              | <b>\$527,511</b>                                   | <b>\$969,765</b>   |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>                                    |  |  |
| Cash paid for interest  | \$-0-  | \$-0-  |
| Cash paid for income taxes  | \$-0-  | \$-0-  |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b> |  |  |
| Common stock issued to satisfy dividends related to preferred stock           | \$-0-  | \$250,000  |

The accompanying notes are an integral part of these financial statements.



Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**NOTE 1 – NATURE OF BUSINESS**

Optimizer Systems, LLC was formed in the State of Michigan on January 31, 2006. It then became a corporation in the State of Michigan on October 22, 2007 and changed its name to OptimizeRx Corporation. On April 14, 2008, RFID, Ltd., a Colorado corporation, consummated a reverse merger by entering into a share exchange agreement with the stockholders of OptimizeRx Corporation, pursuant to which the stockholders of OptimizeRx Corporation exchanged all of the issued and outstanding capital stock of OptimizeRx Corporation for 1,256,958 shares of common stock of RFID, Ltd., representing 100% of the outstanding capital stock of RFID, Ltd. As of April 30, 2008, RFID's officers and directors resigned their positions and RFID changed its business to OptimizeRx's business. On April 15, 2008, RFID, Ltd.'s corporate name was changed to OptimizeRx Corporation. On September 4, 2008, a migratory merger was completed, thereby changing the state of incorporation from Colorado to Nevada, resulting in the current corporate structure, in which OptimizeRx Corporation, a Nevada corporation, is the parent corporation, and OptimizeRx Corporation, a Michigan corporation, is a wholly-owned subsidiary (together, "OptimizeRx" and "the Company").

The wholly-owned subsidiary, OptimizeRx Corporation, is a technology solutions company targeting the health care industry. Their objective is to bring better access to better care through connecting patients, physicians and pharmaceutical manufacturers through technology. Once defined as a marketing and advertising company through its consumer website, OptimizeRx is maturing as a technology solutions provider as it launched its direct to physician solution, SampleMD. SampleMD allows physicians to search, print and send available sample trial vouchers and/or co-pay coupons on behalf of their patients. The SampleMD solution can either sit on the doctor's desktop or can be integrated into the ePrescribing or Electronic Medical Records applications. OptimizeRx solutions provide pharmaceutical manufacturers either a direct to consumer and/or direct to physician channels for communicating and promoting their products. It provides health care providers a means to provide sampling and coupons without having to physically store samples on site, and it provides better access and affordability to the patients.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto

contained in the Company's Form 10-K filed with the SEC as of and for the year ended December 31, 2011. In the opinion of management, all adjustments necessary for the financial statements to be not misleading for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

#### Accounting Basis

The Company uses the accrual basis of accounting and accounting principles generally accepted in the United States of America ("GAAP" accounting). The Company has adopted a December 31 fiscal year end.

#### Principles of Consolidation

The financial statements reflect the consolidated results of OptimizeRx Corporation (a Nevada corporation) and its wholly owned subsidiary OptimizeRx Corporation (a Michigan corporation). All material inter-company transactions have been eliminated in the consolidation.

Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain accounts and financial statement captions in the prior periods have been reclassified to conform to the current period financial statements.

Cash and Cash Equivalents

For purposes of the accompanying financial statements, the Company considers all highly liquid instruments with an initial maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The fair value of cash, accounts receivable, prepaid expenses, accounts payable, accounts payable – related party, accrued expenses and deferred revenue approximates the carrying amount of these financial instruments due to their short-term nature. The fair value of long-term debt, which approximates its carrying value, is based on current rates at which the Company could borrow funds with similar remaining maturities.

Property and Equipment

The capital assets are being depreciated over their estimated useful lives, three to seven years using the straight-line method of depreciation for book purposes.

Revenue Recognition

All revenue is recognized when it is earned. Revenues are generated either through the Company's website activities, in which we earn revenue from advertising and lead generation activities, or from our SampleMD activities, which include offering setup within the systems and our offers, coupons, and vouchers that enable our customers to save money on medical products and services. The Company's processes are monitored by third parties who collect revenues from clients on a per activity basis and report and forward the revenue to the Company's account.

### Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

### Research and Development

The Company's key members are part of a continual research development team and monitor new technologies, trends, services and partnerships that can provide the Company with additional services, value to healthcare and pharmaceutical industries and to the patients it serves.

The Company seeks to educate team members through understanding of all market dynamics that have the potential to affect the business both short term and longer term. The primary goal is to help patients better afford and access the medicines their doctor prescribes, as well as other healthcare products and services they need. Based on this, the Company continually seeks better ways to meet this mission through technology, better user experiences and new ways to engage industries to provide new support for patients needing their products. The Company is always seeking new services and solutions to offer. At this time, the three current platforms provide robust opportunities and growth during the next five years.

Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risks

The Company maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts; however, amounts in excess of the federally insured limit may be at risk if the bank experiences financial difficulties.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions have been made in determining the depreciable lives of such assets and the allowance for doubtful accounts receivable. Actual results could differ from these estimates.

Earnings Per Common and Common Equivalent Share

The computation of basic earnings per common share is computed using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year plus common stock equivalents which would arise from the exercise of warrants outstanding using the treasury stock method and the average market price per share during the year. Options, warrants and convertible preferred stock which are common stock equivalents are not included in the diluted earnings per share calculation for June 30, 2012 and 2011, respectively, since their effect is anti-dilutive.

Impairment of Long-Lived Assets

The Company continually monitors events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

Recently Issued Accounting Guidance

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

## NOTE 3 – PREPAID EXPENSES

Prepaid expenses consisted of the following as of June 30, 2012 and December 31, 2011:

|                        | 2012     | 2011      |
|------------------------|----------|-----------|
| Insurance              | \$8,078  | \$5,937   |
| Website maintenance    | 0        | 17,500    |
| Rent                   | 5,049    | 0         |
| Consulting             | 41,733   | 91,811    |
| Employee advances      | 1,826    | 694       |
| Advertising            | 0        | 3,090     |
| Total prepaid expenses | \$56,686 | \$119,032 |



Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2012****NOTE 4 – PROPERTY AND EQUIPMENT**

The Company owned equipment recorded at cost which consisted of the following as of June 30, 2012 and December 31, 2011:

|                             | 2012     | 2011     |
|-----------------------------|----------|----------|
| Computer equipment          | \$22,360 | \$20,130 |
| Furniture and fixtures      | 11,088   | 11,088   |
| Subtotal                    | 33,448   | 31,218   |
| Accumulated depreciation    | (9,999 ) | (7,287 ) |
| Property and equipment, net | \$23,449 | \$23,931 |

Depreciation expense was \$2,712 and \$906 for the six months ended June 30, 2012 and 2011, respectively.

**NOTE 5 – WEBSITE DEVELOPMENT COSTS**

The Company has capitalized costs in developing their website and web-based products, which consisted of the following as of June 30, 2012 and December 31, 2011:

|                                 | 2012      | 2011      |
|---------------------------------|-----------|-----------|
| OptimizeRx web development      | \$154,133 | \$154,133 |
| SampleMD web development        | 607,602   | 553,877   |
| Subtotal, web development costs | 761,735   | 708,010   |
| Accumulated amortization        | (246,717) | (183,429) |
| Impairment                      | (59,083 ) | (59,083 ) |
| Web development costs, net      | \$455,935 | \$465,498 |

The Company began amortizing the OptimizeRx website costs, using the straight-line method over the estimated useful life of 5 years, once it was put into service in December of 2007. During the year ended December 31, 2009, the Company began a new web-based project and the related programming and development costs have been

capitalized for the SampleMD website. The project was completed in mid-December 2010 and no amortization was recorded in 2010. Amortization began on the straight-line method in January 2011 over the period of five years. Although the Project was completed in mid-December, the Company continues to enhance and upgrade the website. Monthly payments for these upgrades and enhancements have been capitalized and amortization was started by quarter in 2011 and continues in 2012. The Company determined that the original OptimizeRx website was no longer useful so the remaining unamortized balance of \$59,083 was impaired as of December 31, 2010.

Amortization expense was \$63,288 and \$31,841 for the six months ended June 30, 2012 and 2011, respectively.

#### NOTE 6 – PATENT RIGHTS AND INTANGIBLE ASSETS

On April 26, 2010, the Company acquired from an officer and shareholder the technical contributions and assignment of all exclusive rights to and for the SampleMD patent currently in process in exchange for 300,000 shares of common stock to be granted at the discretion of the seller in addition to 200,000 stock options valued at \$360,000. The shares were valued on the grant date at \$570,000 and have been recorded as a payable to the related party.

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2012****NOTE 6 – PATENT RIGHTS AND INTANGIBLE ASSETS (CONTINUED)**

The Company has capitalized costs in purchasing the SampleMD patent, which consisted of the following as of June 30, 2012 and December 31, 2011:

|  | 2012      | 2011      |
|--|-----------|-----------|
| Patent rights and intangible assets      | \$930,000 | \$930,000 |
| Accumulated amortization                 | (109,411) | (82,059)  |
| Patent rights and intangible assets, net | \$820,589 | \$847,941 |

The Company began amortizing the patent, using the straight-line method over the estimated useful life of 17 years, once it was put into service in July 2010. Amortization expense was \$27,352 and \$27,353 for the six months ended June 30, 2012 and 2011, respectively.

