

OptimizeRx Corp  
Form 10-Q  
November 16, 2010

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,  
2010

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  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.

Edgar Filing: OptimizeRx Corp - Form 10-Q

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:  
13,233,754 shares as of September 30, 2010.

---

Table of Contents

## TABLE OF CONTENTS

	Page
PART I – FINANCIAL INFORMATION	
<u>Item 1:</u>	<u>Financial Statements</u> <span style="float: right;"><u>3</u></span>
<u>Item 2:</u>	<u>Management’s Discussion and</u> <span style="float: right;"><u>4</u></span> <u>Analysis of Financial Condition and</u> <u>Results of Operations</u>
<u>Item 3:</u>	<u>Quantitative and Qualitative</u> <span style="float: right;"><u>11</u></span> <u>Disclosures About Market Risk</u>
<u>Item 4T:</u>	<u>Controls and Procedures</u> <span style="float: right;"><u>11</u></span>
PART II – OTHER INFORMATION	
<u>Item 1:</u>	<u>Legal Proceedings</u> <span style="float: right;"><u>12</u></span>
<u>Item 1A:</u>	<u>Risk Factors</u> <span style="float: right;"><u>12</u></span>
<u>Item 2:</u>	<u>Unregistered Sales of Equity</u> <span style="float: right;"><u>12</u></span> <u>Securities and Use of Proceeds</u>
<u>Item 3:</u>	<u>Defaults Upon Senior Securities</u> <span style="float: right;"><u>12</u></span>
<u>Item 4:</u>	<u>Removed and Reserved</u> <span style="float: right;"><u>12</u></span>
<u>Item 5:</u>	<u>Other Information</u> <span style="float: right;"><u>12</u></span>
<u>Item 6:</u>	<u>Exhibits</u> <span style="float: right;"><u>12</u></span>

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, 2010 (unaudited) and December 31, 2009;

F-2 Consolidated Statements of Operations for the three months ended September 30, 2010 and 2009;

F-3 Consolidated Statements of Operations for the nine months ended September 30, 2010 and 2009 and for the period from January 31, 2006 (Inception) to September 30, 2010 (unaudited);

F-4 Consolidated Statement of Stockholders' Equity as of September 30, 2010 (unaudited);

F-5 Consolidated Statements of Cash Flow for the nine months ended September 30, 2010 and 2009 and for the period from January 31, 2006 (Inception) to September 30, 2010 (unaudited);

F-6 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, 2010 are not necessarily indicative of the results that can be expected for the full year.

Table of ContentsOPTIMIZER<sub>x</sub> CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2010 (UNAUDITED) AND DECEMBER 31, 2009

ASSETS	September 30, 2010 (Unaudited)	December 31, 2009
Current Assets		
Cash and cash equivalents	\$ 674,375	\$ 656,394
Accounts receivable	35,675	14,465
Prepaid expenses	10,588	8,092
Total Current Assets	720,638	678,951
Property and Equipment, net		
	13,514	13,581
Other Assets		
Patent rights	974,762	0
License fees, net	15,000	0
Website development costs, net	328,950	197,610
Total Other Assets	1,318,712	197,610
<b>TOTAL ASSETS</b>	<b>\$ 2,052,864</b>	<b>\$ 890,142</b>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable – trade	\$ 57,414	\$ 33,224
Accounts payable – related party	570,000	0
Accrued expenses	0	4,606
Total Liabilities	627,414	37,830
Stockholders' Equity		
Common stock, \$0.001 par value, 500,000,000 shares authorized, 13,233,754 shares issued and outstanding (12,826,117 – 2009)	13,234	12,826
Series A Convertible Preferred stock, \$0.001 par value, 1,000 shares	0	0

authorized, 35 shares issued and outstanding (35 – 2009)		
Series B Convertible Preferred stock, \$.001 par value, 1,000 shares authorized, 15 shares issued and outstanding (0 – 2009)	0	0
Stock warrants	23,170,961	18,139,252
Additional paid-in-capital	0	1,747,962
Deficit accumulated during the development stage	(21,758,745)	(19,047,728)
Total Stockholders' Equity	1,425,450	852,312
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 2,052,864</b>	<b>\$ 890,142</b>

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

Table of ContentsOPTIMIZER<sub>x</sub> CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

	For the Three Months Ended September 30, 2010 (Unaudited)	For the Three Months Ended September 30, 2009 (Unaudited)
REVENUES	\$ 40,676	\$ 6,908
OPERATING EXPENSES	545,889	625,953
LOSS FROM OPERATIONS	(505,213)	(619,045)
OTHER INCOME (EXPENSE)		
Interest income	635	5,647
Interest expense	-	(697)
TOTAL OTHER INCOME (EXPENSE)	635	4,950
LOSS BEFORE PROVISION FOR INCOME TAXES	(504,578)	(614,095)
PROVISION FOR INCOME TAXES	0	0
NET LOSS	\$ (504,578)	\$ (614,095)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	13,233,754	12,609,094
NET LOSS PER SHARE: BASIC AND DILUTED	\$ (0.04)	\$ (0.05)

