

OptimizeRx Corp
Form 10-Q
November 14, 2013

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 **September 30, 2013**

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

(State or other jurisdiction of incorporation or organization)

26-1265381

(IRS Employer Identification No.)

407 6th Street

Rochester, MI, 48307

(Address of principal executive offices)

248-651-6568

(Registrant's telephone number)

(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

Edgar Filing: OptimizeRx Corp - Form 10-Q

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:
14,752,496 common shares as of September 30, 2013.

Table of Contents

TABLE OF CONTENTS

Page

PART I – FINANCIAL INFORMATION

Item 1: <u>Financial Statements</u>	3
Item 2: <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	4
Item 3: <u>Quantitative and Qualitative Disclosures About Market Risk</u>	6
Item 4: <u>Controls and Procedures</u>	7

PART II – OTHER INFORMATION

Item 1: <u>Legal Proceedings</u>	8
Item 1A: <u>Risk Factors</u>	8
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 as of September 30, 2013 and December 31, 2012 (unaudited);

F-2 Consolidated Statements of Operations for the three and nine months ended September 30, 2013 and 2012 (unaudited);

F-3 Consolidated Statements of Cash Flow for the nine months ended September 30, 2013 and 2012 (unaudited);

F-4 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 September 30, 2013 are not necessarily indicative of the results that can be expected for the full year.

Table of Contents**OPTIMIZERx CORPORATION****CONSOLIDATED BALANCE SHEETS (UNAUDITED)****AS OF SEPTEMBER 30, 2013 AND DECEMBER 31, 2012**

	September 30, 2013	December 31, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$486,692	\$284,263
Accounts receivable	1,148,907	616,798
Prepaid expenses	26,336	68,158
Total Current Assets	1,661,935	969,219
Property and equipment, net	16,464	20,685
Other Assets		
Patent rights, net	788,890	793,236
Web development costs, net	351,778	387,215
Security deposit	5,049	5,049
Total Other Assets	1,145,717	1,185,500
TOTAL ASSETS	\$2,824,116	\$2,175,404
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable - trade	\$174,453	\$54,693
Accounts payable - related party	570,000	570,000
Accrued expenses	-0-	6,000
Deferred revenue	13,272	49,252
Total Liabilities	757,725	679,945
Stockholders' Equity		
Common stock, \$.001 par value, 500,000,000 shares authorized, 14,752,496 and 14,232,496 shares issued and outstanding	14,752	14,232
Preferred stock, \$.001 par value, 10,000,000 shares authorized, 65 shares issued and outstanding	-0-	-0-
Stock warrants	18,316,826	20,058,051
Additional paid-in-capital	8,449,271	6,164,666
Deferred stock compensation	(233,077)	-0-
Accumulated deficit	(24,481,381)	(24,741,490)
Total Stockholders' Equity	2,066,391	1,495,459
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,824,116	\$2,175,404

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

Table of Contents**OPTIMIZERx CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012**

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
REVENUE				
Sales	\$1,373,029	\$453,154	\$3,146,406	\$1,297,980
TOTAL REVENUE	1,373,029	453,154	3,146,406	1,297,980
EXPENSES				
Operating expenses (See Note 17)	1,362,335	559,305	2,886,473	1,781,257
TOTAL EXPENSES	1,362,335	559,305	2,886,473	1,781,257
OPERATING INCOME (LOSS)	10,694	(106,151)	259,933	(483,277)
OTHER INCOME (EXPENSE)				
Interest income	82	77	176	408
Interest expense	-0-	(100)	-0-	(100)
TOTAL OTHER INCOME (EXPENSE)	82	(23)	176	308
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	10,776	(106,174)	260,109	(482,969)
PROVISION FOR INCOME TAXES	-0-	-0-	-0-	-0-
NET INCOME (LOSS)	\$10,776	\$(106,174)	\$260,109	\$(482,969)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC	14,270,811	14,227,713	14,259,675	14,201,373
NET INCOME (LOSS) PER SHARE: BASIC	\$0.00	\$(0.01)	\$0.02	\$(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: DILUTED	34,086,091	14,227,713	34,074,956	14,201,373
NET INCOME (LOSS) PER SHARE: DILUTED	\$0.00	\$(0.01)	\$0.01	\$(0.03)

