

OptimizeRx Corp  
Form 10-Q  
May 15, 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 **March 31, 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.)

**400 Water St., Ste 200**

**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:  
14,232,496 common shares as of March 31, 2013.

Table of Contents

<b><u>TABLE OF CONTENTS</u></b>		Page
<b><u>PART I – FINANCIAL INFORMATION</u></b>		
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>	7
Item 4:	<u>Controls and Procedures</u>	7
<b><u>PART II – OTHER INFORMATION</u></b>		
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>	8
Item 3:	<u>Defaults Upon Senior Securities</u>	8
Item 4:	<u>Mine Safety Disclosure</u>	8
Item 5:	<u>Other Information</u>	8
Item 6:	<u>Exhibits</u>	8

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 March 31, 2013 and December 31, 2012 (unaudited);

F-2 Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012 (unaudited);

F-3 Consolidated Statements of Cash Flow for the three months ended March 31, 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 March 31, 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 MARCH 31, 2013 AND DECEMBER 31, 2012

	March 31, 2013	December 31, 2012
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$260,394	\$284,263
Accounts receivable	660,669	616,798
Prepaid expenses	32,336	68,158
Total Current Assets	953,399	969,219
Property and equipment, net	19,278	20,685
Other Assets		
Patent rights, net	809,472	793,236
Web development costs, net	354,643	387,215
Security deposit	5,049	5,049
Total Other Assets	1,169,164	1,185,500
<b>TOTAL ASSETS</b>	<b>\$2,141,841</b>	<b>\$2,175,404</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable - trade	\$56,686	\$54,693
Accounts payable - related party	570,000	570,000
Accrued expenses	43,750	6,000
Deferred revenue	80,772	49,252
Total Liabilities	751,208	679,945
Stockholders' Equity		
Common stock, \$.001 par value, 500,000,000 shares authorized, 14,232,496 and 14,232,496 shares issued and outstanding	14,232	14,232
Preferred stock, \$.001 par value, 10,000,000 shares authorized, 65 shares issued and outstanding	-0-	-0-
Stock warrants	20,058,051	20,058,051
Additional paid-in-capital	6,164,666	6,164,666
Accumulated deficit	(24,846,316)	(24,741,490)
Total Stockholders' Equity	1,390,633	1,495,459
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$2,141,841</b>	<b>\$2,175,404</b>

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



Table of Contents

## OPTIMIZERx CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

## FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	For the three months ended March 31, 2013	For the three months ended March 31, 2012
REVENUE		
Sales	\$669,290	\$329,403
TOTAL REVENUE	669,290	329,403
EXPENSES		
Operating expenses	774,172	630,322
TOTAL EXPENSES	774,172	630,322
OPERATING (LOSS)	(104,882 )	(300,919 )
OTHER INCOME (EXPENSE)		
Interest income	56	185
TOTAL OTHER INCOME (EXPENSE)	56	185
INCOME BEFORE PROVISION FOR INCOME TAXES	(104,826 )	(300,734 )
PROVISION FOR INCOME TAXES	-0-	-0-
NET (LOSS)	\$(104,826 )	\$(300,734 )
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	14,232,196	14,192,496
NET LOSS PER SHARE: BASIC AND DILUTED	\$(0.01 )	\$(0.02 )

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

Table of Contents

## OPTIMIZERx CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	For the three months ended March 31, 2013	For the three months ended March 31, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the period	\$(104,826)	\$(300,734)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	48,111	46,023
Stock-based compensation	-0-	120,054
Changes in:		
Accounts receivable	(43,871 )	355,412
Prepaid expenses	35,822	5,033
Accounts payable	1,993	(159,640)
Accrued expenses	37,750	(66,700 )
Deferred revenue	31,520	(127,452)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>6,499</b>	<b>(128,004)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	-0-	(1,424 )
Patent rights	(30,368 )	-0-
Website site development costs	-0-	(32,235 )
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(30,368 )</b>	<b>(33,659 )</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(23,869 )</b>	<b>(161,663)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>284,263</b>	<b>959,166</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$260,394</b>	<b>\$797,503</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$-0-	\$-0-
Cash paid for income taxes	\$-0-	\$-0-

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



Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 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**

**MARCH 31, 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 three months ended March 31, 2013 and 2012, respectively. The allowance for doubtful accounts was \$0 as of March 31, 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**

**MARCH 31, 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 not included in the diluted earnings per share calculation for March 31, 2013 and 2012, 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.