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

Table of ContentsOPTIMIZER<sub>x</sub> CORPORATION

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

FOR THE PERIOD FROM JANUARY 31, 2006 (INCEPTION) TO SEPTEMBER 30, 2010

	For the Nine months ended September 30, 2010 (Unaudited)	For the Nine months ended September 30, 2009 (Unaudited)	For the Period from January 31, 2006 (Inception) to September 30, 2010 (Unaudited)
REVENUE	\$ 58,679	\$ 11,628	\$ 269,406
OPERATING EXPENSES	1,701,067	2,265,831	6,607,156
LOSS FROM OPERATIONS	(1,642,388)	(2,254,203)	(6,337,750)
OTHER INCOME (EXPENSE)			
Interest income	2,165	28,311	37,444
Other income	-	1,783	1,471
Interest expense	(226)	(966)	(7,395)
Stock-based compensation	-	-	(4,684,537)
TOTAL OTHER INCOME (EXPENSE)	1,939	29,128	(4,653,017)
LOSS BEFORE PROVISION FOR INCOME TAXES	(1,640,449)	(2,225,075)	(10,990,767)
PROVISION FOR INCOME TAXES	0	0	0
NET LOSS	\$ (1,640,449)	\$ (2,225,075)	\$ (10,990,767)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	13,057,058	12,503,083	
NET LOSS PER SHARE: BASIC AND DILUTED	\$ (0.13)	\$ (0.18)	

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



Table of Contents

OPTIMIZERx CORPORATION

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

AS OF SEPTEMBER 30, 2010

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Warrants	Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Stockholders' Equity
Balance, December 31, 2009	12,826,117	\$12,826	35	\$0	\$18,139,252	\$1,747,962	\$(19,047,728)	\$852,312
Issuance of common stock for services	103,000	103	-	-	-	201,037	-	201,140
Conversion of warrants to common stock	25,000	25	-	-	(9,881)	18,606	-	8,750
Issuance of common stock for preferred dividends	236,598	237	-	-	-	524,763	(525,000)	0
Issuance of preferred stock	-	-	15	-	-	1,500,000	-	1,500,000
Issuance of stock options for patent rights	-	-	-	-	-	404,762	-	404,762
Issuance of warrants in connection with preferred stock issuance	-	-	-	-	5,096,472	(4,550,903)	(545,569)	0
	43,039	43	-	-	(153,816)	153,773	-	0

Conversion of warrants to common stock									
Issuance of warrants for services -	-	-	-	-	98,934	-	-	-	98,934
Net loss for the nine months ended September 30, 2010	-	-	-	-	-	-	(1,640,449)	-	(1,640,449)
Balance, September 30, 2010	13,233,754	\$13,234	50	\$0	\$23,170,961	\$0	\$(21,758,745)		\$1,425,450

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

F-4

---

Table of ContentsOPTIMIZER<sub>x</sub> CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

FOR THE PERIOD FROM JANUARY 31, 2006 (INCEPTION) TO SEPTEMBER 30, 2010

	For the Nine months ended September 30, 2010 (Unaudited)	For the Nine months ended September 30, 2009 (Unaudited)	For the Period from January 31, 2006 (Inception) to September 30, 2010 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the period	\$ (1,640,449)	\$ (2,225,075)	\$ (10,990,767)
Adjustments to reconcile net income to net cash used in operating activities			
Depreciation and amortization	24,417	24,386	91,947
Stock issued for services	201,140	921,491	1,279,380
Compensation expense for stock options	0	0	333,004
Stock warrants issued for services	98,935	0	4,783,472
Changes assets and liabilities:			
Accounts receivable	(21,210)	(4,892)	(35,675)
Prepaid expenses	(2,495)	(7,514)	(10,588)
Loan receivable	0	1,346	0
Accounts payable	24,188	(160,083)	57,413
Accrued expenses	(4,605)	(41,933)	0
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,320,079)</b>	<b>(1,492,274)</b>	<b>(4,491,814)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	(1,230)	0	(18,118)
License fees	(15,000)	0	(15,000)
Website development costs	(154,660)	0	(416,293)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(170,690)</b>	<b>0</b>	<b>(449,411)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Members capital contributions	0	0	404,600
Issuance of common stock	0	0	936,000
Issuance of preferred stock	1,500,000	0	4,485,000
Payments on loan payable	0	(4,000)	(647,750)
Payment for conversion of warrants to stock	8,750	0	43,750
Proceeds from issuance of notes payable	0	0	394,000