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

Table of Contents**OPTIMIZERx CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012**

	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) for the period	\$260,109	\$(482,969)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	144,562	140,087
Stock-based compensation	310,823	227,922
Changes in:		
Accounts receivable	(532,109)	(171,779)
Prepaid expenses	41,822	74,140
Accounts payable	119,760	(328,236)
Accrued expenses	(6,000)	(66,000)
Deferred revenue	(35,980)	(18,831)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	302,987	(625,666)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-0-	(2,230)
Patent rights	(38,278)	-0-
Web development costs	(62,280)	(48,640)
NET CASH USED IN INVESTING ACTIVITIES	(100,558)	(50,870)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	202,429	(676,536)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	284,263	959,166
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$486,692	\$282,630
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$-0-	\$-0-
Cash paid for income taxes	\$-0-	\$-0-
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued in officer settlement upon severance	\$505,000	\$-0-

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

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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, 2012. 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.

F-4

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, patent rights, web development costs, 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.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported at realizable value, net of allowances for doubtful accounts, which is estimated and recorded in the period the related revenue is recorded. The Company has a standardized approach to estimate and review the collectability of its receivables based on a number of factors, including the period they have been outstanding. Historical collection and payer reimbursement experience is an integral part of the estimation process related to allowances for doubtful accounts. In addition, the Company regularly assesses the state of its billing operations in order to identify issues, which may impact the collectability of these receivables or reserve estimates. Bad debt expense was \$0 for the nine months ended September 30, 2013 and 2012, respectively. The allowance for doubtful accounts was \$0 as of September 30, 2013 and December 31, 2012, respectively.

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.

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.

F-5

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 included in the per share calculation for the three and nine months ended September 30, 2013. They have not been included in the diluted earnings per share calculation for the three and nine months ended September 30, 2012 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.

F-6

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2013**

NOTE 3 – PREPAID EXPENSES

Prepaid expenses consisted of the following as of September 30, 2013 and December 31, 2012:

	2013	2012
Insurance	\$6,653	\$6,437
Rent	5,049	5,049
Consulting	14,634	31,672
Legal	0	25,000
Total prepaid expenses	\$26,336	\$68,158

NOTE 4 – PROPERTY AND EQUIPMENT

The Company owned equipment recorded at cost which consisted of the following as of September 30, 2013 and December 31, 2012:

	2013	2012
Computer equipment	\$22,360	\$22,360
Furniture and fixtures	11,088	11,088
Subtotal	33,448	33,448
Accumulated depreciation	(16,984)	(12,763)
Property and equipment, net	\$16,464	\$20,685

Depreciation expense was \$1,407 and \$1,382 for the three months ended September 30, 2013 and 2012, respectively. Depreciation expense was \$4,221 and \$4,094 for the nine months ended September 30, 2013 and 2012, respectively.

NOTE 5 – WEB DEVELOPMENT COSTS

Edgar Filing: OptimizeRx Corp - Form 10-Q

The Company has capitalized costs in developing their website and web-based products, which consisted of the following as of September 30, 2013 and December 31, 2012:

	2013	2012
OptimizeRx web development	\$ 154,133	\$ 154,133
SampleMD web development	602,517	602,517
SampleMD 2.0	62,280	0
Subtotal, web development costs	818,930	756,650
Accumulated amortization	(408,069)	(310,352)
Impairment	(59,083)	(59,083)
Web development costs, net	\$351,778	\$387,215

Amortization is recorded using the straight-line method over a period of five years. The Company is currently developing an enhanced SampleMD website and has capitalized \$62,280. The development is currently in process. It is not completed at September 30, 2013. Accordingly, no amortization has been recorded. The development is expected to be completed in 2014. 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 for the web development costs was \$32,572 and \$31,677 for the three months ended September 30, 2013 and 2012, respectively. Amortization expense for the web development costs was \$97,717 and \$94,964 for the nine months ended September 30, 2013 and 2012, respectively.

