

OptimizeRx Corp
Form 10-K
March 31, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended **December 31, 2013**

TRANSITION REPORT UNDER SECTION 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

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

400 Water Street, Ste. 200

Rochester, MI

(Address of principal executive offices)

48307

(Zip Code)

Registrant's telephone number: **248-651-6568**

Securities registered under Section 12(b) of the Exchange Act:

Title of each class

none

Name of each exchange on which registered

not applicable

Securities registered under Section 12(g) of the Exchange Act:

Title of each class

Common Stock, par value of \$0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. **Yes [] No [X]**

Indicate by checkmark 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 [X] 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 [X] No []**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes [] No [X]

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 [X] 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 [X]

Edgar Filing: OptimizeRx Corp - Form 10-K

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$15,276,153

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. **22,809,586 common shares as of March 31, 2014**

Table of Contents

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| <u>PART I</u> | |
| Item 1. <u>Business</u> | 3 |
| Item 2. <u>Properties</u> | 4 |
| Item 3. <u>Legal Proceedings</u> | 7 |
| Item 4. <u>Mine Safety Disclosures</u> | 7 |
| <u>PART II</u> | |
| Item 5. <u>Market for Registrant’s Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 7 |
| Item 6. <u>Selected Financial Data</u> | 9 |
| Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 9 |
| Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 10 |
| Item 8. <u>Financial Statements and Supplementary Data</u> | 10 |
| Item 9. <u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u> | 11 |
| Item 9A. <u>Controls and Procedures</u> | 11 |
| Item 9B. <u>Other Information</u> | 11 |
| <u>PART III</u> | |
| Item 10. <u>Directors, Executive Officers and Corporate Governance</u> | 12 |
| Item 11. <u>Executive Compensation</u> | 15 |
| Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> | 18 |
| Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u> | 18 |
| Item 14. <u>Principal Accountant Fees and Services</u> | 18 |
| <u>PART IV</u> | |
| Item 15. <u>Exhibits, Financial Statement Schedules</u> | 19 |

Table of Contents

PART I

Item 1. Business

Company Overview

OPTIMIZERx finished the fourth quarter with revenues of \$1,810,610 bringing revenue for fiscal 2013 to a total of \$4,957,016, an increase of 149% over 2012. We achieved net income of \$215,847 for the year. Our year end also recognizes a onetime adjustment relative to our cost of goods sold and reflects a change in accounting procedures for these expenses. Prior reporting was based upon how the revenue share expenses were paid per the agreements held with OPTIMIZERx's channel partners. The change in accounting process will now accrue the expense as it is incurred.

Our continued growth in revenues is again primarily driven by our SampleMD content delivery solution. During the 2013 fiscal year, OPTIMIZERx delivered some 1,122,589 new ePrescriptions with co-pay coupons or free sample vouchers helping patients more affordably start and stay on their prescribed medications.

We continue to be very enthusiastic about our growth and the state of our core business. OPTIMIZERx continues to be resilient in growing our business throughout the year and is a . Its a testament to the core employee base and the dedication of its management and employees alike to move the organization forward. We have gained the confidence of pharmaceutical manufacturers and partners, and continue to add new clients and partners that increases our offering portfolio and expands our network reach.

During the second half of the year we have initiated a major ttechnology undertaking to develop SampleMD 2.0. This effort is focused on moving our technology from flash to HTML 5 based that will improve our response times and user interfaces and offer infinite scalability to support our expected growth. Additionally, this work focuses on building modularity for ease of adding new features and functions to the core solution while simplifying the integration process with future partners and other solution providers. On top of building out our updated software solution, we are also updating our infrastructure by replacing and updating our computers in a high availability environment, taking greater precautions for security and building out the architecture to facilitate disaster recovery with a secondary facilitated computer environment. This investment will increase performance, simplify integrations, insure availability and protect the investments of our shareholders. It is anticipated that the release of SampleMD 2.0 be fully implemented by April 2014.

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

more clients are interested in Drug File Integration, Sales Force Training and Strategy.

Additionally, we are expanding our partnership with WPP and have completed account sales training of Grey Health account personnel to resell our services. We are also working with their other agencies, including Sudler, who have expressed a strong interest in additionally collaborating to sell and develop new services. The partnership has also been highly received by the pharmaceutical and EHR industries.

The results of our efforts are reflected in the growth and record revenues experienced during 2013 despite overcoming growth challenges presented in the year. The company remained very resilient and with the dedication of the employees and management, these challenges were overcome and the company remained profitable for the year and continued to generate cash from operations.

Going forward into the New Year, we continue to drive our three 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.

3) Pharmaceutical brands must move their Financial and Educational Support programs into the physicians ePrescribe workflow to increase prescriptions and fill rates. Samples are continuing to be restricted, as are pharmaceutical reps regular access and this is the most effective alternative channel with demonstrated strong ROI.

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.

Table of Contents

Principal Products and Applications

Our principal products and applications can be summarized as follows:

SampleMD - Today, almost 60% of doctors' offices ban or limit drug representatives and the samples they offer. Although samples are still valuable, many healthcare systems and doctors are looking for an easier, more effective way to increase affordable access and adherence to their prescribed branded medications which led us during the past year to develop our direct to physician solution called SampleMD.

SampleMD is a revolutionary virtual "Patient Support Center" that allows doctors and staff to access a universe of sample vouchers, co-pay coupons and other patient support through their EMR and/or e-Prescribe systems to search, print or electronically dispense directly to patients and a national network of pharmacies. SampleMD eliminates the need for physicians to manage and store physical drug samples by offering a more convenient and efficient way to allocate, administer and track samples and co-pay savings provided to their patients.

OPTIMIZEHR – Our consulting practice focused at educating and working with pharmaceutical manufacturers on identifying, formulating, and implementing new eRx media strategies for promoting their product. Our consulting services include 1) Drug File Integration - a service to insure that the manufacturers drug is present in every ePrescribing platform available, 2) Sales Force Training – a service to educate the extended field sales force on this new integrated solution and what to look for within their client base to insure maximum exposure of their bands and 3) Strategy Development – a service that assists manufactures in identifying and building a competitive strategy to take advantage of this new digital frontier.

OPTIMIZERx.com – Our Direct to Consumer WebSite is a portal to healthcare savings for patients to centrally review and participate in prescription and healthcare savings and support programs. To date, we have over 2.4 million members who have registered. We strive to provide all the information and guidance that patients undergoing long-term pharmaceutical treatments may require. Patients can search by their medication or their condition in order to access educational information regarding their condition, information regarding their medication, coupons for instant savings when they purchase their medications, information on free drug trials, and guidance to any other savings programs available to them.