Edgar Filing: OptimizeRx Corp - Form 10-Q

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,508,750	(4,000)	5,615,600
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,981	(1,496,274)	674,375
CASH AND CASH EQUIVALENTS - BEGIN OF PERIOD	656,394	2,502,659	0
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 674,375	\$ 1,006,382	\$ 674,375
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	\$ 226	\$ 1,793	\$ 6,472
Cash paid for income taxes	\$ 0	\$ 0	\$ 0
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES			
Distributions paid though issuance of notes payable-related party	\$ 0	\$ 0	\$ 253,750
Conversion of warrants to common stock	\$ 153,816	\$ 705,285	\$ 859,101

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

F-5

---

Table of Contents

OPTIMIZER<sub>x</sub> CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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 development stage website publisher and marketing company that creates, promotes and fulfills custom marketing and advertising programs. The Company helps patients better afford and manage their rising healthcare costs. In addition, the Company also provides unique advertising programs to the pharmaceutical and healthcare industries. The Company's websites provide the following services: (i) OptimizeRx provides patients an opportunity to centrally review and participate in prescription and healthcare savings/support programs; (ii) OFFER<sub>x</sub> provides a platform to allow manufacturers to create, promote and fulfill new patient offer programs in over 64,000 pharmacies; and (iii) ADHER<sub>x</sub>E provides a platform that allows manufacturers to engage and monitor patients each month in exchange for activation of their monthly co-pay coupons.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied to the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Company is currently a development stage enterprise. All losses accumulated since the inception of the business have been considered as part of its development stage activities. Revenues are recognized as income when earned and expenses are recognized when they are incurred.

Basis of Presentation

The accompanying unaudited interim 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 period ended December 31, 2009. 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.

F-6

---

Table of Contents

OPTIMIZERx CORPORATION

(A DEVELOPMENT STAGE COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

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

Property and Equipment

The capital assets are being depreciated over their estimated useful lives using the straight-line method of depreciation for book purposes. As of October 18, 2007, the Company acquired the majority of its capital assets at the lower market cost from the Optimizer Systems, LLC.

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 is currently in launch phase with SampleMD to allow pharmaceutical and healthcare manufacturers a unique way to engage and monitor patients each month in exchange for activation of their next savings offer.

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.

Revenue Recognition

Substantially all revenue is recognized when it is earned. All revenues are generated through the Company's website activities. 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.

Management 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.

F-7

---



Table of Contents

OPTIMIZER<sub>x</sub> CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Concentration of Credit Risks

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

## 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 September 30, 2010 and September 30, 2009, respectively, since their effect is anti-dilutive.

## Recently Issued Accounting Guidance

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

## NOTE 3 – PROPERTY AND EQUIPMENT

The Company owned equipment recorded at cost which consisted of the following:

	September 30, 2010	December 31, 2009
Computer equipment	\$ 13,824	\$ 12,594
Furniture and fixtures	4,294	4,294
Subtotal	18,118	16,888
Less:		
Accumulated depreciation	(4,604)	(3,307)
Property and equipment, net	\$ 13,514	\$ 13,581

Depreciation expense was \$1,297 and \$1,689 for the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively.

## NOTE 4 – WEBSITE DEVELOPMENT COSTS

The Company has capitalized costs in developing their website, which consisted of the following:

	September 30, 2010	December 31, 2009
Website development costs	\$ 416,292	\$ 261,833
Less: Accumulated amortization	(87,342)	(64,223)
Website development costs, net	\$ 328,950	\$ 197,610

The Company began amortizing the website costs, using the straight-line method over the estimated useful life of five years, once it was put into service in December 2007. The Company is currently developing a new website and has capitalized \$197,359. The site is currently in process and has not started to be amortized at September 30, 2010. Amortization expense was \$23,120 for the nine months ended September 30, 2010 and \$30,827 for the year ended December 31, 2009, respectively.

Table of ContentsOPTIMIZER<sub>x</sub> CORPORATION

(A DEVELOPMENT STAGE COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

## NOTE 5 – ACCRUED EXPENSES

Accrued expenses consisted of the following:

	September 30, 2010	December 31, 2009
Accrued payroll taxes	\$ 0	\$ 106
Accrued audit fees	0	4,500
Accrued expenses	\$ 0	\$ 4,606

## NOTE 6 – COMMON STOCK

OptimizeRx Corporation has 500,000,000 shares of \$.001 par value common stock authorized as of September 30, 2010. There were 13,233,754 and 12,826,117 common shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively.

During the nine months ended September 30, 2010 and 2009, 103,000 and 197,251 shares were issued as compensation for services, respectively. Included in operating expenses at September 30, 2010 and 2009 is \$201,140 and \$921,491 for the issuance of these shares. There were 43,039 and 365,908 shares issued as a cashless exchange of common stock warrants during the nine months ended September 30, 2010 and year ended December 31, 2009, respectively.

During the nine months ended September 30, 2010, the Company acquired from an officer the technical contributions and assignment of all exclusive rights to and for the Sample MD patent currently in process in exchange for 200,000 stock options valued at \$404,762 and a payable of 300,000 shares of common stock to be granted at a later date. These shares were valued at the date of the assignment for \$570,000 and have been recorded as a related party payable.