F-7

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2013****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.

The Company has capitalized costs in purchasing and defending the SampleMD patent, which consisted of the following as of September 30, 2013 and December 31, 2012:

	2013	2012
Patent rights and intangible assets	\$930,000	\$930,000
Patent defense costs	38,278	0
Accumulated amortization	(179,388)	(136,764)
Patent rights and intangible assets, net	\$788,890	\$793,236

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. In 2013, the Company began incurring costs related to defense of the patent. These costs have been capitalized and will be amortized using the straight-line method over the remaining useful life of the original patent. Amortization expense was \$14,246 and \$13,676 for the three months ended September 30, 2013 and 2012, respectively. Amortization expense was \$42,624 and \$41,029 for the nine months ended September 30, 2013 and 2012, respectively.

NOTE 7 – ACCRUED EXPENSES

On January 14, 2013, the Company hired a new CEO. The employment agreement required annual compensation of \$175,000 that was to be accrued and deferred until at least January 1, 2014. Additionally, the agreement required the issuance of 2,000,000 options with an exercise price of \$1.00 for a term of five years. The options were not exercisable until at least January 1, 2014. On September 20, 2013, the Company entered into a separation agreement with the CEO. As part of the agreement, the accrued compensation was paid through the date of separation and the options were terminated.

Accrued expenses consisted of the following as of September 30, 2013 and December 31, 2012:

	2013	2012
Accrued compensation	\$ 0	\$0
Accrued audit fees	0	6,000
Total accrued expenses	\$ 0	\$6,000

NOTE 8 – DEFERRED REVENUE

The Company has signed several contracts with customers for either the distribution or redemption of coupons. The payments are not taken into revenue until either the coupon is distributed to a patient or the coupon has been redeemed depending on the specific contract. The distributions and redemptions are tracked by the Company's administrative tool. 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 \$13,272 and \$49,252 as of September 30, 2013 and December 31, 2012, respectively.

F-8

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 9 – 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 10 – COMMON STOCK

OptimizeRx Corporation has 500,000,000 shares of \$.001 par value common stock authorized as of September 30, 2013.

There were 14,752,496 and 14,232,496 common shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively.

On June 1, 2012, the Company entered into a consulting agreement with North Coast Advisors, Inc. for various services. The Company agreed to issue 40,000 shares of common stock as of the date of the contract. However, these shares were not issued until July 12, 2012. The Company also agreed to issue an additional 40,000 shares every six months in alignment with the agreement renewal up to the two years of the agreement. The first 40,000 shares were valued at the Company's common stock price as of the date of the contract, which was \$1.12/share and has been expensed. No additional shares were issued and the agreement was voided and replaced by a new agreement as noted below.

On June 1, 2013, the Company entered into a consulting agreement with North Coast Advisors, Inc. for various services. The Company agreed to issue 20,000 shares of common stock as of the date of the contract. The Company also agreed to issue an additional 20,000 shares every six months in alignment with the agreement renewal up to the two years of the agreement. The first 20,000 shares were valued at the Company's common stock price as of the date of the contract, which was \$1.945/share and has been expensed.

On September 20, 2013, the Company entered into a separation agreement that includes post-employment consulting services with a former officer. The Company agreed to issue 500,000 shares of common stock, 250,000 shares immediately and 250,000 by January 1, 2014. The first 250,000 shares have been issued and the Company has recognized the entire issuance in the September 30, 2013 shares outstanding. The shares were valued at \$505,000 and \$233,077 of that amount has been recorded as deferred stock compensation as of September 30, 2013.

NOTE 11 – 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.

F-9

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 11 – PREFERRED STOCK (CONTINUED)

Series A Preferred Continued

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. The Company has undeclared dividends that were due in February and September 2012 totaling \$350,000 and undeclared dividends of \$350,000 that were due in February and September 2013 for a total undeclared amount of \$700,000 as of September 30, 2013.