Marketing and Sales

We continue to extend our marketing efforts to build both brand and capabilities awareness to the market. As mentioned above, we continue to actively participate in industry and partner events such as exlPharma and the ACE – Allscripts Users Conference as well as taking a lead sponsor position in the inaugural CBI-net eRx and EHR conference in March of 2014. During the course of the year, we also initiated and delivered successful email marketing campaigns, webinar with CMI Compass on What Physicians want within their HER's, as well as successful public relations and press release communications initiatives. We ran advertising campaigns through Pharma Exec magazine that netted several responses and qualified leads.

In 2013, we also announced our strategic partnership with WPP/Grey Health Group, a leading agency within the healthcare marketplace. We plan to continue to increase our marketing efforts with all of our strategic partners, as we intend to continue to promote OPTIMIZERx and SampleMD primarily through the following:

- § Industry and Partner Events;
- § Email Campaigns;
- § Internet Marketing;
- § Public Relations Campaigns;
- § Physician Offices;
- § Direct to Consumer Marketing;
- § Trade Media Advertising;
- § Pharmacy Partners;
- § Physician Organizations and Associations; and
- § Strategic Relationships

Additionally, we have attracted and hired a highly seasoned Sales and Marketing Executive who has decades of global pharmaceutical marketing and sales experience at AstraZeneca and others as our Eastern Vice President of Sales.

Table of Contents

Research and Development

We continue to invest in our technology and plan to release SampleMD 2.0 in 2014. This new and improved release will enhance the performance of our first version through quicker response times, easier integration to platform partners, modularity for the addition of new features and functions and an entirely updated user interface to speed and enhance the setup of new programs and campaigns. We will continue to offer reporting portal access to our clients with a new and improved user interface and updated reporting capabilities for monitoring program and campaign performance.

The SampleMD 2.0 release will also be supported by a new and updated infrastructure that is a high availability clustered environment with remote disaster recovery enabling us to be back up and running from the worst facility catastrophe in very short order.

We continue our commitment to educate both our direct and our extended teams through an understanding of all market dynamics that have the potential to affect our business in both the short and long term. Our primary goal is to help patients better afford and access the medicines their doctors prescribe, as well as other healthcare products and services they need. Based on this goal, we continually seek better ways to meet this mission through the use of improved technology, user feedback, and working closely with the pharmaceutical industry. We are continually seeking new ways we can engage the pharmaceutical industry to provide new support programs to patients in need of their products.

At OPTIMIZERx, we are still keen on the opinions and input that we gain from all stakeholders by which our products and solutions cross. From the prescribing clinicians that utilize our solutions to add value to the patients they serve, to the partners we use to leverage their channels for distribution and promotion of the services, we are able to greatly assist the pharmaceutical manufacturing clients that depend on our solutions to increase their brand awareness and assist patients in need of their offerings. This “Voice of the Stakeholder” is a mantra that we leverage in analyzing industry trends and market shifts and identifying enhancements and new offerings through our SampleMD™ solution. This effort involves all of our officers and directors as part of our continual research development team while monitoring new technologies, trends, services, and partnerships that can help us provide additional services and increased value to the healthcare and pharmaceutical industries and to the patients they serve.

Our technology roadmap for potential new solutions continues to grow as we continued to finalize the two development programs initiated this year featuring a live chat or conversation between the health provider and product manufacturer or service, as well as a one click way to request a representative visit. These solutions address major access barriers that limit doctors’ interaction with the manufacturer and allow the health system or provider to access needed information when they want it. As we are in collaboration with our partners, further content and information delivery solutions are being flushed out as we continue to integrate with new channels and partners

Under the leadership of the Director of Technology and Director of Software Development, whom were added late in 2011 to strengthen our core technical team, we have added an additional developer and a technical intern while leveraging a new development partner in Simple eSolutions, whom provided valuable architecture, system design and

database management support on the SampleMD 2.0 effort. We also continued to work with the Engineering and Information Technology department of Oakland University in Rochester Michigan. As the University has opened the doors of its new medical school, it also brings highly skilled technology and application developers whom possess a solid knowledge of medical industry IT requirements.

Competition

SampleMD has faced some competition based on the growth in the space primarily by Physicians Interactive. As noted, we have filed a patent infringement suit against the company.

The OptimizeRx.com website continues to compete in the highly competitive pharmaceutical and healthcare advertising industry that is dominated by large well-known companies with established names, solid market niches, wide arrays of product offerings and marketing networks. Our largest competitors include a variety of healthcare website publishers and networks that provide online advertising competition to OPTIMIZERx.com, including Quality Health, WebMD, McKesson, and Drugs.com.

Despite these competitors, we do not have major competition in our space of the market. We have been experiencing a growing list of potential partners whom either have content that want to deliver through the SampleMD engine and network, or whom have complementary technology and want to integrate our solution as a channel partner, expanding the reach to clinicians for OPTIMIZERx.

Intellectual Property

In the fourth quarter of 2012, we were awarded a patent for our innovative SampleMD solution (US Patent No. 8,341,015). This award highlighted our continued research and development efforts. The awarded claims cover our ability to electronically process, display and distribute eligible prescription savings on the medications and therapies healthcare providers wish to prescribe for their patients. We have also recently submitted and will be preparing additional filings to protect our intellectual property on forthcoming solutions that will further assist and support physicians, pharmacists and patients.

In addition, we have hired 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. We also used the firm to file a patent infringement lawsuit against Physicians Interactive. Management believes the current and expanding IP will allow us to continue being the leader in this rapidly growing space.

OPTIMIZERx is a licensed trademark. SampleMD is a licensed trademark.

Our intellectual property is developed significantly each month. Since inception, we have developed and launched OFFERx and ADHERxE, and we are further integrating these platforms to provide more robust offerings. OPTIMIZERx.com and OFFERx are patent pending.