Additionally, during the nine months ended September 30, 2010, stock warrants with an exercise price of \$.35 per share were converted into 25,000 shares of common stock in exchange for \$8,750.

## NOTE 7 – PREFERRED STOCK

## Series A Preferred

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

The holders of the preferred stock are entitled to semi-annual dividends payable on the stated value of the Series A preferred stock at a rate of 10% per annum, which shall be cumulative, and accrue daily from the issuance date. The

dividends may be paid in cash or shares of the Company's common stock at management's discretion. If after the conversion eligibility date, the market price for the common stock for any ten consecutive trading days in which the stock trades for over \$2 per share and trading exceeds 100,000 shares per day, the preferred shareholders can be required to convert their shares to common stock. Each share of Series A preferred stock shall also be convertible at the option of the holder into that number of shares of common stock of the Company at the stated value of such share at a \$1 conversion price.

F-9

---

Table of Contents

OPTIMIZER<sub>x</sub> CORPORATION

(A DEVELOPMENT STAGE COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 7 – PREFERRED STOCK (CONTINUED)

Series A Preferred (continued)

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. The shares are required to be redeemed on September 5, 2010.

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. As of September 30, 2010, all preferred stock dividends are current.

Series B Preferred

During the nine months ended September 30, 2010, 15 preferred shares were issued for \$1,500,000. The 15 shares are convertible to 1,500,000 shares of common stock and bear a 10% cumulative dividend. In addition, there was a warrant issued to purchase 2,000,000 shares of common stock at an exercise price of \$3 for a period of seven years.

The 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. The shares are required to be redeemed on June 30, 2011. As of September 30, 2010, no cumulative dividends have been declared or accrued.

NOTE 8 – STOCK-BASED COMPENSATION

Effective January 1, 2006, the Company adopted SFAS No. 123 (revised), "Share-Based Payment: (SFAS 123(R)) utilizing the modified prospective approach. Prior to the adoption of SFAS 123(R) we accounted for stock option grant in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," and accordingly, recognized compensation expense for stock option grants using the intrinsic value method.

Under the modified prospective approach, SFAS 123(R) applies to new awards and to awards that were outstanding on January 1, 2006 that are subsequently modified, repurchased or cancelled. Under the modified prospective approach, compensation cost recognized in the first quarter of fiscal 2006 includes compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006 based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and compensation cost for all share-based payments granted subsequent to January 1, 2006 based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). For all quarters after the first quarter of fiscal 2006, compensation costs recognized will include the compensation costs for all share-based payments granted based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R).

F-10

---

Table of Contents

OPTIMIZERx CORPORATION

(A DEVELOPMENT STAGE COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 8 – STOCK-BASED COMPENSATION (CONTINUED)

The fair value of each option granted in 2010 is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 262%, risk-free interest rate of 2.54% and expected life of 60 months. The Company capitalized \$404,762 on the 200,000 options issued on April 19, 2010 related to the patent rights.

The fair value of each option granted in 2009 is estimated on the date of grant using the Black-Scholes Option Pricing Model. The Company recognized expense of \$1,939,257 on the 1,050,000 options and warrants in 2009.

NOTE 9 – STOCK WARRANTS

During the nine months ended September 30, 2010, the Company exchanged 75,400 common stock warrants with an exercise price of \$1 for 43,039 shares of common stock in a cashless exchange. This exchange has been reflected in the stockholders' equity for 2010. The Company capitalized \$404,762 on the 200,000 options issued on April 19, 2010 related to the patent rights.

The company also issued 100,000 warrants in exchange for services during the three months ended September 30, 2010. The warrants were valued at \$98,935 and recorded in consulting expenses. The fair value of the warrants granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 241%, risk-free interest rate of 1.26% and expected life of 60 months.

During the year ended December 31, 2009, the Company exchanged 173,000 common stock warrants with an exercise price of \$1 and 108,908 common stock warrants with an exercise price of \$2, for 365,908 shares of common stock in a cashless exchange. This exchange has been reflected in the stockholders' equity for 2009.

The Company issued 300,000 stock warrants in connection with non-employee services. The Company also issued 750,000 warrants as part of employment agreements with various employees. The Company has accounted for these warrants as equity instruments in accordance with EITF 00-19 (ASC 815-40), Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock, and as such, will be classified in stockholders' equity as they meet the definition of "...indexed to the issuer's stock" in EITF 01-06 (ASC 815-40) The Meaning of Indexed to a Company's Own Stock. The Company has estimated the fair value of the warrants issued in connection with the non-employee services at \$616,079, and the employment agreements at \$1,323,178, as of December 31, 2009 using the Black-Scholes option pricing model.