F-6

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2013**

## NOTE 3 – PREPAID EXPENSES

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

	2013	2012
Insurance	\$5,617	\$6,437
Rent	5,049	5,049
Consulting	21,670	31,672
Legal	0	25,000
Total prepaid expenses	\$32,336	\$68,158

## NOTE 4 – PROPERTY AND EQUIPMENT

The Company owned equipment recorded at cost which consisted of the following as of March 31, 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	(14,170)	(12,763)
Property and equipment, net	\$19,278	\$20,685

Depreciation expense was \$1,407 and \$1,300 for the three months ended March 31, 2013 and 2012, respectively.

## NOTE 5 – WEB DEVELOPMENT COSTS

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

	2013	2012
OptimizeRx web development	\$ 154,133	\$ 154,133
SampleMD web development	602,517	602,517
Subtotal, web development costs	756,650	756,650
Accumulated amortization	(342,924)	(310,352)
Impairment	(59,083 )	(59,083 )
Web development costs, net	\$ 354,643	\$ 387,215

Amortization is recorded using the straight-line method over a period of five years. 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 \$31,047 for the three months ended March 31, 2013 and 2012, respectively.

F-7



Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 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 the SampleMD patent, which consisted of the following as of March 31, 2013 and December 31, 2012:

	2013	2012
Patent rights and intangible assets	\$960,368	\$930,000
Accumulated amortization	(150,896)	(136,764)
Patent rights and intangible assets, net	\$809,472	\$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 \$14,132 and \$13,676 for the three months ended March 31, 2013 and 2012, respectively.

**NOTE 7 – ACCRUED EXPENSES**

On January 14, 2013, the Company hired a new CEO. The employment agreement requires annual compensation of \$175,000 that will be accrued and deferred until at least January 1, 2014. Additionally, the agreement requires the issuance of 2,000,000 options with an exercise price of \$1.00 for a term of five years. The options are not exercisable until at least January 1, 2014. The Company has accrued \$43,750, or three months compensation, at March 31, 2013.

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

	2013	2012
Accrued compensation	\$43,750	\$0
Accrued audit fees	0	6,000
Total accrued expenses	\$43,750	\$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 \$80,772 and \$49,252 as of March 31, 2013 and December 31, 2012, respectively.

F-8

Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 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 December 31, 2012.

There were 14,232,496 and 14,232,496 common shares issued and outstanding at March 31, 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 as of March 31, 2013.

NOTE 11 – PREFERRED STOCK

Series A Preferred

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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.

F-9

Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2013**

NOTE 11 – PREFERRED STOCK (CONTINUED)

Series A Preferred Continued

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 as of December 31, 2012 and undeclared dividends of \$175,000 due in February 2013.

Series B Preferred

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 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 1,500,000 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 12.

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 as of December 31, 2012 and undeclared dividends of \$75,000 due in February 2013.

F-10

Table of Contents

**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 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.

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 \$4,818 during the quarter ended March 31, 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.

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The Company recognized expenses of \$8,346 during the year ended December 31, 2011 and \$25,039 during the quarter ended March 31, 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 \$17,546 during the three months ended March 31, 2012. The balance was expensed during the three months ended June 30, 2012.

F-11



Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2013**

## NOTE 12 – STOCK OPTIONS AND WARRANTS (CONTINUED)

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 \$10,002 during the three months ended March 31, 2013. The remaining balance will be recognized over the remainder of 2013.

The Company had the following options outstanding as of March 31, 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, March 31, 2013	25,000	\$ 1.58

The Company had the following warrants outstanding as of March 31, 2013:

	Number of Warrants	Weighted average exercise price
Outstanding, January 1, 2012	14,344,434	\$ 2.41

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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	0	0
Balance, March 31, 2013	14,344,434	\$ 2.41

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

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2013**

## NOTE 14 – MAJOR CUSTOMERS

The Company had three major customers that accounted for 72% and four major customers that accounted for 74% of the Company's revenues for the three months ended March 31, 2013 and 2012, respectively. The Company expects to continue to maintain these relationships with the customers.

## NOTE 15 – INCOME TAXES

For the three months ended March 31, 2013, the Company incurred a net loss of approximately \$105,000 and therefore has no tax liability. The Company began operations in 2007 and has previous net operating loss carry-forwards of \$13,843,000 through December 31, 2012. The cumulative loss of \$13,948,000 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.