Table of Contents

Government Regulation

Fraud and Abuse Laws

Anti-Kickback Statutes

The federal healthcare program Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the furnishing, arranging for or recommending a good or service for which payment may be made in whole or part under a federal healthcare program such as Medicare or Medicaid. The definition of remuneration has been broadly interpreted to include anything of value, including for example gifts, discounts, the furnishing of supplies or equipment, credit arrangements, payments of cash and waivers of payments. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals or otherwise generate business involving goods or services reimbursed in whole or in part under federal healthcare programs, the statute has been violated. The law contains a few statutory exceptions, including payments to bona fide employees, certain discounts and certain payments to group purchasing organizations. Violations can result in significant penalties, imprisonment and exclusion from Medicare, Medicaid and other federal healthcare programs. Exclusion of a manufacturer would preclude any federal healthcare program from paying for its products. In addition, kickback arrangements can provide the basis for an action under the Federal False Claims Act, which is discussed in more detail below. The Anti-Kickback Statute is broad and potentially prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry. Recognizing that the Anti-Kickback Statute is broad and may technically prohibit many innocuous or beneficial arrangements, the Office of Inspector General of Health and Human Services, or OIG, issued a series of regulations, known as the safe harbors, beginning in July 1991. These safe harbors set forth provisions that, if all the applicable requirements are met, will assure healthcare providers and other parties that they will not be prosecuted under the Anti-Kickback Statute. The failure of a transaction or arrangement to fit precisely within one or more safe harbors does not necessarily mean that it is illegal or that prosecution will be pursued. However, conduct and business arrangements that do not fully satisfy each applicable safe harbor may result in increased scrutiny by government enforcement authorities such as the OIG. Arrangements that implicate the Anti-Kickback Law, and that do not fall within a safe harbor, are analyzed by the OIG on a case-by-case basis. Government officials have focused recent enforcement efforts on, among other things, the sales and marketing activities of healthcare companies, and recently have brought cases against individuals or entities with personnel who allegedly offered unlawful inducements to potential or existing customers in an attempt to procure their business. Settlements of these cases by healthcare companies have involved significant fines and/or penalties and in some instances criminal pleas. In addition to the Federal Anti-Kickback Statute, many states have their own kickback laws. Often, these laws closely follow the language of the federal law, although they do not always have the same exceptions or safe harbors. In some states, these anti-kickback laws apply with respect to all payors, including commercial health insurance companies.

False Claims Laws

Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or knowingly making, or causing to be made, a false statement to get a false claim paid. Manufacturers can be held liable under false claims laws, even if they do not submit claims to the government, if they are found to have caused submission of false claims. The Federal Civil False Claims Act also includes whistle blower provisions that allow private citizens to bring suit against an entity or individual on behalf of the United States and to recover a portion of any monetary recovery. Many of the recent highly publicized settlements in the healthcare industry related to sales and marketing practices have been cases brought under the False Claims Act. The majority of states also have statutes or regulations similar to the federal false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Sanctions under these federal and state laws may include civil monetary penalties, exclusion of a manufacturer's products from reimbursement under government programs, criminal fines and imprisonment.

Privacy and Security

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, and the rules promulgated there under require certain entities, referred to as covered entities, to comply with established standards, including standards regarding the privacy and security of protected health information, or PHI. HIPAA further requires that covered entities enter into agreements meeting certain regulatory requirements with their business associates, as such term is defined by HIPAA, which, among other things, obligate the business associates to safeguard the covered entity's PHI against improper use and disclosure. While not directly regulated by HIPAA, our customers or distributors might face significant contractual liability pursuant to such an agreement if the business associate breaches the agreement or causes the covered entity to fail to comply with HIPAA. It is possible that HIPAA compliance could become a substantial regulatory burden and expense to our operations, although we do not believe that this will occur as a general website publisher.

Employees

As of March 31, 2014, we had 13 employees in addition to 4 contracted programmers through our established relationship with Simple eSolutions a technical and programming resources partner. Additionally we have one contracted business development individual targeting new EMR channel and pharma client.

Subsidiaries

We conduct our operations through our wholly-owned subsidiary, OptimizeRx Michigan.

Item 2. Properties

Currently, we do not own any real estate. Our principal executive offices are located at 400 Water Street, Suite 200, Rochester, Michigan, 48307. We have entered into a 3 year lease for this 2,886 square foot facility, with a cost of approximately\$5,049.25 per month. We believe that our properties are adequate for our current needs, but growth potential may require larger facilities due to anticipated addition of personnel. We do not have any policies regarding investments in real estate, securities or other forms of property.

6

Table of Contents**Item 3. 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 February 6, 2013, we filed a Complaint for Patent Infringement against Physicians Interactive Inc., Physicians Interactive Holdings, Inc. and Skyscape.com, in which we allege that one or more of those entities has infringed on United States Patent No. 8,341,015. As of September 30, 2013, the defendants responded denying the assertions made in our Complaint, but no further action has occurred in the case.

We recently learned of an action in New Jersey brought by Milton J. Wilson and the Milton Wilson 2000 Trust. Last November 2013, we were served notice that we would be added as an additional party to the case titled Milton Wilson et al. v. Continental Capital Corporation, C-289-06, in the Superior Court of New Jersey. There is an existing default judgment of roughly \$1,000,000 in the case. We are uncertain of the substance of the allegations lodged against the existing defendants and now perhaps us, as we are likely now a party to the action. We intend to investigate and, if necessary, vigorously defend the matter. We hope to have more information in subsequent SEC filings.

Item 4. Mine Safety Disclosures

Not applicable.

| Fiscal Year Ending December 31, 2012 | | |
|--------------------------------------|---------|--------|
| Quarter Ended | High \$ | Low \$ |
| December 31, 2012 | 1.61 | 0.85 |
| September 30, 2012 | 1.85 | 0.43 |
| June 30, 2012 | 1.35 | 0.75 |
| March 31, 2012 | 1.23 | 0.53 |

| Fiscal Year Ending December 31, 2013 | | |
|--------------------------------------|---------|--------|
| Quarter Ended | High \$ | Low \$ |
| December 31, 2013 | 1.65 | 0.91 |
| September 30, 2013 | 1.80 | 0.88 |
| June 30, 2013 | 1.91 | 1.12 |
| March 31, 2013 | 1.42 | 0.96 |

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is quoted under the symbol "OPRX" on the OTCQB operated by OTC Markets Group, Inc. Only a limited market exists for our securities. There is no assurance that a regular trading market will develop, or if developed, that it will be sustained. Therefore, a shareholder may be unable to resell his securities in our company.

The following tables set forth the range of high and low prices for our common stock for the each of the periods indicated as reported by the OTCQB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

On March 18, 2014, the last sales price per share of our common stock was \$1.70.