The Company issued 3,000,000 stock warrants in connection with obtaining additional capital. The Company has accounted for these warrants as equity instruments in accordance with EITF 00-19 (ASC 815-40), Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock, and as such, will be classified in stockholders' equity as they meet the definition of "...indexed to the issuer's stock" in EITF 01-06 (ASC 815-40), The Meaning of Indexed to a Company's Own Stock. The Company has estimated the fair value of the warrants issued at \$5,096,472, as of September 30, 2010 using the Black-Scholes option pricing model.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Company leases their offices for \$2,500 a month on a month-to-month rental.

F-11

---



Table of Contents

## OPTIMIZERx CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

## NOTE 11 – INCOME TAXES

For the nine months ended September 30, 2010, the Company incurred a net loss of approximately \$1,640,000 and therefore has no tax liability. The Company began operations in 2007 and has previous net operating loss carry-forwards of \$12,276,000 through December 31, 2009. The cumulative loss of approximately \$13,916,000 will be carried forward and can be used in various amounts through the year 2030 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 cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

	September 30, 2010	December 31, 2009
Deferred tax asset attributable to:		
Net operating loss carryover	\$ 4,731,440	\$ 3,788,000
Valuation allowance	(4,731,440)	(3,788,000)
Net deferred tax asset	\$ -0-	\$ -0-

## NOTE 12 – OPERATING EXPENSES

Operating expenses consisted of the following for the three months ended September 30, 2010 and 2009.

	2010	2009
Advertising	\$ 32,146	\$ 317,670
Professional fees	89,557	60,724
Consulting	138,554	-
Salaries and wages	193,188	136,828
Rent	7,500	7,500
General and administrative	84,944	103,181
Total Operating Expenses	\$ 545,889	\$ 625,953

Operating expenses consisted of the following for the nine months ended September 30, 2010 and 2009.

	2010	2009
Advertising	\$ 123,411	\$ 634,523
Professional fees	158,911	86,350
Consulting	670,707	799,105
Salaries and wages	512,473	431,956
Rent	22,500	22,500
General and administrative	213,065	291,397
Total Operating Expenses	\$ 1,701,067	\$ 2,265,831

Table of Contents

OPTIMIZER<sub>x</sub> CORPORATION

(A DEVELOPMENT STAGE COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 13 – GOING CONCERN

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

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

NOTE 14 – SUBSEQUENT EVENTS

On October 5, 2010, the Company issued a secure promissory note in the amounts of \$1,000,000 to an investor. The investor also received a seven year warrant to purchase up to 1,000,000 shares of common stock at an initial exercise price of \$2.25 per share and a contingent seven year warrant to purchase up to an aggregate of 1,000,000 shares of common stock at an initial exercise price of \$2.00 per share based on royalties received under a Strategic Partnering Agreement with the investor.

Management has analyzed its operations subsequent to September 30, 2010 to November 15, 2010, 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 event listed 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,” “estimate,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. We intend for 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.

Company Overview

We conduct all of our operations through our wholly-owned subsidiary, OptimizeRx Michigan. We are a development-stage company that has developed a direct to consumer website, [www.optimizeRx.com](http://www.optimizeRx.com) (our “Site”), and our direct to physician solution, SampleMD, to help medical patients better afford and manage their rising healthcare costs. In addition, we provide unique advertising programs to the pharmaceutical and healthcare industries.

We recognize that patients have increasing influence in their healthcare decisions, particularly in their medications: what to buy, where to buy, and how to buy. However, there is very little information available to consumers regarding how to access available savings and support programs. We developed our Site to enable consumers to meet their prescribed pharmacological therapies in the most cost-effective manner possible. Our Site is a portal that identifies programs and savings that are available to consumers, based upon their needs. By creating a portal by which consumer’s access savings on their pharmaceutical needs, we have also created a Site where pharmaceutical companies can reach consumers with their advertising and other programs.

Table of Contents

During the current reporting period, we have continued to invest in SampleMD, which offers a virtual “patient support center” that allows physicians and staff to easily search, select and distribute sample prescription drug vouchers, co-pay coupons and other support information to patients and pharmacies -- right from their desktop or electronic medical records (EMR) system. For example, if a physician or staff member searches for a particular drug, all available coupons or vouchers for that particular drug will appear on the clinician’s desktop. The clinician can then choose to electronically send or print out the coupon or voucher for the patient, as well as e-mail the assigned coupon or voucher directly to the patient to ensure they redeem and fill the prescription.

On July 16, 2010, we entered into a Master Services Agreement with Walgreens Health Initiatives in order to promote Walgreens product savings and special offers within the SampleMD platform. In turn for our promotional services, our primary compensation will be based on the number of Walgreens offer transactions are generated by physicians using the SampleMD platform to help their patients better afford the medicines and healthcare products they need.

In addition, Advocate Health Partners, a joint venture between the Advocate Health Care system and 3,600 physicians on the medical staffs of Advocate hospitals, has signed an agreement to utilize SampleMD. NuHealth System, a Long Island healthcare organization, has also signed an agreement to utilize SampleMD, and Saint Barnabas Health Care System, New Jersey’s largest integrated healthcare delivery system, has signed an agreement to utilize SampleMD as well.