Series B Preferred

Edgar Filing: OptimizeRx Corp - Form 10-Q

During the year ended December 31, 2010, 15 preferred shares were issued for \$1,500,000. The 15 shares are convertible to 1,000,000 shares of common stock and bear a 10% cumulative dividend. In addition, there was a warrant issued to purchase 3,000,000 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 1,000,000 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 12.

F-10

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 11 – 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. The Company has undeclared dividends that were due in February and September 2012 totaling \$150,000 and undeclared dividends of \$150,000 that were due in February and September 2013 for a total undeclared amount of \$300,000 as of September 30, 2013.

NOTE 12 – 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 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 was recognized over the first five months of 2012.

F-11

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 12 – STOCK OPTIONS AND WARRANTS (CONTINUED)

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 \$14,459 during the nine months ended September 30, 2012. The remaining balance was recognized during the remainder of 2012.

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 Company recognized expenses of \$8,346 during the year ended December 31, 2011 and \$75,117 during the nine months ended September 30, 2012. The remaining balance was recognized during the remainder of 2012.

During the quarter ended March 31, 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 share-based compensation expense of \$35,091 during the six months ended June 30, 2012.

During the quarter ended December 31, 2012, the Company issued 25,000 stock options to a non-employee at an exercise price of \$1.58. 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 200%, risk-free interest rate of 0.67% and expected life of 60 months. The total value of the options was \$40,007. The options vest over 1 year. The Company recognized share-based compensation expense of \$8,335 during the three months ended December 31, 2012 and \$30,006 during the nine months ended September 30, 2013. The remaining balance will be recognized over the remainder of 2013.

The Company had the following options outstanding as of September 30, 2013:

	Number of Options	Weighted average exercise price
Outstanding, January 1, 2012	405,000	\$ 1.01
Granted - 2012	75,000	1.17
Exercised - 2012	0	0
Expired - 2012	(455,000)	(.98)
Balance, December 31, 2012	25,000	1.58
Granted - 2013	0	0
Exercised - 2013	0	0
Expired - 2013	0	0
Balance, September 30, 2013	25,000	\$ 1.58

F-12

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2013**

NOTE 12 – STOCK OPTIONS AND WARRANTS (CONTINUED)

The Company had the following warrants outstanding as of September 30, 2013:

	Number of Warrants	Weighted average exercise price
Outstanding, January 1, 2012	14,344,434	\$ 2.41
Granted - 2012	0	0
Exercised - 2012	0	0
Expired - 2012	0	0
Balance, December 31, 2012	14,344,434	2.41
Granted - 2013	0	0
Exercised - 2013	0	0
Expired - 2013	(672,000)	(2.59)
Balance, September 30, 2013	13,672,434	\$ 2.44

NOTE 13 – 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:

Year ended December 31, 2013	\$60,591
2014	55,542
2015	0
Total lease commitment	\$116,133

NOTE 14 – MAJOR CUSTOMERS

The Company had three major customers that accounted for 68% and two major customers that accounted for 50% of the Company's revenues for the nine months ended September 30, 2013 and 2012, respectively. The Company expects to continue to maintain these relationships with the customers.

NOTE 15 – INCOME TAXES

For the nine months ended September 30, 2013, the Company incurred net income of approximately \$260,000 but has no tax liability. The Company began operations in 2007 and has previous net operating loss carry-forwards of approximately \$13,843,000 through December 31, 2012. The cumulative loss of approximately \$13,583,000 will be carried forward and can be used through the year 2033 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.

F-13

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2013**

NOTE 15 – INCOME TAXES (CONTINUED)

The provision for Federal income tax consists of the following for the nine months ended September 30, 2013 and 2012:

	2013	2012
Federal income tax (expense) benefit attributable to:		
Current operations	\$(88,000)	\$102,000
Valuation allowance	88,000	(102,000)
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 September 30, 2013 and December 31, 2012:

	2013	2012
Deferred tax asset attributable to:		
Net operating loss carryover	\$4,618,000	\$4,706,000
Valuation allowance	(4,618,000)	(4,706,000)
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 \$13,583,000 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.