**NOTE 7 – ACCRUED EXPENSES**

Accrued expenses consisted of the following as of June 30, 2012 and December 31, 2011:

|                        | 2012 | 2011     |
|------------------------|------|----------|
| Accrued payroll taxes  | \$ 0 | \$0      |
| Accrued bonuses        | 0    | 60,000   |
| Accrued audit fees     | 0    | 6,000    |
| Total accrued expenses | \$ 0 | \$66,000 |

**NOTE 8 – DEFERRED REVENUE**

The Company has signed several contracts with customers for coupon redemptions on their website. The payments are not taken into revenue until the end user redeems the coupon. The redemptions are tracked via their website and

revenues are recorded as the coupons are redeemed. Additionally, customer setup contracts that have been paid in full are deferred until the Company has completed the obligations of the contracts. Deferred revenue was \$277,076 and \$330,605 as of June 30, 2012 and December 31, 2011, respectively.

#### NOTE 9 – COMMON STOCK

OptimizeRx Corporation has 500,000,000 shares of \$.001 par value common stock authorized as of June 30, 2012.

On June 30, 2011, the Company entered into a settlement agreement with Midtown Partners. Under the settlement agreement, the Company will pay Midtown Partners \$57,500 and grant 100,000 shares of its common stock. The cost of the settlement has been recorded as equity issuance costs. As a result of the settlement, the litigation in the Eastern District of Michigan was dismissed.

During the year ended December 31, 2011, the Company issued 475,820 shares of common stock to satisfy \$500,000 of preferred dividends.

There were 14,192,496 common shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively.

Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2012**

NOTE 10 – PREFERRED STOCK

Series A Preferred

During the year ended December 31, 2008, 35 preferred shares were issued for \$3,500,000. Issuance costs totaled \$515,000 resulting in net proceeds of \$2,985,000. The 35 shares are convertible to 3,500,000 shares of common stock and bear a 10% cumulative dividend. In addition, there was a warrant issued to purchase 6,000,000 shares of common stock at an exercise price of \$2 for a period of seven years.

The holders of the preferred stock are entitled to semi-annual dividends payable on the stated value of the Series A preferred stock at a rate of 10% per annum, which shall be cumulative, and accrue daily from the issuance date. The dividends may be paid in cash or shares of the Company's common stock at management's discretion. If after the conversion eligibility date, the market price for the common stock for any ten consecutive trading days in which the stock trades for over \$2 per share and trading exceeds 100,000 shares per day, the preferred shareholders can be required to convert their shares to common stock. Each share of Series A preferred stock shall also be convertible at the option of the holder into that number of shares of common stock of the Company at the stated value of such share at a \$1 conversion price.

The holder may cause this conversion at the time the shares are eligible for resale by the holder. The conversion price is subject to adjustment as hereinafter provided, at any time, or from time to time upon the terms and in the manner hereinafter set forth in the shareholder agreement. There is no conversion expiration date, however, the holder must provide 30 days notice for the registration of the conversion.

On May 12, 2010, the Company's Board declared and issued 236,598 common shares as payment for all cumulative and current semi-annual dividends. On November 16, 2010, the Company's Board declared and issued 173,922 common shares for its semi-annual dividend payment. On March 25, 2011, the Company's Board declared and issued 176,768 common shares for its semi-annual dividend payment. On September 21, 2011, the Company's Board declared and issued 156,306 common shares for its semi-annual dividend payment.

Series B Preferred

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During the year ended December 31, 2010, 15 preferred shares were issued for \$1,500,000. The 15 shares are convertible to 1,500,000 shares of common stock and bear a 10% cumulative dividend. In addition, there was a warrant issued to purchase 2,000,000 shares of common stock at an exercise price of \$3 for a period of seven years.

The preferred stock was issued for \$1,500,000 less associated issuance costs of \$350,000 for net proceeds of \$1,150,000. Additionally, 3,000,000 common stock warrants were issued with the preferred stock. Based on the fair values of the preferred stock and common stock warrants on the issue date, \$341,100 was allocated to preferred stock and \$1,158,900 was allocated to the common stock warrants. Equity issuance costs of \$350,000 were allocated to the preferred stock.

During the quarter ended September 30, 2011, 15 preferred shares were issued to an investor for \$1,500,000. The 15 shares are convertible to 1,500,000 shares of common stock and bear a 10% cumulative dividend. In addition, there was a warrant issued to purchase 1,000,000 shares of common stock at an exercise price of \$3 for a period of seven years. Based on the fair values of the preferred stock and common stock warrants on the issue date, \$855,460 was allocated to preferred stock and \$644,540 was allocated to the common stock warrants. See Note 11.

Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2012**

NOTE 10 – PREFERRED STOCK (CONTINUED)

Series B Preferred (continued)

The holders of the preferred stock are entitled to semi-annual dividends payable on the stated value of the Series B preferred stock at a rate of 10% per annum, which shall be cumulative, and accrue daily from the issuance date. The dividends may be paid in cash or shares of the Company's common stock at management's discretion. If after the conversion eligibility date, the market price for the common stock for any ten consecutive trading days in which the stock trades for over \$2 per share and trading exceeds 100,000 shares per day, the preferred shareholders can be required to convert their shares to common stock. Each share of Series B preferred stock shall also be convertible at the option of the holder into that number of shares of common stock of the Company at the stated value of such share at a \$1.50 conversion price.

The holder may cause this conversion at the time the shares are eligible for resale by the holder. The conversion price is subject to adjustment as hereinafter provided, at any time, or from time to time upon the terms and in the manner hereinafter set forth in the shareholder agreement. On March 25, 2011, the Company's Board declared and issued 75,758 common shares for its semi-annual dividend payment. On September 21, 2011, the Company's Board declared and issued 66,988 common shares for its semi-annual dividend payment.

NOTE 11 – STOCK OPTIONS AND WARRANTS

The Company accounts for employee stock-based compensation in accordance with the guidance of ASC Topic 718: Compensation - Stock Compensation, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

The Company follows ASC Topic 505-50, formerly EITF 96-18, "Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods and Services," for stock options and warrants issued to consultants and other non-employees. In accordance with ASC Topic 505-50, these stock options and warrants issued as compensation for services provided to the Company are accounted for based upon the fair value of the services provided or the estimated fair market value of the option or warrant, whichever can be more clearly determined. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital over the period during which services are rendered.

On October 1, 2010, the Company issued 25,000 stock options to an employee with a vesting period of one year and an exercise price of \$1.21. The options were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 241%, risk-free interest rate of 1.26% and expected life of 60 months. The Company recognized share-based compensation expense of \$6,203 during the year ended December 31, 2010 with the remaining balance of \$18,610 recognized in 2011.

On April 27, 2011, the Company issued 100,000 stock options to an individual at an exercise price of \$0.73. The options were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 221%, risk-free interest rate of 2.06% and expected life of 60 months. The agreement is for a period of six months. The Company recognized expenses of \$83,992 during the year ended December 31, 2011.

F-11



Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**NOTE 11 – STOCK OPTIONS AND WARRANTS (CONTINUED)**

On May 31, 2011, the Company issued 285,000 stock options to 3 employees at an exercise price of \$1.00. The options were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 218%, risk-free interest rate of 1.68% and expected life of 60 months. The total value of the options was \$320,585. The options vest over one year. The Company recognized share-based compensation expense of \$187,005 during the year ended December 31, 2011. The remaining balance of \$133,580 has been recognized during the six months ended June 30, 2012.

During the quarter ended September 30, 2011, there was a warrant issued to purchase 1,000,000 shares of common stock at an exercise price of \$3 for a period of seven years. In addition, 15 preferred shares were issued to an investor for \$1,500,000. The 15 shares are convertible to 1,500,000 shares of common stock and bear a 10% cumulative dividend. Based on the fair values of the preferred stock and common stock warrants on the issue date, \$855,460 was allocated to preferred stock and \$644,540 was allocated to the common stock warrants. See Note 10.

During the quarter ended December 31, 2011, the Company issued 20,000 stock options to 2 employees at an exercise price of \$1.00. The options were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 204-205%, risk-free interest rate of 0.88-0.93% and expected life of 60 months. The total value of the options was \$19,270. The options vest over one year. The Company recognized share-based compensation expense of \$2,480 during the year ended December 31, 2011 and \$9,633 during the six months ended June 30, 2012. The remaining balance of \$7,154 will be recognized over the next six months.

On November 21, 2011, the Company issued 100,000 stock options to an individual at an exercise price of \$0.73. The options were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 205%, risk-free interest rate of 0.92% and expected life of 60 months. The total value of the options was \$100,157. The Company recognized expenses of \$8,346 during the year ended December 31, 2011 and \$50,078 during the six months ended June 30, 2012. The remaining balance will be recognized over the current year.

On February 17, 2012, the Company issued 50,000 stock options to 4 non-employees at an exercise price of \$0.89. The options were valued on the grant date using the Black-Scholes option-pricing model with the following

assumptions: dividend yield of 0%, expected volatility of 198%, risk-free interest rate of 0.65% and expected life of 48 months. The total value of the options was \$35,091. The options vest over 4 months. The Company recognized expenses of \$35,091 during the six months ended June 30, 2012.