More recently, we have entered into a partnership with Physicians Interactive Holding, LLC (“PI”), a leading digital sales and marketing partner of life sciences companies, to provide healthcare professionals with SampleMD. The partnership will allow each company to distribute each other’s products and services via web, desktop and mobile applications as well as to develop a joint solution that will combine each of the industry leading technologies for a “one-stop-shop” for clinicians to access numerous pharmaceutical samples, vouchers, co-pay programs and other patient support.

This partnership should increase the speed, ease and convenience with which clinicians can access pharma and life science products to better care for their patients. Doctors will be able to review a selected drug’s formulary status within the patients’ insurance plan to determine at what level the product is paid/reimbursed, as well as the latest product information and can directly contact the representative for more information through SampleMD.

We believe the launch of this new technology will expand accessibility options to healthcare providers and extends the channel reach of pharmaceutical companies eager to build loyalty, trust and credibility among physicians and office staff, as well as to overcome increasingly typical bans and restrictions on drug reps and sampling.

In addition to the partnership, PI has made a financial investment in our company, which is described in more detail below under the section titled “Liquidity and Capital Resources,” to help finance our operations going forward.

Table of Contents

## Results of Operations for the Three and Nine Months Ended September 30, 2010 and 2009

## Revenues

Our total revenue reported for three months ended September 30, 2010 was \$40,676, an increase from \$6,908 for the three months ended September 30, 2009.

Our total revenue reported for nine months ended September 30, 2010 was \$58,679, an increase from \$11,628 for the nine months ended September 30, 2009.

Our increased revenue for the three and nine months ended September 30, 2010 as compared with the prior year periods is a result of the initial launch of our SampleMD solution and the setup and integration fees for pharmaceutical manufacturers whom are participating within this offering.

Our revenues from our inception (January 31, 2006) through September 30, 2010 were \$269,406.

## Operating Expenses

Operating expenses decreased to \$545,889 for the three months ended September 30, 2010 from \$625,953 for the same period ended 2009. Our operating expenses for the three months ended September 30, 2010 as compared to the prior year period is set forth below:

	2010	2009
OPERATING EXPENSES		
Administrative	\$ -0-	\$ 15,000
Advertising	32,146	317,670
Auto expense	10,679	9,857
Bank charges	-0-	-0-
Commissions	-0-	-0-
Computer services	3,137	7,455
Consulting	39,619	-0-
Consulting - warrant expense	98,935	-0-
Consulting fees-officers	-0-	-0-
Contributions	21,957	-0-
Depreciation and amortization	8,159	8,128
Development costs	10,797	31,334
Education and training	6,552	-0-
Employee benefits	14,138	13,939

Edgar Filing: OptimizeRx Corp - Form 10-Q

Entertainment	-0-	49
Freight	55	18
General and administrative	1,583	819
Insurance	6,099	794
Legal and accounting	89,557	60,724
Licenses and fees	-0-	-0-
Miscellaneous	-0-	-0-
Office expense	1,519	4,908
Payroll	179,050	122,889
Printing	2,078	36
Public and investor relations	800	901
Rent	7,500	7,500
Repairs and maintenance	-0-	-0-
Salaries	-0-	-0-
Supplies	-0-	-0-
Taxes-other	204	93
Telephone	3,133	6,996
Travel	2,514	16,756
Utilities	678	87
Website maintenance	5,000	-0-
TOTAL OPERATING EXPENSES		
	\$ 545,889	\$ 625,953

Table of Contents

Operating expenses decreased to \$1,701,067 for the nine months ended September 30, 2010 from \$2,265,831 for the same period ended 2009. Our operating expenses for the nine months ended September 30, 2010 as compared to the prior year period is set forth below:

	2010	2009
OPERATING EXPENSES		
Administrative	\$ -0-	\$ -0-
Advertising	123,411	634,523
Auto expense	35,718	43,128
Bank charges	25	(7)
Commissions	10,000	(1,300)
Computer services	10,190	19,719
Consulting	441,091	799,105
Consulting - warrant expense	98,935	-0-
Consulting fees-officers	130,680	-0-
Contributions	22,007	50
Depreciation and amortization	24,417	24,386
Development costs	26,954	73,326
Education and training	6,819	6,585
Employee benefits	50,046	36,976
Entertainment	-0-	6,736
Freight	746	318
General and administrative	3,128	1,555
Insurance	15,946	10,206
Legal and accounting	158,911	86,350
Licenses and fees	-0-	-0-
Miscellaneous	-0-	-0-
Office expense	5,331	6,797
Payroll	461,327	352,966
Printing	2,477	2,841
Public and investor relations	2,550	31,824
Rent	22,500	22,500
	-0-	-0-



Edgar Filing: OptimizeRx Corp - Form 10-Q

Repairs and maintenance		
Salaries	1,100	42,014
Supplies	-0-	-0-
Taxes-other	229	93
Telephone	8,500	17,763
Travel	8,909	30,727
Utilities	1,640	924
Website maintenance	27,480	15,726
TOTAL OPERATING EXPENSES	\$ 1,701,067	\$ 2,265,831

Table of Contents

We have incurred operating expenses of \$6,607,156 from January 31, 2006 (Inception) to September 30, 2010.