NOTE 16 – CONTINGENT LIABILITY

On January 14, 2013, the Company hired a new CEO. The employment agreement required annual compensation of \$175,000 that was to be accrued and deferred until at least January 1, 2014. Additionally, the agreement required the issuance of 2,000,000 options with an exercise price of \$1.00 for a term of five years. The options were not

exercisable until at least January 1, 2014, and were only exercisable after reaching certain financial terms and conditions. Due to these restrictions, no accrual was made for the issuance of these options.

On September 20, 2013, the Company entered into a separation agreement with the CEO. As part of the terms of the separation agreement, the accrued compensation up to the date of separation was paid and the options were terminated. Also as part of the agreement, the Company will be involved with the former CEO in a limited role as a consultant for one year to assist in various initiatives and in transition of various ongoing projects for 500,000 shares of company stock. Half of the value of the shares will be expensed immediately, with the other half expensed over the one year life of the agreement. 7.69% of the second half of the stock value has been expensed at September 30, 2013, with the remainder to be expensed as services are rendered over the remaining life of the agreement. The unamortized balance has been recorded as Deferred Stock Compensation in the equity section of the balance sheet.

F-14

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2013**

NOTE 17 – OPERATING EXPENSES

Operating expenses consisted of the following for the three and nine months ended September 30, 2013 and 2012, respectively:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Advertising	\$23,207	\$1,167	\$30,372	\$45,088
Professional fees	151,610	83,235	275,004	186,188
Consulting	25,657	0	65,786	7,835
Salaries, wages and benefits	344,979	299,286	1,040,238	900,751
Rent	15,148	15,148	45,444	47,214
Depreciation and amortization	48,225	46,735	144,562	140,087
Stock-based compensation	281,925	29,857	310,823	227,922
Revenue share expense	376,831	20,669	614,234	28,804
General and administrative	94,753	63,208	360,010	197,368
Total Operating Expenses	\$1,362,335	\$559,305	\$2,886,473	\$1,781,257

NOTE 18 – SUBSEQUENT EVENTS

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to September 30, 2013 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 other than the events described above.

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 effect 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

We finished the third quarter of 2013 with revenue of \$1,373,029, bringing revenue for the first nine months of 2013 to \$3,146,406. We achieved net income during the third quarter of \$10,776 and net income of \$260,109 for the first nine months of 2013. By comparison, we had a net loss of \$106,174 and \$482,969, respectively, for the three and nine months ended September 30, 2012.

The record revenues were driven primarily by our SampleMD solution, which generated approximately 327,115 new ePrescriptions with co-pay coupons or free sample vouchers during the third quarter of 2013, helping patients more affordably start and stay on their prescribed medications. That is a substantial increase from the 90,135 distributions during the third quarter of 2012.

We continue to be very enthusiastic about our growth and the state of our core business. Although the 3rd quarter presented us with some challenging hurdles, we continue to experience growth in our revenues, gain cooperation from our partners, are engaging in new industry changing partnership discussions, and have seen increasing inquiries from the pharmaceutical manufacturers to assist in helping them build their EHR marketing strategies.

Initial market reaction to the OPTIMIZERx announcement of its emerging OPTIMIZEHR consulting practice has been very positive as we have engaged in our first two (2) major pharmaceutical manufacture EHR strategy initiatives (pilot projects). Coordinating efforts with our strategic partners, we have collaborated to deliver sound strategy for each of these manufacturers. These efforts have resulted in ongoing and growing commitments by these clients with new and expanded contracts. OPTIMIZERx will continue to work with its partners in building out this practice as more clients are interested in Drug File Integration, Sales Force Training and Strategy.