The provision for Federal income tax consists of the following for the three months ended March 31, 2013 and 2012:

	2013	2012
Federal income tax benefit attributable to:		
Current operations	\$36,000	\$102,000
Valuation allowance	(36,000)	(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 March 31, 2013 and December 31, 2012:

	2013	2012
Deferred tax asset attributable to:		
Net operating loss carryover	\$4,742,000	\$4,706,000

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Valuation allowance	(4,742,000)	(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 \$13,948,000 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 requires annual compensation of \$175,000 that will be accrued and deferred until at least January 1, 2014. Additionally, the agreement requires the issuance of 2,000,000 options with an exercise price of \$1.00 for a term of five years. The options are not exercisable until at least January 1, 2014, and are only exercisable after reaching certain financial terms and conditions. Due to these restrictions, no accrual has been made for the issuance of these options.

F-13

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2013**

## NOTE 17 – OPERATING EXPENSES

Operating expenses consisted of the following for the three months ended March 31, 2013 and 2012, respectively:

	2013	2012
Advertising	\$3,340	\$11,270
Professional fees	53,098	38,003
Consulting	20,407	6,615
Salaries, wages and benefits	375,071	306,895
Rent	15,148	16,918
Depreciation and amortization	48,111	46,023
Stock-based compensation	10,002	127,548
Revenue share expense	40,203	0
General and administrative	208,792	77,050
Total Operating Expenses	\$774,172	\$630,322

## NOTE 18 – SECURITIES REDEMPTION OPTION

On January 10, 2013, the Company entered into a Securities Redemption Option Agreement with Vicis Capital Master Fund (“Vicis”) that provides the Company with an option to purchase all of the outstanding shares and derivative securities held by Vicis for total payment of nine million dollars (\$9,000,000). The shares and derivative securities include the Series A Convertible Preferred Stock, Series B Convertible Preferred Stock, Common Stock, and warrants to purchase shares of Series A Convertible Preferred Stock and Series B Convertible Preferred Stock held by Vicis. The Company’s option expires on December 31, 2013 and may be extinguished if Vicis sells its securities before the Company exercises its option.

## NOTE 19 – SUBSEQUENT EVENTS

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to March 31, 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 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**

We more than doubled our revenues from \$329,403 in Q1 2012 to \$669,290 in Q1 2013. Our bottom line improved with net loss of \$104,826 in Q1 2013, as compared with a net loss of \$300,734 in Q1 2012. As net income less all non-cash expenses was \$2,963 in Q1 2013, the total loss for the period was due in large part to the \$150,000 payment to Allscripts for revenue share and final development payout.

In Q1 2013, SampleMD generated 177,000 new ePrescriptions with Co-Pay Coupons of Free Sample Voucher to help patients more affordably start and stay on their prescribed medications. In March of 2013 alone we distributed over 85,000 patient coupons. We look forward to increasing our ability to generate more prescriptions for our pharmaceutical clients, increasing our revenue contributions to our ePrescribing and EHR partners, and improving adherence and outcomes for health care providers and their patients.

Kicking off the new year, we have continued 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 Q1 2013, we renewed and launched many brand support programs, including eVouchers, eCopay Coupons and Patient Education, from all of the major pharmaceutical and medical manufacturers currently engaged within the SampleMD promotional program. We launched new programs with Eli Lilly, Roche Diagnostics, Pfizer, Daiichi Sankyo, Alcon Laboratories, and many others. The industry continues to acknowledge SampleMD's leadership in the marketplace through new program awards and new inquiries for partnerships.



Table of Contents

We have also continued the integration for SampleMD into HealthTronics, the largest Urology EMR in the country, which serves over 2,200 doctors and is targeted to launch in Q2 2013. This specialty network is very significant to some of our current coupons for brands like Cialis and Vesicare, as well as positioning us to acquire other new brands and manufacturers who seek to reach these types of specialists. SampleMD is also in direct discussion with some of the largest remaining EMRs and ePrescribing platforms, along with the largest hospitals and health systems.

To further escalate our value and growth, we have formalized a partnership agreement with one of the premier and most respected brands in the industry: PDR, also known as Physicians Desk Reference. This allows both companies to leverage synergistic strengths to offer more solutions and reach to the pharmaceutical industry, as well as more value to the electronic health records (EMR/EHR) platforms. SampleMD will be PDR's eCoupon and Rep invite platform, and PDR will enable expansion of SampleMD's reach to additional EMRs and directly to physicians' offices via a PDR-branded downloadable desktop application of the SampleMD solution.