NOTE 12 – OPERATING LEASES

The Company signed a lease for new office space on December 1, 2011 at an approximate rent of \$5,000 per month. The new offices are in Rochester, Michigan. The lease is for three years with an option to renew for an additional two years at approximately \$5,200 per month with six months advance notice to exercise the option. Minimum annual rent is as follows for the initial term of the lease and the first six month renewal:

|                                   |           |
|-----------------------------------|-----------|
| Twelve months ended June 30, 2013 | \$60,591  |
| 2014                              | 55,542    |
| 2015                              | 0         |
| Total lease commitment            | \$116,133 |

Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**NOTE 13 – RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2010, the Company acquired from an officer and shareholder the technical contributions and assignment of all exclusive rights to and for the SampleMD patent currently in process in exchange for 300,000 shares of common stock to be granted at the discretion of the seller in addition to 200,000 stock options valued at \$360,000. The shares were valued on the grant date at \$570,000 and have been recorded as a payable to the related party.

**NOTE 14 – MAJOR CUSTOMERS**

The Company had two major customers that accounted for 53% and one major customer that accounted for 50% of the Company's revenues for the six months ended June 30, 2012 and 2011, respectively. The Company expects to continue to maintain these relationships with the customers.

**NOTE 15 – INCOME TAXES**

For the six months ended June 30, 2012, the Company incurred a net loss of approximately \$377,000 and therefore has no tax liability. The Company began operations in 2007 and has previous net operating loss carry-forwards of \$13,479,000 through December 31, 2011. The cumulative loss of \$13,856,000 will be carried forward and can be used through the year 2032 to offset future taxable income. In the future, the cumulative net operating loss carry-forward for income tax purposes may differ from the cumulative financial statement loss due to timing differences between book and tax reporting.

The provision for Federal income tax consists of the following for the six months ended June 30, 2012 and 2011:

|   | 2012       | 2011       |
|---|------------|------------|
| Federal income tax benefit attributable to: |            |            |
| Current operations                          | \$ 128,000 | \$ 220,000 |

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|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Valuation allowance                  | (128,000) | (220,000) |
| Net provision for federal income tax | \$0       | \$0       |

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows as of June 30, 2012 and December 31, 2011:

|                                     | 2012        | 2011        |
|-------------------------------------|-------------|-------------|
| Deferred tax asset attributable to: |             |             |
| Net operating loss carryover        | \$4,711,000 | \$4,583,000 |
| Valuation allowance                 | (4,711,000) | (4,583,000) |
| Net deferred tax asset              | \$0         | \$0         |

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards of approximately \$13,856,000 for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be limited as to use in future years.

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2012**

## NOTE 16 – OPERATING EXPENSES

Operating expenses consisted of the following for the three months and six months ended June 30, 2012 and 2011, respectively:

|                               | Three months ended<br>June 30, |                    | Six months ended<br>June 30, |                    |
|-------------------------------|--------------------------------|--------------------|------------------------------|--------------------|
|                               | 2012                           | 2011<br>(restated) | 2012                         | 2011<br>(restated) |
| Advertising                   | \$32,651                       | \$118,530          | \$43,921                     | \$305,795          |
| Professional fees             | 34,632                         | 22,683             | 72,635                       | 128,897            |
| Consulting                    | 1,220                          | 35,326             | 7,835                        | 82,101             |
| Salaries, wages and benefits  | 294,570                        | 194,912            | 601,465                      | 383,626            |
| Rent                          | 15,148                         | 7,500              | 32,066                       | 15,000             |
| Depreciation and amortization | 47,329                         | 30,050             | 93,352                       | 60,100             |
| Stock-based compensation      | 100,835                        | 110,707            | 228,383                      | 110,707            |
| General and administrative    | 65,243                         | 100,946            | 142,295                      | 168,709            |
| Total Operating Expenses      | \$591,628                      | \$620,654          | \$1,221,952                  | \$1,254,935        |

## NOTE 17 – RESTATEMENT

The Company has restated its Consolidated Statement of Operations and its Consolidated Statement of Cash Flows for the three months and six months ended June 30, 2011 to correct an error in its accounting. The Company did not originally accrue expenses related to advertising, marketing and employee bonuses during that period.

| Financial Statement     | Line Item                              | Six months ended<br>June 30, 2011<br>Corrected | Previously Stated |
|-------------------------|--|--|-------------------|
| Income statement        | Operating expenses                     | 1,254,935                                      | 962,435           |
| Income statement        | Loss from operations                   | (660,918)                                      | (368,418)         |
| Income statement        | Loss before provision for income taxes | (940,115)                                      | (647,615)         |
| Income statement        | Net loss                               | (940,115)                                      | (647,615)         |
| Statement of cash flows | Net loss                               | (940,115)                                      | (647,615)         |

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|                         |                                 |         |         |
|-------------------------|---------------------------------|---------|---------|
| Statement of cash flows | Change in accounts payable      | 260,852 | (1,648) |
| Statement of cash flows | Change in accrued expenses      | 25,000  | (5,000) |
| Statement of cash flows | Change in payroll taxes payable | 0       | (700)   |

| Financial Statement Line Item |  | Three months ended<br>June 30, 2011 |                   |
|-------------------------------|--|-------------------------------------|-------------------|
|                               |  | Corrected                           | Previously Stated |
| Income statement              | Operating expenses                     | 620,654                             | 493,154           |
| Income statement              | Loss from operations                   | (420,480)                           | (292,980)         |
| Income statement              | Loss before provision for income taxes | (560,183)                           | (432,683)         |
| Income statement              | Net loss                               | (560,183)                           | (432,683)         |

F-14

Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2012**

NOTE 18 – GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has sustained substantial losses since inception.