Table of Contents

Penny Stock

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

Holder of Our Common Stock

As of March 31, 2014, we had 22,809,586 shares of our common stock issued and outstanding, held by 316 shareholders of record.

Dividends

We currently intend to retain future earnings for the operation of our business. We have never declared or paid cash dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future.

In the event that a dividend is declared, common stockholders on the record date are entitled to share ratably in any dividends that may be declared from time to time on the common stock by our board of directors from funds legally available.

There are no restrictions in our articles of incorporation or bylaws that restrict us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

1. We would not be able to pay our debts as they become due in the usual course of business; or
2. Our total assets would be less than the sum of our total liabilities, plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

Securities Authorized for Issuance under Equity Compensation Plans

On June 13, 2013, our Board of Directors adopted the 2013 Equity Incentive Plan (the “Plan”). The purpose of the Plan is to attract and retain the best available personnel for positions of substantial responsibility with us, to provide additional incentive to employees, directors and consultants, and to promote our success. Under the Plan, we may issue up to an aggregate total of 1,500,000 incentive or non-qualified options to purchase our common stock or stock awards.

Equity Compensation Plans as of December 31, 2013

| Plan Category | A | B | C |
|---------------|--|--|--|
| | Number of securities to be issued upon exercise of outstanding | Weighted-average exercise price of outstanding options, warrants and right | Number of securities remaining available for future issuance |

Edgar Filing: OptimizeRx Corp - Form 10-K

| | options, warrants and rights | | under equity compensation plans (excluding securities reflected in column (A)) |
|--|------------------------------------|---------|--|
| Equity compensation plans approved by security holders | - | - | - |
| Equity compensation plans not approved by security holders | 13,783,334 | \$ 2.42 | — |
| Total | 13,783,334 | \$ 2.42 | — |

Table of Contents

Recent Sales of Unregistered Securities

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

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

On March 17, 2014, we entered into a securities purchase agreement with accredited investors, pursuant to which we sold an aggregate of 8,333,333 shares of the Company's common stock, par value \$0.001 per share, for \$1.20 per Share, or gross proceeds of \$10,000,000. We issued warrants to purchase 804,139 shares of our common stock with an exercise price of \$1.20 per share and a term of 5 years to placement agents in the raise.

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

Item 6. Selected Financial Data

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

Item 7. 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." These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "likely result," and similar expressions. 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.

Results of Operations for the Years Ended December 31, 2013 and 2012

Revenues

Our total revenue reported for year ended December 31, 2013 was \$4,957,016, an increase from \$1,989,086 from the prior year.

Our increased revenue for the year ended December 31, 2013 as compared with the prior year 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. The bulk of our revenue for the year ended December 31, 2013 came mainly from our core SampleMD solutions as opposed to our new consulting business. We expect revenues to increase on our consulting business for 2014.

Operating Expenses

Operating expenses increased to \$2,973,990 for the year ended December 31, 2013 from \$2,328,648 for the year ended December 31, 2012. Our major expenses for the year ended December 31, 2013 were salaries, wages and benefits of \$1,319,712, professional fees of \$552,824, stock-based compensation of \$411,412, general and administrative expenses of \$288,297, depreciation and amortization of \$193,971, and consulting fees of \$100,077. Our expenses increased in 2013 as compared with 2012 largely as a result of salaries, wages and benefits, professional fees and stock-based compensation.

We expect operating expenses to increase slightly, with the most increase coming as we will continue to add personnel to strengthen our operations, sales and marketing efforts going forward.

Table of Contents

Net Loss

Net income for the year ended December 31, 2013 was \$215,847, compared to net loss of \$ \$454,553 for the year ended December 31, 2012.

We believe that our company is starting to show real signs of improvement with positive income this year. With increased sales forecasted for next year, we believe that we will achieve a small improvement to net income in 2014.

Liquidity and Capital Resources

As of December 31, 2013, we had total current assets of \$2,696,978 and total assets in the amount of \$4,008,020. Our total current liabilities as of December 31, 2013 were \$1,968,652. We had working capital of \$728,326 as of December 31, 2013.

Operating activities provided \$1,132,628 in cash for the year ended December 31, 2013. Our revenue share payable of \$1,103,084, stock-based compensation of \$399,092, net income of \$215,847 and depreciation and amortization of \$193,791 were the primary components of our positive operating cash flow, offset mainly by accounts receivable of \$950,166.

Investing activities used \$298,648 during the year ended December 31, 2013 largely as a result of patent rights and website development costs.

On March 17, 2014, we entered into a securities purchase agreement with accredited investors pursuant to which we sold an aggregate of 8,333,333 shares of our common stock, par value \$0.001 per share, for \$1.20 per share, or gross proceeds of \$10,000,000. We used \$6,000,000 of the proceeds to exercise our option to redeem Vicis Capital Master Fund's holdings in our company. The balance of the proceeds will be used for working capital. With the financing and cash on hand, we have sufficient cash to operate our business for the next twelve months.

Off Balance Sheet Arrangements

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

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

Recently Issued Accounting Pronouncements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements Required by Article 8 of Regulation S-X:

Audited Financial Statements:

F-1 Report of Independent Registered Public Accounting Firm;

F-2 Consolidated Balance Sheets as of December 31, 2013 and 2012;

F-3 Consolidated Statements of Operations for the years ended December 31, 2013 and 2012;

F-4 Consolidated Statement of Stockholders’ Equity as of December 31, 2013;

F-5 Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012; and

F-6 Consolidated Notes to Financial Statements.

Table of Contents

Silberstein Ungar, PLLC CPAs and Business Advisors

Phone (248) 203-0080

Fax (248) 281-0940

30600 Telegraph Road, Suite 2175

Bingham Farms, MI 48025-4586

www.sucpas.com

March 28, 2014

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

OptimizeRx Corporation

Rochester, MI

To Whom It May Concern:

Silberstein Ungar, PLLC hereby consents to the use in the Form 10-K, Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934, filed by OptimizeRx Corporation of our report dated March 20, 2014, relating to the consolidated financial statements of OptimizeRx Corporation, a Nevada Corporation, as of and for the years ending December 31, 2013 and 2012.