The results of our efforts are reflected in the growth and record revenues experienced during the 3rd quarter despite overcoming challenges presented in the quarter. For personal reasons, Shad Stastney, who served as Chairman and CEO of the company since January 1, 2013, left his position on September 20, 2013. As the vacancy left by Mr. Stastney's departure left the investor community concerned, as reflected in the unfortunate downturn of our stock price, we remain very optimistic as these events did not affect our core operations, did not affect our capacity to deliver campaigns for our clients, did not affect our sales pipeline, and did not affect the revenue we reported in the 3rd quarter. It did affect the overall net income during the 3rd quarter as we have posted a onetime expense relative to the settlement agreement reached with Mr. Stastney. With these challenges, the company remained profitable in the 3rd quarter and continues to generate cash from operations.

Table of Contents

Going forward into the 4th quarter and into the New Year, we continue to drive our two primary messages to the pharmaceutical industry:

1) SampleMD has the largest capacity to deliver targeted promotional and incentive messaging to physicians at point of prescription through interoperability with multiple disparate electronic health platforms; and

2) Electronic health platforms (EMRs, eRx, Patient Portals) are the most cost-effective way to reach physicians and patients, as opposed to external web sites that have been traditionally the focus of their non-rep marketing, and should therefore be an increasing focus for all pharmaceutical marketing dollars.

In summary, we remain committed to working with top organizations to provide better affordability and access to healthcare for the patients we serve. To achieve this, we will continue to work with leading providers in partnering to provide simple to use solutions. As compliance and regulatory requirements (i.e. meaningful use) continue to surround healthcare providers, OptimizeRx continues through its partnerships and internal R&D to become the “HUB” for providing access to these ease-of-use solutions.

With these continued efforts, we believe that SampleMD continues to be regarded as the innovative industry leader, setting the standards within this new frontier of digital EMR solution marketing for patient care.

Results of Operations for the Three and Nine Months Ended September 30, 2013 and 2012

Revenues

Our total revenue reported for the three months ended September 30, 2013 was \$1,373,029, an increase of \$919,875 from the three months ended September 30, 2012. Our total revenue reported for the nine months ended September 30, 2013 was \$3,146,406, an increase of \$1,848,426 from the nine months ended September 30, 2012.

Our increased revenue for the three and nine months ended September 30, 2013 as compared with the same periods ended 2012 is a result of the continued viability of our SampleMD solution and the setup and integration fees for pharmaceutical manufacturers whom are participating within this offering.

Operating Expenses

Operating expenses increased to \$1,362,335 for the three months ended September 30, 2013 from \$559,305 for the three months ended September 30, 2012. Our major expenses for the three months ended June 20, 2013 were salaries, wages and benefits of \$344,979, revenue share expenses of \$376,831, stock-based compensation of \$281,925, professional fees of \$151,610, depreciation and amortization of \$48,225 and general and administrative expenses of \$94,753. In comparison, our major expenses for the three months ended September 30, 2012 were salaries, wages and benefits of \$299,286, professional fees of \$83,235, general and administrative expenses of \$63,208, and depreciation and amortization of \$46,735.

Operating expenses increased to \$2,886,473 for the nine months ended September 30, 2013 from \$1,781,257 for the nine months ended September 30, 2012. Our major expenses for the nine months ended June 20, 2013 were salaries, wages and benefits of \$1,040,238, revenue share expenses of \$614,234, stock-based compensation of \$310,823, professional fees of \$275,004, depreciation and amortization of \$144,562 and general and administrative expenses of \$360,010. In comparison, our major expenses for the nine months ended September 30, 2012 were salaries, wages and benefits of \$900,751, stock-based compensation of \$227,922, professional fees of \$186,188, depreciation and amortization of \$140,087 and general and administrative expenses of \$197,368..

We expect our operating expenses to continue to increase as we further implement our business plan and expand our operations.

Table of Contents

Net Income

Net income for the three months ended September 30, 2013 was \$10,776, compared to a net loss of \$106,174 for the three months ended September 30, 2012. Net income for the nine months ended September 30, 2013 was \$260,109, compared to net loss of \$482,969 for the nine months ended September 30, 2012.

Liquidity and Capital Resources

As of September 30, 2013, we had total current assets of \$1,661,935 and total assets in the amount of \$2,824,116. Our total current liabilities as of September 30, 2013 were \$757,725. We had working capital of \$904,210 as of September 30, 2013.