In view of this matter, the ability of the Company to continue as a going concern is dependent upon growth of revenues and the ability of the Company to raise additional capital. Management believes that its successful ability to raise capital and increases in revenues will provide the opportunity for the Company to continue as a going concern.

NOTE 19 – SUBSEQUENT EVENTS

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to June 30, 2012 through the date these financial statements were issued and has determined that it does not have any material subsequent events to disclose in these financial statements.

F-15

Table of Contents

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

**Forward-Looking Statements**

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believes,” “project,” “expects,” “anticipates,” “estimates,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

**Overview**

The 2012 year has started out on target for us and our SampleMD expansion. Building on the momentum from 2011, our organization continues to grow, transform and gain valuable traction within the emerging eCoupon market space for healthcare and pharmaceutical manufacturers.

Within the first and second quarter of 2012, we have generated revenue from SampleMD of \$329,403 and \$515,423, respectively. We completed the integration of our SampleMD solution within the NewCrop ePrescribing environment and finalized the integration and launch of our services within the DrFirst ePrescribing solution at the end of the second quarter. Both the NewCorp and DrFirst ePrescribing applications are the prescription tools used by multiple Electronic Medical Record (EMR) application providers.



Allscripts has formally committed to integrating SampleMD within the remainder of its electronic medical platforms, including their PRO EMR, which will allow promotional access to an additional 25,000 prescribing clinicians by the fourth quarter of 2012.

Completing these integrations and launching these initiatives should double our reach to over 100,000 participating clinicians through more than 200 Electronic Medical Record application providers. This increase of access and utilization has already shown a positive effect on our revenue stream as seen in the following results of operations summary.

While we continue to see the positive results from our core SampleMD offering, we continued our R&D development of complementary products that align with the SampleMD base promotional offerings. Within the second quarter, we piloted a new eRep Scheduler tool with Louisiana's largest health system to eliminate drug rep cold calling by developing a new way to review physician time slots and electronically schedule appointments. Working with a major pharmaceutical manufacturer in this beta test, we have gained valuable insight on our product performance, ease of use, and overall adaptability within the clinical environment. We are also working on a way for doctors to request a drug rep office visit right within their ePrescribing workflow. This addressed one of the biggest marketing challenges the pharmaceutical industry faces: restricted sales rep access. Further evaluation and development will precede a targeted major fourth quarter launch of this initiative. We have also begun further development on innovative integrated solutions which allow prescribing clinicians to instantly connect with product manufacturer experts to respond to questions and inquiries about their product in real time.

Table of Contents

To protect and expand our leadership and reach in ePrescribing promotion, our solutions are being developed to “plug and play” effectively with a multitude of electronic and mobile platforms that are used today by the prescribing clinicians.

We believe that SampleMD continues to be regarded as the eCoupon innovator and industry standard by the pharmaceutical manufacturing community. This has been accomplished through a continued multitude of sales and marketing efforts, including participation in key industry conferences such as the Marcus Evans Pharma Executive Summit, an invitee-only meeting of the top 150 pharma marketing and brand executives and the Pharma West conference to meet with emerging brands and biotechnology clients who are becoming a large opportunity for our company. Besides preparing as a sponsor and keynote presenter for the upcoming Allscripts ACE User conference in August, we continued our traditional marketing, newsletters and hosted webex conference calls with new client prospects and have begun a media outreach to further promote our organization.

**Results of Operations for the Three and Six Months Ended June 30, 2012 and 2011**

***Revenues***

Our total revenue reported for the three months ended June 30, 2012 was \$515,423, an increase of \$315,249 from the prior year period. Our total revenue reported for the six months ended June 30, 2012 was \$844,826, an increase of \$250,809 from the prior year period.

Our increased revenue for the three and six months ended June 30, 2012 as compared with the prior year periods is a result of the ramping up more promotional programs and transactions within SampleMD.

***Operating Expenses***

Operating expenses decreased to \$591,628 for the three months ended June 30, 2012 from \$620,654 for the three months ended June 30, 2011. Our major expenses for the three months ended June 30, 2012 were sales, wages and benefits of \$294,570, stock-based compensation of \$100,835, and general and administrative expenses of \$65,243. In comparison, our major expenses for the three months ended June 30, 2011 were salaries, wages and benefits of \$221,627, advertising of \$118,530, professional fees of \$106,675 and general and administrative expenses of \$100,946.