Sincerely,

/s/ Silberstein Ungar, PLLC

Silberstein Ungar, PLLC

Bingham Farms, MI

F-1

Table of Contents**OPTIMIZERx CORPORATION****Consolidated Balance Sheet as of****December 31, 2013 and 2012**

| | December 31, 2013 | December 31, 2012 (restated) |
|--|----------------------|------------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$1,118,243 | \$284,263 |
| Accounts receivable | 1,566,964 | 616,798 |
| Prepaid expenses | 11,771 | 68,158 |
| Total Current Assets | 2,696,978 | 969,219 |
| Property and equipment, net | 15,057 | 20,685 |
| Other Assets | | |
| Patent rights, net | 885,950 | 793,236 |
| Web development costs, net | 404,986 | 387,215 |
| Security deposit | 5,049 | 5,049 |
| Total Other Assets | 1,295,985 | 1,185,500 |
| TOTAL ASSETS | \$4,008,020 | \$2,175,404 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable - trade | \$188,739 | \$54,693 |
| Accounts payable - related party | 570,000 | 570,000 |
| Accrued expenses | 12,000 | 6,000 |
| Revenue share payable | 1,193,661 | 90,577 |
| Deferred revenue | 4,252 | 49,252 |
| Total Liabilities | 1,968,652 | 770,522 |
| Stockholders' Equity | | |
| Preferred stock, \$.001 par value, 10,000,000 shares authorized, 65 shares issued and outstanding | -0- | -0- |
| Common stock, \$.001 par value, 500,000,000 shares authorized, 14,773,496 and 14,232,496 shares issued and outstanding | 14,773 | 14,232 |
| Stock warrants | 18,148,049 | 20,058,051 |
| Additional paid-in-capital | 8,726,708 | 6,164,666 |
| Deferred stock compensation | (233,942) | -0- |
| Accumulated deficit | (24,616,220) | (24,832,067) |
| Total Stockholders' Equity | 2,039,368 | 1,404,882 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$4,008,020 | \$2,175,404 |

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

Table of Contents**OPTIMIZERx CORPORATION****Consolidated Statements of Operations for the Years****Ended December 31, 2013 and 2012**

| | For the year ended December 31, 2013 | For the year ended December 31, 2012 (restated) | |
|---|---|---|---|
| NET REVENUE | \$ 4,957,016 | \$ 1,989,086 | |
| REVENUE SHARE EXPENSE | 1,767,425 | 115,360 | |
| GROSS MARGIN EXPENSES | 3,189,591 | 1,873,726 | |
| Operating expenses (See Note 17) | 2,973,990 | 2,328,648 | |
| INCOME (LOSS) FROM OPERATIONS | 215,601 | (454,922 |) |
| OTHER INCOME (EXPENSE) | | | |
| Interest income | 246 | 469 | |
| Interest expense | -0- | (100 |) |
| TOTAL OTHER INCOME (EXPENSE) | 246 | 369 | |
| INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES | 215,847 | (454,553 |) |
| PROVISION FOR INCOME TAXES | -0- | -0- | |
| NET INCOME (LOSS) | \$ 215,847 | \$ (454,553 |) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC | 14,388,017 | 14,211,455 | |
| NET INCOME (LOSS) PER SHARE: BASIC | \$ 0.02 | \$ (0.03 |) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: DILUTED | 14,713,017 | 14,211,455 | |
| NET INCOME (LOSS) PER SHARE: DILUTED | \$ 0.01 | \$ (0.03 |) |

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

F-3

Table of Contents**OPTIMIZERx CORPORATION****Consolidated Statement of Stockholders' Equity as of****December 31, 2013**

| | Preferred Stock Shares | Preferred Stock Amount | Common Stock Shares | Common Stock Amount | Stock Warrants | Additional Paid-in Capital | Deferred Stock Compensation | Accumulated Deficit | Total Stockhold Equity |
|---|------------------------------|------------------------------|---------------------------|---------------------------|-------------------|----------------------------------|-----------------------------------|------------------------|------------------------------|
| Balance, January 1, 2012 | 65 | \$-0- | 14,192,496 | \$14,192 | \$20,826,934 | \$5,125,558 | \$-0- | \$(24,377,514) | \$1,589,170 |
| Balance of | | | | | | | | | |
| Stock options: | | | | | | | | | |
| Employees | 150,367 | 150,367 | | | | | | | |
| consulting | 75,098 | 75,098 | | | | | | | |
| Balance of | | | | | | | | | |
| Common stock: | | | | | | | | | |
| services | 40,000 | 40 | 44,760 | 44,800 | | | | | |
| Classification | | | | | | | | | |
| options | | | | | | | | | |
| previously | (768,883) | 768,883 | -0- | | | | | | |
| recorded as | | | | | | | | | |
| warrants | | | | | | | | | |
| Loss for the | (454,553) | (454,553) | | | | | | | |
| year (restated) | | | | | | | | | |
| Balance, December 31, 2012 (restated) | 65 | \$-0- | 14,232,496 | \$14,232 | 20,058,051 | \$6,164,666 | \$-0- | \$(24,832,067) | \$1,404,882 |
| Balance of | | | | | | | | | |
| Stock options: | | | | | | | | | |
| Employees | 7,720 | 7,720 | | | | | | | |
| consulting | 70,961 | (59,134) | 11,827 | | | | | | |
| Balance of | | | | | | | | | |
| Common stock: | | | | | | | | | |
| services | 40,000 | 40 | 68,860 | 68,900 | | | | | |
| Employment | 500,000 | 500 | 504,500 | (505,000) | -0- | | | | |
| Termination | | | | | | | | | |
| correction | 1,000 | 1 | (1) | -0- | | | | | |
| prior issue | | | | | | | | | |
| to classify | (1,910,002) | 1,910,002 | -0- | | | | | | |
| Unvested | | | | | | | | | |
| warrants | | | | | | | | | |
| expense | | | | | | | | | |
| resulting | 330,192 | 330,192 | | | | | | | |
| Services | | | | | | | | | |
| income for | 215,847 | 215,847 | | | | | | | |
| period | | | | | | | | | |

Edgar Filing: OptimizeRx Corp - Form 10-K

ance,
ember 31, 65 \$-0- 14,773,496 \$14,773 \$18,148,049 \$8,726,708 \$(233,942)\$(24,616,220)\$2,039,368
3