Operating activities provided \$302,987 in cash for the nine months ended September 30, 2013. Our positive operating cash flow was largely a result of \$260,109 in net income, \$144,562 in depreciation and amortization, \$310,823 in stock based compensation and \$119,760 in changes in accounts payable, offset mainly by accounts receivable of \$532,109 and deferred revenue of \$35,980.

Investing activities used \$100,558 during the nine months ended September 30, 2013 as a result of patent rights and website development costs.

We had no financing activities during the nine months ended September 30, 2013.

As of September 30, 2013, 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) receive financing. We are uncertain what type of financing, if any, we will need as we continue to ramp up our revenue stream.

Off Balance Sheet Arrangements

As of September 30, 2013, there were no off balance sheet arrangements.

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 operations, 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.

Table of Contents

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 September 30, 2013. This evaluation was carried out under the supervision and with the participation of our Interim Chief Executive Officer, Mr. David Harrell, and our Chief Financial Officer, Mr. David Lester. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2013, our disclosure controls and procedures are effective. There have been no significant changes in our internal controls over financial reporting during the quarter ended September 30, 2013 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

Aside from the following, we are not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

On November 2, 2012, LDM Group, LLC commenced an action against us in the United States District Court for the Eastern District of Missouri, Eastern Division. The complaint alleges that we infringed on a patent issued on February 21, 2012 in favor of LDM. LDM alleges that its patent is an invention of a method for making available targeted content to a prescription medication patient while the patient is still in the physician's office. According to LDM, our Integrated SampleMD uses systems and methods that perform the elements of the LDM patent and, therefore, infringes on its patent.

On February 26, 2013, a settlement was reached with LDM, and LDM subsequently dismissed the lawsuit with prejudice. Shortly after executing the settlement agreement, we learned that LDM had materially breached the terms of the settlement agreement. Despite our repeated demands, LDM refused to abide by the terms of the settlement agreement. As a result, on April 1, 2013, we provided LDM with official notice of default.

On April 23, 2013, LDM responded by reinstated the patent infringement action in the United States District Court for the Eastern District of Missouri, Eastern Division claiming that we breached the settlement agreement. We answered the complaint, filed a counterclaim for, among other things, breach of the settlement agreement and filed a preliminary injunction motion to require LDM to abide by the terms of the settlement agreement. The court has not yet decided the outcome of our preliminary injunction motion.

On September 19, 2013, LDM filed an amended complaint alleging an additional patent infringement claim against us. On September 25, 2013, we filed an amended answer denying the substantive allegations in LDM's amended complaint and realleging our counterclaim against LDM.

On February 6, 2013, we filed a Complaint for Patent Infringement against Physicians Interactive Inc., Physicians Interactive Holdings, Inc. and Skyscape.com, in which we allege that one or more of those entities has infringed on United States Patent No. 8,341,015. As of September 30, 2013, the defendants responded denying the assertions made in our Complaint, but no further action has occurred in the case.

Item 1A: Risk Factors

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

8

Table of Contents

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

On August 14, 2013, we granted restricted stock awards under our 2013 Incentive Plan. Mr. David Harrell was awarded 121,875 shares of our common stock and Mr. Terry Hamilton was awarded 215,625 shares of our common stock. The restricted stock awards will vest 50% on the date six months and one day after the date of grant, and the remaining 50% one year after the first vesting date.

On September 20, 2013, we entered into a Separation Agreement with Mr. Shad Stastney regarding the terms and conditions of his departure from our company (the "Agreement"). Under the Agreement, among other things, we agreed to issue to Mr. Stastney 500,000 shares of our common stock, half now and the rest by January 1, 2014.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The holders represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosure

N/A

Item 5. Other Information

None

Item 6. Exhibits

<u>Exhibit 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>
101**	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 formatted in Extensible Business Reporting Language (XBRL).

**Provided herewith

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: November 14, 2013

By: s/ David Lester

David Lester

Title: **Chief Operating Officer**