Operating expenses decreased to \$1,221,952 for the six months ended June 30, 2012 from \$1,254,935 for the six months ended June 30, 2011. Our major expenses for the six months ended June 30, 2012 were sales, wages and benefits of \$601,465, stock-based non cash compensation of \$228,383, and general and administrative expenses of \$142,295. In comparison, our major expenses for the six months ended June 30, 2011 were salaries, wages and benefits of \$410,341, advertising expenses of \$305,795, professional fees of \$212,889 and general and administrative expenses of \$168,709.

### ***Other Income/Expenses***

Other income was \$146 for three months ended June 30, 2012, an increase from other expenses of \$139,703 for same period ended 2011. We had no interest expenses in 2012 with \$140,098 in 2011, which mostly accounted for the difference between the periods.

Other income was \$331 for six months ended June 30, 2012, an increase from other expenses of \$279,197 for same period ended 2011. We had no interest expenses in 2012 with \$280,098 in 2011, which mostly accounted for the difference between the periods.

### ***Net Loss***

Net loss for the three months ended June 30, 2012 was \$76,059, compared to net loss of \$560,183 for the three months ended June 30, 2011. Although reporting a quarterly loss, if subtracting the non-cash expenses of stock options, warrants and stock issuance depreciation and amortization considerations, net income would be \$72,105 for the three months ended June 30, 2012.

Table of Contents

Net loss for the six months ended June 30, 2012 was \$376,795, compared to a net loss of \$940,115 for the six months ended June 30, 2011. Per the above stated considerations for subtracting non-cash based expenses, our net loss would be \$55,060 for the six months ended June 30, 2012.

Below is a table that reflects our unaudited results of operations for the three months ended June 30, 2012 with the removal of non-cash based expenses.

Minus: Non-cash expenses

|   | For the<br>three<br>months<br>ended<br>June 30,<br>2012 | For the<br>three<br>months<br>ended<br>June 30,<br>2011 |
|---|---|---|
| REVENUE   |   |   |
| Sales   | 515,423   | 200,174   |
| Less returns and allowances                       | 0   | 0   |
| TOTAL REVENUE                                     | 515,423   | 200,174   |
| EXPENSES  |   |   |
| Operating expenses                                | 591,628   | 620,654   |
| Less: Non-cash exp (options, amortization, etc)   | (148,164)   | (201,982)   |
| TOTAL EXPENSES                                    | 443,464   | 418,672   |
| NET OPERATING INCOME (LOSS)                       | 71,959  | (218,498)   |
| OTHER INCOME (EXPENSE)                            |   |   |
| Interest income                                   | 146   | 677   |
| Other income                                      | 0   | 0   |
| Interest expense                                  | 0   | (106,325)   |
| Impairment  | 0   | (59,084 )   |
| Less: Debt discount warrant value int, impairment | 0   | 165,409   |
| TOTAL OTHER INCOME (EXPENSE)                      | 146   | 677   |
| NET INCOME (LOSS) BEFORE PROVISION                | 72,105  | (217,821)   |
| PROVISION FOR INCOME TAXES                        | 0   | 0   |
| NET INCOME (LOSS)                                 | 72,105  | (217,821)   |



Table of Contents

**Liquidity and Capital Resources**

As of June 30, 2012, we had total current assets of \$1,110,244 and total assets in the amount of \$2,415,266. Our total current liabilities as of June 30, 2012 were \$1,024,587. We had working capital of \$85,657 as of June 30, 2012.

Operating activities used \$375,700 in cash for the six months ended June 30, 2012. Our net loss of \$376,795 along with \$158,502 in accounts payable, \$66,700 in accrued expenses, \$54,177 in accounts receivable, and \$53,529 in deferred revenue were the primary components of our negative operating cash flow, offset mainly by \$178,304 in stock-based compensation, \$93,352 in depreciation and amortization and \$62,347 in prepaid expenses. Investing activities used \$55,955 during the six months ended June 30, 2012 largely as a result of website development costs.

On September 16, 2011, we entered into a Securities Purchase Agreement with Vicis Capital Master Fund for sale of up to 50 shares of our Series B Preferred Stock and warrants to purchase up to 3,333,334 shares of our common stock with an exercise price of \$3.00 per share (the “Vicis Warrants”), based on the Company’s option.

We already sold 15 shares of Series B Preferred Stock and a warrant to purchase 1,000,000 shares of our common stock at the above exercise price for \$1,500,000. This money was used to pay off a promissory note we had with Physicians Interactive and the balance is for working capital.