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

F-4

Table of Contents**OPTIMIZERx CORPORATION****Consolidated Statements of Cash Flows for the Years****Ended December 31, 2013 and 2012**

| | For the year ended December 31, 2013 | For the year ended December 31, 2012 (restated) |
|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) for the period | \$215,847 | \$(454,553) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 193,791 | 187,104 |
| Stock issued for services | -0- | 49,618 |
| Stock options issued for services | 19,547 | 40,007 |
| Stock-based compensation | 399,092 | 180,640 |
| Bad debt expense | -0- | 6,923 |
| Changes in: | | |
| Accounts receivable | (950,166) | (151,851) |
| Prepaid expenses | 56,387 | 50,874 |
| Accounts payable | 134,046 | (282,019) |
| Revenue share payable | 1,103,084 | 90,577 |
| Accrued expenses | 6,000 | (60,000) |
| Deferred revenue | (45,000) | (281,353) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 1,132,628 | (624,033) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | -0- | (2,230) |
| Patent rights | (150,588) | -0- |
| Web development costs | (148,060) | (48,640) |
| NET CASH USED IN INVESTING ACTIVITIES | (298,648) | (50,870) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 833,980 | (674,903) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD | 284,263 | 959,166 |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | \$1,118,243 | \$284,263 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash paid for interest | \$-0- | \$-0- |
| Cash paid for income taxes | \$-0- | \$-0- |
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| Common stock issued for future services | \$233,942 | \$-0- |

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

F-5

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 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 financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America and are presented in US dollars.

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.

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.

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including our own credit risk.

In addition to defining fair value, the disclosure requirements around fair value establish a fair value hierarchy for valuation inputs which is expanded. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon significant observable inputs other than quoted prices included in Level 1, such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. The Company’s stock options and warrants are valued using level 3 inputs.

The carrying value of the Company’s financial assets and liabilities which consist of cash, accounts receivable, prepaid expenses, patent rights, web development costs, accounts payable, accounts payable – related party, accrued expenses and deferred revenue are valued using level 1 inputs. The Company believes that the recorded values approximate their fair value due to the short maturity of such instruments. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, exchange or credit risks arising from these financial instruments.

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 and \$6,923 for the years ended December 31, 2013 and 2012, respectively. The allowance for doubtful accounts was \$0 as of December 31, 2013 and 2012.

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Revenue Share Expense

All revenue is recognized when it is earned. Revenues are generated either through the Company's web-based activities, in which we earn revenue from advertising and lead generation activities, from our SampleMD activities by which we deliver eCoupons and eVouchers through a distribution network of ePrescribers and Electronic Health Record technology providers (channel partners), or from reselling services for other of our partners products that complement our business.

For our SampleMD business the company recognizes setup fees that are required for integrating client offerings and campaigns into the SampleMD content delivery system and network. Setup fees are recognized upon completion of the setup and launch of the client's campaign within the SampleMD system. As the eCoupons and or eVouchers are distributed through the SampleMD platform and network of channel partners (a transaction), these transactions are recorded and revenue is recognized. Revenue for transactions can be realized as cost per distribution or cost per redemption depending on the client contract. Additionally, the company also recognizes revenue for providing program performance reporting and maintenance, either by the company directly delivering reports or by providing access to its online reporting portal that the client can utilize. These fees are administered monthly and recognized as recurring monthly revenue.

The company on occasion has also resold products and or services that are available through our channel partners, and that is complementary to our core businesses and client base. In these events net revenue is recognized as this is a commission based revenue split that the company recognizes.

Based on the volume of transactions that are delivered through our channel partner network, we provide a revenue share to compensate the partner for their promotion of the campaign. Revenue shares are a negotiated percentage of

the transaction fee depending upon if the revenue is generated through distributions and or redemptions and can also be specific to special considerations and campaigns. Traditionally, revenue share has been recognized between 25% and 50% of the transaction value. See Note 18.

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.

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.

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.

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Earnings Per Common and Common Equivalent Share

The computation of basic earnings per common share is computed using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year plus common stock equivalents which would arise from the exercise of warrants outstanding using the treasury stock method and the average market price per share during the year. Options, warrants and convertible preferred stock which are common stock equivalents are included in the diluted earnings per share calculation for the year ended December 31, 2013. They have not been included in the diluted earnings per share calculation for the year ended December 31, 2012 since their effect is anti-dilutive.

Impairment of Long-Lived Assets

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

amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

Recently Issued Accounting Guidance

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

NOTE 3 – PREPAID EXPENSES

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

| | 2013 | 2012 |
|------------------------|----------|----------|
| Insurance | \$6,722 | \$6,437 |
| Rent | 5,049 | 5,049 |
| Consulting | 0 | 31,672 |
| Legal | 0 | 25,000 |
| Total prepaid expenses | \$11,771 | \$68,158 |

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

NOTE 4 – PROPERTY AND EQUIPMENT

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

| | 2013 | 2012 |
|-----------------------------|----------|----------|
| Computer equipment | \$22,360 | \$22,360 |
| Furniture and fixtures | 11,088 | 11,088 |
| Subtotal | 33,448 | 33,448 |
| Accumulated depreciation | (18,391) | (12,763) |
| Property and equipment, net | \$15,057 | \$20,685 |

Depreciation expense was \$5,628 and \$5,476 for the years ended December 31, 2013 and 2012, respectively.

NOTE 5 – WEB-BASED TECHNOLOGY

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

| | 2013 | 2012 |
|-----------------------------------|-----------|-----------|
| OptimizeRx web-based technology | \$154,133 | \$154,133 |
| SampleMD web-based technology | 602,517 | 602,517 |
| SampleMD 2.0 web-based technology | 148,060 | 0 |
| Subtotal, web-based technology | 904,710 | 756,650 |
| Accumulated amortization | (440,641) | (310,352) |
| Impairment | (59,083) | (59,083) |
| Web-based technology, net | \$404,986 | \$387,215 |

Amortization is recorded using the straight-line method over a period of five years. The Company is currently developing enhanced SampleMD web-based technology and has capitalized \$148,060. The development is currently

in process. It was not completed at December 31, 2013. Accordingly, no amortization has been recorded. The development is expected to be completed in 2014. Amortization expense for the web-based technology costs was \$130,289 and \$126,923 for the years ended December 31, 2013 and 2012, respectively.

NOTE 6 – PATENT AND TRADEMARKS

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 in exchange for 300,000 shares of common stock to be granted at the discretion of the seller in addition to 200,000 stock options valued at \$360,000. The shares were valued on the grant date at \$570,000 and have been recorded as a payable to the related party.