On July 22, 2010, our board of directors approved an executive bonus program for the remainder of fiscal year ended 2010. Upon reaching certain milestones, we are obligated to pay up to \$100,000 in cash bonuses and 500,000 shares of our common stock in stock grants. This executive bonus program has increased our operating expenses for the 3rd quarter and is expected to increase our operating expenses for the 4th quarter.

Other Income

Other income was \$635 for the three months ended September 30, 2010 a decrease from other income of \$4,950 for same period ended 2009. The other income for both periods is mostly attributable to interest income.

Other income was \$1,939 for nine months ended September 30, 2010 a decrease from other income of \$29,128 for same period ended 2009. The other income for both periods is mostly attributable to interest income.

The decrease in other income is largely a result of the focus on the launch of SampleMD and the migration of the revenue model to the SampleMD channel opportunities including the integration of SampleMD into the Allscripts ePrescribe solution and integration of the SampleMD solution within the channel portfolio of offerings by Physicians Interactive.

We incurred other expenses of \$4,653,017 from January 31, 2006 (Inception) to September 30, 2010. Stock-based compensation accounted for \$4,684,537 of our total other expenses for this period.

Net Loss

Net loss for the three months ended September 30, 2010 was \$504,578, compared to net loss of \$614,095 for the same period 2009.

Net loss for the nine months ended September 30, 2010 was \$1,640,449, compared to net loss of \$2,225,075 for the same period 2009. We incurred a net loss of \$10,990,767 for the period from January 31, 2006 (Inception) to September 30, 2010.

Table of Contents

Liquidity and Capital Resources

As of September 30, 2010, we had total current assets of \$720,638 and total assets in the amount of \$2,052,864. Our total current liabilities as of September 30, 2010 were \$627,414. We had working capital of \$93,224 as of September 30, 2010.

Operating activities used \$1,320,079 in cash for the nine months ended September 30, 2010. Our net loss of \$1,640,449 was the primary component of our negative operating cash flow, offset mainly by \$201,140 in stock issued for services. Investing activities used \$170,690 during the nine months ended September 30, 2010 as a result of website development costs and license fees. Financing activities provided \$1,508,750 for the nine months ended September 30, 2010 largely as a result of the sale of our Series B Preferred Stock.

Subsequent to the reporting period, on October 5, 2010, we issued a secured promissory note (the "Note") in the principal amount of \$1,000,000 to Physicians Interactive, Inc., a Delaware corporation (the "Investor"). The Investor also received a seven year warrant to purchase up to 1,000,000 shares of our common stock at an initial exercise price of \$2.25 per share and a contingent seven year warrant to purchase up to an aggregate of 1,000,000 shares of our common stock at an initial exercise price of \$2.00 based on royalties we may receive under a Strategic Partnering Agreement we entered into with Physicians Interactive Holdings, LLC (together the "Warrants").

The Note accrues interest at a rate of 6% per annum, compounded on April and October each year, which will be paid together with the repayment of the principal amount at the earliest of (i) September 12, 2012; (ii) prepayment of the Note at our option (iii) the occurrence of an Event of Default (as defined in the Note); or (iv) the "Maturity Date" as defined in our Certificate of Designation for our Series B Convertible Preferred Stock.

The Notes and Warrants were issued pursuant to a Securities Purchase Agreement (the "Purchase Agreement") dated as of October 5, 2010 with the Investor. The Investor is entitled to certain contractual benefits under the Purchase Agreement, which are summarized as follows:

- § Until June 4, 2012 or until prepayment in full of all obligations under the Note, the right, subject to certain exceptions, to participate in any subsequent sale of our common stock or any securities convertible into our common stock up to 30% of the amount of the financing;
- § At any time when the Note is outstanding, the right to nominate a designee of Investor for election to our Board of Directors and to provide such nominee with D&O insurance coverage;
- § At any time when the Note is outstanding, we are prohibited from: issuing dividends or repurchasing our outstanding shares, incurring certain indebtedness, issuing securities that are senior to the Note; disposing of 20% of our assets; incurring a change in control; increasing the authorized size of our Board of Directors; entering into certain transactions with affiliates; or registering certain shares; and
- § Upon the occurrence and continuance of an Event of Default (as defined in the Purchase Agreement), the Investor may at any time (unless all defaults shall theretofore have been remedied) require us to pay immediately 125% of the sum of all unpaid principal on the Note plus all accrued but unpaid interest and other amounts payable thereunder.