Thereafter, a subsequent closing may occur at our option commencing on December 1, 2011 for the sale of an additional 15 shares of Series B Preferred Stock and a warrant to purchase an additional 1,000,000 shares of our common stock for \$1,500,000. A final subsequent closing may occur at our option commencing on May 1, 2012 for the sale of an additional 20 shares of Series B Preferred Stock and a warrant to purchase an additional 1,333,334 shares of our common stock for \$2,000,000.

Each share of Series B Preferred Stock is convertible at the option of the holder into that number of shares of our common stock equal to the Stated Value (\$100,000) divided by a per share price of the common stock of \$1.50 per share (the “Conversion Price”). A holder may effect a conversion at any time after the earlier of (a) the time that the Securities and Exchange Commission declares effective a registration statement registering the shares of common stock to be sold by the holder that underlie the shares of Series B Preferred Stock held by such holder (the “Conversion Shares”) and (b) the time such Conversion Shares are eligible for resale by the holder pursuant to Rule 144 of the Securities Act of 1933, as amended, (the “Conversion Eligibility Date”).

If after the Conversion Eligibility Date the market price for the common stock for any ten consecutive trading days exceeds \$2.00 (subject to adjustment for reverse and forward stock splits, stock combinations and other similar transactions of the common stock that may occur) and the average daily trading volume for the common stock during

such ten day period exceeds 100,000 shares (such period, the “Threshold Period”), the Company may, at any time after the fifth trading day after the end of any such period, deliver a notice to the holder (a “Forced Conversion Notice” and the date such notice is received by the holder, the “Forced Conversion Notice Date”) to cause the holder to immediately convert all and not less than all of the Stated Value of the shares held by such Holder plus accumulated and unpaid dividends at the then current Conversion Price (a “Forced Conversion”). We may only effect a Forced Conversion Notice if all of the conditions specified in the purchase agreement are met through the applicable Threshold Period until the date of the applicable Forced Conversion and through and including the date such shares of common stock are issued to the holder.

The Vicis Warrants are exercisable for a period of seven years at an exercise price of \$3.00 per share. The Vicis Warrants are also exercisable on a cashless basis. In addition, the Vicis Warrants are subject to anti-dilution adjustments and protections in the event of stock splits and stock dividends, subsequent equity sales entitling persons to acquire shares of common stock at an effective price per share that is lower than the then exercise price of the warrants and subsequent rights offerings, in the event we issue rights, options or warrant to all holders of common stock and not to the warrant holders, pro rata distributions of assets or indebtedness and fundamental transactions, such as a merger, consolidation or recapitalization. The anti-dilution adjustment shall apply the lowest sale price as being the adjusted option price or conversion ratio for existing shareholders.

As of June 30, 2012 with the current level of financing and cash on hand, we have sufficient cash to operate our business at the current level for the next twelve months but insufficient cash to achieve our business goals unless we: a) realize cash revenues on sales generated; and/or b) continue with the sale of our Series B Preferred Stock to Vicis.

Table of Contents

**Off Balance Sheet Arrangements**

As of June 30, 2012, there were no off balance sheet arrangements.

**Going Concern**

The accompanying financial statements have been prepared assuming that we will continue as a going concern. We have sustained substantial losses since inception.

In view of this matter, our ability to continue as a going concern is dependent upon growth of revenues and our ability to raise additional capital. Management believes that our committed capital from Vicis and increases in revenues will provide us the opportunity to fully accelerate and capture these emerging market opportunities.

**Critical Accounting Policies**

In December 2001, the SEC requested that all registrants list their most “critical accounting policies” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Our critical accounting policies are set forth in Note 2 to the financial statements.

**Recently Issued Accounting Pronouncements**

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company’s results of operation, financial position or cash flow.



### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

A smaller reporting company is not required to provide the information required by this Item.

### **Item 4. Controls and Procedures**

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2012. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Mr. David Lester. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2012, our disclosure controls and procedures are effective. There have been no significant changes in our internal controls over financial reporting during the quarter ended June 30, 2012 that have materially affected or are reasonably likely to materially affect such controls.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are 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 in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

#### Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.



Table of Contents

**PART II – OTHER INFORMATION**

**Item 1. Legal Proceedings**

None

**Item 1A: Risk Factors**

A smaller reporting company is not required to provide the information required by this Item.

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

None

**Item 3. Defaults upon Senior Securities**

None

**Item 4. Mine Safety Disclosure**

**Item 5. Other Information**

None

**Item 6. Exhibits**

| <u>Exhibit<br/>Number</u> | <u>Description of Exhibit</u>  |
|---------------------------|--|
| 31.1                      | <u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>                             |
| 31.2                      | <u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>                             |
| 32.1                      | <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 9                         |  |

Table of Contents

**SIGNATURES**

In accordance with the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OptimizeRx Corporation

Date: August 14, 2012

By: s/ David Lester

David Lester

Title: **Chief Executive Officer, Chief Financial Officer, and Director**