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

| | 2013 | 2012 |
|--|-----------|-----------|
| Patent rights and intangible assets | \$930,000 | \$930,000 |
| Patent defense costs | 87,993 | 0 |
| New patents and trademarks | 62,595 | 0 |
| Accumulated amortization | (194,638) | (136,764) |
| Patent rights and intangible assets, net | \$885,950 | \$793,236 |

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 6 – PATENT AND TRADEMARKS (CONTINUED)

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 \$57,874 and \$54,705 for the years ended December 31, 2013 and 2012, respectively.

NOTE 7 – ACCRUED EXPENSES

Accrued expenses at December 31, 2013 and 2012 consisted of amounts owed to the Company's outside independent auditors for services rendered for periods reported on in these financial statements.

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 \$4,252 and \$49,252 as of December 31, 2013 and 2012, respectively.

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, 2013. There were 14,773,496 and 14,232,496 common shares issued and outstanding at December 31, 2013 and 2012, respectively.

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

On June 1, 2013, the Company entered into a consulting agreement with North Coast Advisors, Inc. for various services. The Company agreed to issue 20,000 shares of common stock as of the date of the contract. The Company also agreed to issue an additional 20,000 shares every six months in alignment with the agreement renewal up to the two years of the agreement. The first 20,000 shares were valued at the Company's common stock closing price as of the date of the contract, which was \$1.945/share; and the second 20,000 shares were valued at the Company's common stock closing price of \$1.50/share on the date of issuance, and have been expensed.

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 10 – COMMON STOCK (CONTINUED)

On September 20, 2013, the Company entered into a separation agreement that includes post-employment consulting services with a former officer. The Company agreed to issue 500,000 shares of common stock, 250,000 shares immediately and 250,000 by January 1, 2014. The first 250,000 shares have been issued and the Company has recognized the entire issuance in the December 31, 2013 shares outstanding. The shares were valued at \$505,000 and \$174,808 of that amount remains as deferred stock compensation as of December 31, 2013.

NOTE 11 – PREFERRED STOCK

Series A Preferred

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

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

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

provide 30 days notice for the registration of the conversion.

On May 12, 2010, the Company's Board declared and issued 236,598 common shares as payment for all cumulative and current semi-annual dividends. On November 16, 2010, the Company's Board declared and issued 173,922 common shares for its semi-annual dividend payment. On March 25, 2011, the Company's Board declared and issued 176,768 common shares for its semi-annual dividend payment. On September 21, 2011, the Company's Board declared and issued 156,306 common shares for its semi-annual dividend payment. The Company has undeclared dividends that were due in February and September 2012 totaling \$350,000 and undeclared dividends of \$350,000 that were due in February and September 2013 for a total undeclared amount of \$700,000 as of December 31, 2013.

F-12

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 11 – PREFERRED STOCK (CONTINUED)

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 1,000,000 shares of common stock and bear a 10% cumulative dividend. In addition, there was a warrant issued to purchase 3,000,000 shares of common stock at an exercise price of \$3 for a period of seven years.

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

During the quarter ended September 30, 2011, 15 preferred shares were issued to an investor for \$1,500,000. The 15 shares are convertible to 1,000,000 shares of common stock and bear a 10% cumulative dividend. In addition, there was a warrant issued to purchase 1,000,000 shares of common stock at an exercise price of \$3 for a period of seven years. Based on the fair values of the preferred stock and common stock warrants on the issue date, \$855,460 was allocated to preferred stock and \$644,540 was allocated to the common stock warrants. See Note 12.

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

The holder may cause this conversion at the time the shares are eligible for resale by the holder. The conversion price is subject to adjustment as hereinafter provided, at any time, or from time to time upon the terms and in the manner hereinafter set forth in the shareholder agreement.

On March 25, 2011, the Company's Board declared and issued 75,758 common shares for its semi-annual dividend payment. On September 21, 2011, the Company's Board declared and issued 66,988 common shares for its semi-annual dividend payment. The Company has undeclared dividends that were due in February and September 2012 totaling \$150,000 and undeclared dividends of \$150,000 that were due in February and September 2013 for a total undeclared amount of \$300,000 as of December 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.

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 12 – STOCK OPTIONS AND WARRANTS (CONTINUED)

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 and \$16,790 during the years ended December 31, 2012 and 2011, respectively.

On November 21, 2011, the Company issued 100,000 stock options to an individual at an exercise price of \$0.73. The options were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 205%, risk-free interest rate of 0.92% and expected life of 60 months. The Company recognized expenses of \$91,811 and \$8,346 during the years ended December 31, 2012 and 2011, respectively.

Edgar Filing: OptimizeRx Corp - Form 10-K

During the quarter ended March 31, 2012, the Company issued 50,000 stock options to 4 non-employees at an exercise price of \$0.89. The options were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 198%, risk-free interest rate of 0.65% and expected life of 48 months. The total value of the options was \$35,091. The options vest over 4 months. The Company recognized share-based compensation expense of \$35,091 during the six months ended June 30, 2012.

During the quarter ended December 31, 2012, the Company issued 25,000 stock options to a non-employee at an exercise price of \$1.58. The options were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 200%, risk-free interest rate of 0.67% and expected life of 60 months. The total value of the options was \$40,007. The options vest over 1 year. The Company recognized share-based compensation expense of \$31,672 and \$8,335 during the years ended December 31, 2013 and 2012, respectively.

On October 30, 2013, the Company issued 50,000 stock options to 6 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 171%, risk-free interest rate of 1.30% and expected life of 60 months. The total value of the options was \$46,322. The options vest over one year. The Company recognized share-based compensation expense of \$7,720 during the year ended December 31, 2013. The remaining balance will be recognized during 2014.

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

NOTE 12 – STOCK OPTIONS AND WARRANTS (CONTINUED)

On November 8, 2013, the Company issued 75,000 stock options to 2 non-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 171%, risk-free interest rate of 1.42% and expected life of 60 months. The total value of the options was \$70,961. The options vest over 1 year. The Company recognized share-based compensation expense of \$11,827 during the three months ended December 31, 2013. The remaining balance of \$59,134 has been recorded as deferred stock compensation and will be recognized during 2014.