As previously noted, in Q4 2012, we were awarded a patent for our innovative SampleMD solution (US Patent No. 8,341,015). We continue to utilize Harness, Dickey & Pierce, a nationally ranked IP firm, to further expand and protect our intellectual property. Through them, we have filed two additional patents on our technology, and we will also use them, along with corporate counsel, to aggressively protect our IP. Management believes our current IP pipeline, as well as our ongoing focus on expanding and protecting our IP, will allow us to continue being the leader in this rapidly growing space.

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 March 31, 2013 and 2011**

***Revenues***

Our total revenue reported for Q1 2013 was \$669,290, an increase of \$339,887 from Q1 2012.

Our increased revenue for Q1 2013 as compared with Q1 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 \$774,172 for Q1 2013 from \$630,322 for Q1 2012. Our major expenses for Q1 2013 were payroll of \$281,786, development costs of \$160,908, employee benefits of \$49,535, depreciation and amortization of \$48,111, accrued payroll of \$43,750, legal and accounting expenses of \$41,598, and revenue share expenses of \$40,203. In comparison, our major expenses for Q1 2012 were payroll of \$251,227, share based compensation of \$127,548, employee benefits of \$55,668, and depreciation and amortization of \$46,023.

Our expenses increased in Q1 2013 as compared with Q1 2012 largely as a result of increased development costs, payroll, legal and accounting fees, and consulting fees, in addition to accrued payroll and revenue share expenses which were non-existent in Q1 2012.

### **Net Loss**

Net loss for Q1 2013 was \$104,826, compared to net loss of \$300,734, for Q1 2012.

Table of Contents

**Liquidity and Capital Resources**

As of March 31, 2013, we had total current assets of \$953,399 and total assets in the amount of \$2,141,841. Our total current liabilities as of March 31, 2013 were \$751,208. We had working capital of \$202,191 as of March 31, 2013.

Operating activities provided \$6,499 in cash for the three months ended March 31, 2013. Our positive operating cash flow was largely a result of \$48,111 in depreciation and amortization, \$37,750 in accrued expenses, \$35,822 in prepaid expenses, and \$31,520 in deferred revenue, offset by our net loss of \$104,826 and accounts receivable of \$43,871.

Investing activities used \$30,368 during the three months ended March 31, 2013 entirely as a result of patent rights.

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.

We have 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.

Our financing deal with Vicis has lapsed according to the terms of the Securities Purchase Agreement. However, we are in discussions with Vicis, who we feel is a committed financial partner, to address our capital needs as we continue to generate revenues and our business expands. There is no written agreement in place for such financing, but we will update our disclosures if and when such financing becomes available.

On January 10, 2013, we entered into a Securities Redemption Option Agreement with Vicis that provides us with an option to purchase all of the outstanding shares and derivative securities held by Vicis for total payment of nine million dollars (\$9,000,000). The shares and derivative securities include the Series A Convertible Preferred Stock, Series B Convertible Preferred Stock, Common Stock, and warrants to purchase shares of Series A Convertible Preferred Stock and Series B Convertible Preferred Stock held by Vicis. Our option expires on December 31, 2013 and may be extinguished if Vicis sells its securities before we exercise our option.

As of March 31, 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 from Vicis. We are uncertain what type of financing we will need as we continue to ramp up our revenue stream. As mentioned, we are continually in contact with Vicis about our financing needs and hope to have something in place if we need more cash.

### **Off Balance Sheet Arrangements**

As of March 31, 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 polices” 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.

Table of Contents

**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 March 31, 2013. 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 March 31, 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 March 31, 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 5, 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 25, 2013, a Settlement and Patent License Agreement was reached with LDM, and LDM subsequently dismissed the lawsuit with prejudice. On April 23, 2013, we were notified by LDM that they are going to attempt to terminate that agreement, and reinstitute the patent infringement action. We intend to vigorously enforce the Settlement and Patent License Agreement and defend the action brought by 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 March 31, 2013, no further action has occurred in that case.

**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**

N/A

**Item 5. Other Information**

None

**Item 6. Exhibits**

<b><u>Exhibit Number</u></b>	<b><u>Description of Exhibit</u></b>
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 March 31, 2013 formatted in Extensible Business Reporting Language (XBRL).

\*\*Provided herewith

8



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: May 15, 2013

By: s/ Shad Stastney

Shad Stastney

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