## Table of Contents

Our wholly-owned subsidiary, OptimizeRx Corporation, a Michigan corporation (the “Guarantor”), entered into a Guaranty Agreement (the “Guaranty”) with Investor to guarantee the prompt and complete payment when due of all principal, interest and other amounts under the Note. The obligations under the Guaranty are independent of our obligations under the Note and separate actions may be brought against the Guarantor.

Vicis Capital Master Fund, a sub-trust of Vicis Capital Series Master Trust, a unit trust organized and existing under the laws of the Cayman Islands (“Vicis”) was instrumental in facilitating our \$1,000,000 financing transaction with Investor by participating and by making certain concessions in our transaction documents with the Investor. As previously reported, we entered into two financing transactions with Vicis. The first was a Securities Purchase Agreement for the sale of Series A Convertible Preferred Stock dated as of September 8, 2008 and the second was a Securities Purchase Agreement dated as of June 4, 2010 for the sale of Series B Convertible Preferred Stock (the “Vicis Financings”). In connection with the Vicis Financings, we granted Vicis a security interest in our assets and further agreed to register certain shares brought about by the financings. In order to induce the Investor to enter into an agreement with us, Vicis agreed to modify its security agreement and registration rights agreement.

Specifically, we entered into a Second Amended and Restated Security Agreement with Vicis and the Investor, which granted the parties a security interest in substantially all of our assets. The Guarantor also entered into a Second Amended and Restated Guarantor Security Agreement with Vicis and the Investor, which granted the parties a security interest in substantially all of the Guarantor’s assets.

We further entered into an Amended and Restated Registration Rights Agreement with Vicis and the Investor to file a registration statement upon demand to cover the resale of the shares of our common stock issuable upon exercise of the Investor’s Warrants, the shares of our common stock issuable upon conversion of Vicis’ Series B Convertible Preferred Stock, and the shares of our common stock issuable as dividends on the Series B Convertible Preferred Stock.

We were also a party to a Securityholders’ Agreement where Vicis and the Investor contracted over matters including, the maturity date for the Series A Convertible Preferred Stock and Series B Convertible Preferred Stock, preemptive rights for future financings, and voting rights for ominee directors. Finally, we were a party to an Intercreditor Agreement where Vicis and the Investor contracted over matters including, confirming the relative priority with respect to our collateral assets, providing for the orderly sharing of the proceeds of such assets, and agreeing upon the terms of the subordination of our obligations.

As of September 30, 2010 with the current level of financing and cash on hand, we have insufficient cash to operate our business at the current level for the next twelve months and insufficient cash to achieve our business goals unless we: a) realize cash revenues on sales generated; b) meet the milestones as defined in the second round of financing with Vicis and satisfy the conditions to secure the second tranche of funding; and/or c) obtain additional financing through debt and/or equity based financing arrangements which may be insufficient to fund our capital expenditures, working capital, or other cash requirements. There can be no assurance that such additional financing will be available to us on acceptable terms, or at all.

## Off Balance Sheet Arrangements

As of September 30, 2010, there were no off balance sheet arrangements.

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 4T. 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, 2010. 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 September 30, 2010, 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, 2010 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, and 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 August 18, 2010, we commenced an action against Midtown Partners & Co., LLC (“Midtown Partners”) in the Circuit Court for the County of Oakland in the State of Michigan. The action is based on a dispute between our company and Midtown Partners surrounding a placement agent agreement that was entered into on June 27, 2008. We filed the action seeking declaratory relief that no compensation is due and owing to Midtown Partners in connection with an investment made by Vicis on June 4, 2010.

Midtown Partners removed the action to the United States District Court for the Eastern District of Michigan. We are in the initial pleading stage of this litigation.

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

During the current reporting period, we issued the following securities:

We acquired from Mr. David Harrell the technical contributions and assignment of all exclusive rights to and for the Sample MD patent currently in process in exchange for 200,000 stock options valued at \$404,762 and a payable of 300,000 shares of common stock to be granted at a later date. These shares were valued at the date of the assignment for \$570,000 and have been recorded as a related party payable.

We issued a warrant to purchase 100,000 shares of our common stock at a strike price of \$2.50 per share for consulting services.

These issuances were deemed to be exempt under rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended, since, among other things, the transactions did not involve a public offering, the investors were accredited investors and / or qualified institutional buyers, the investors had access to information about the Company and their investment, the investors took the securities for investment and not resale, and the Company took appropriate measures to restrict the transfer of the securities.

Item 3. Defaults upon Senior Securities

None

Item 4. Removed and Reserved

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Description of Exhibit

Number

- |             |  |
|-------------|--|
| <u>31.1</u> | <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>                             |
| <u>31.2</u> | <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>                             |
| <u>32.1</u> | <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> |

12

---

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 16, 2010

By: /s/ David Lester  
David Lester

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