The Company had the following options outstanding as of December 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 | 125,000 | 1.00 |
| Exercised – 2013 | 0 | 0 |
| Expired – 2013 | (25,000) | (1.58) |
| Balance, December 31, 2013 | 125,000 | \$ 1.00 |

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

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

Edgar Filing: OptimizeRx Corp - Form 10-K

| | | |
|----------------------------|------------|---------|
| 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 | (686,100) | (2.71) |
| Balance, December 31, 2013 | 13,658,334 | \$ 2.44 |

NOTE 13 – OPERATING LEASES

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

| | |
|------------------------------|-----------|
| Year ended December 31, 2014 | \$ 55,542 |
| Total lease commitment | \$ 55,542 |

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

NOTE 14 – MAJOR CUSTOMERS

The Company had two major customers that accounted for 58% and two major customers that accounted for 52% of the Company's revenues for the years ended December 31, 2013 and 2012, respectively. The Company expects to continue to maintain these relationships with the customers.

NOTE 15 – INCOME TAXES

For the year ended December 31, 2013, the Company incurred net income of approximately \$216,000 but has no tax liability. The Company began operations in 2007 and has previous net operating loss carry-forwards of approximately \$13,934,000 through December 31, 2012. The cumulative loss of approximately \$13,718,000 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 years ended December 31, 2013 and 2012:

| | 2013 | 2012 |
|---|------------|-----------|
| Federal income tax (expense) benefit attributable to: | | |
| Current operations | \$(73,000) | \$155,000 |
| Valuation allowance | 73,000 | (155,000) |
| 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 December 31, 2013 and 2012:

| | 2013 | 2012 |
|-------------------------------------|------|------|
| Deferred tax asset attributable to: | | |

Edgar Filing: OptimizeRx Corp - Form 10-K

| | | |
|------------------------------|-------------|-------------|
| Net operating loss carryover | \$4,665,000 | \$4,738,000 |
| Valuation allowance | (4,665,000) | (4,738,000) |
| 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 \$13,718,000 for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be limited as to use in future years.

NOTE 16 – CONTINGENT LIABILITY

On January 14, 2013, the Company hired a new CEO. The employment agreement required annual compensation of \$175,000 that was to be accrued and deferred until at least January 1, 2014. Additionally, the agreement required the issuance of 2,000,000 options with an exercise price of \$1.00 for a term of five years. The options were not exercisable until at least January 1, 2014, and were only exercisable after reaching certain financial terms and conditions. Due to these restrictions, no accrual was made for the issuance of these options.

On September 20, 2013, the Company entered into a separation agreement with the CEO. As part of the terms of the separation agreement, the accrued compensation up to the date of separation was paid and the options were terminated.

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

NOTE 17 – OPERATING EXPENSES

Operating expenses consisted of the following for the years ended December 31, 2013 and 2012, respectively:

| | Years ended December 31, 2013 | Years ended December 31, 2012 |
|-------------------------------|-------------------------------------|-------------------------------------|
| Advertising | \$ 47,105 | \$ 57,218 |
| Professional fees | 552,824 | 263,396 |
| Consulting | 100,077 | 19,148 |
| Salaries, wages and benefits | 1,319,712 | 1,184,367 |
| Rent | 60,592 | 62,362 |
| Depreciation and amortization | 193,971 | 187,104 |
| Stock-based compensation | 411,412 | 285,605 |
| General and administrative | 288,297 | 269,448 |
| Total Operating Expenses | \$ 2,973,990 | \$ 2,328,648 |

NOTE 18 – RESTATEMENT

During the quarter ended December 31, 2013, the Company corrected an accounting error related to revenue share expenses. The Company will accrue the expense for amounts due, versus when they are paid, for proper matching. The revenue share expense was not properly accrued at the end of 2012 or at the end of each 2013 quarter

The restated Consolidated Balance Sheet, Consolidated Statement of Operations and Consolidated Statement of Cash Flows for the year ended December 31, 2012 is as follows:

| Year ended December 31, 2012 | | | |
|------------------------------|-----------------------|-----------|-------------------|
| Financial Statement | Line Item | Corrected | Previously Stated |
| Balance sheet | Revenue share payable | \$90,577 | \$0 |
| Income statement | Revenue share expense | \$115,360 | \$24,783 |

Edgar Filing: OptimizeRx Corp - Form 10-K

| | | | |
|-------------------------|--|--------------|--------------|
| Income statement | Loss from operations | \$(454,922) | \$(364,345) |
| Income statement | Loss before provision for income taxes | \$(454,553) | \$(363,976) |
| Income statement | Net loss | \$(454,553) | \$(363,976) |
| Statement of cash flows | Net loss | \$(454,553) | \$(363,976) |
| Statement of cash flows | Increase in revenue share payable | \$90,577 | \$0 |

NOTE 19 – SUBSEQUENT EVENTS

On January 2, 2014 the Company executed an amendment to their securities redemption option agreement with Vicis Capital Master Fund that provides an option to purchase all of the outstanding shares and derivative securities held by Vicis for a total of \$6,000,000. The term of the option is through March 31, 2014. The original agreement payment was for \$9,000,000 and term was through December 30, 2013.

On March 17, 2014, the Company entered into a securities purchase agreement, pursuant to which the Company sold an aggregate of 8,333,333 shares of the Company's common stock for \$1.20 per share, or gross proceeds of \$10,000,000.

Table of Contents

OPTIMIZERx CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 19 – SUBSEQUENT EVENTS (CONTINUED)

Placement agents in the offering received commissions equal to approximately 9.7% of gross proceeds, for an aggregate commission of approximately \$970,000, including reimbursements for their reasonable out of pocket expenses. Placement agents also received warrants to purchase up to 804,139 shares of the Company's common stock with an exercise price of \$1.20 per share and a term of 5 years. The agent warrants also provide for piggy-back registration rights.

The Company used a portion of the net proceeds of the offering to exercise the securities redemption option agreement, as amended, with Vicis Capital Master Fund that provides the Company with an option to purchase all of the outstanding shares and derivative securities held by Vicis for total payment of \$6,000,000. 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 common stock held by Vicis in the Company. The balance of the net proceeds will be used for working capital purposes.

On November 5, 2012, LDM Group, LLC (“LDM”) commenced an action against the Company in the United States District Court for the Eastern District of Missouri, Eastern Division. The complaint alleged that OptimizeRx infringed on a patent issued on February 21, 2012 in favor of LDM. LDM alleged 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, the Company’s 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, however, LDM reinstated the patent infringement action in the United States District Court for the Eastern District of Missouri, Eastern Division claiming that OptimizeRx breached the Settlement and Patent License Agreement. The Company continued to vigorously defend the OptimizeRx technology, preparing for litigation, depositions and patent protection while also positioning for legal actions against LDM. On February 28, 2014, a Settlement Agreement was reached with LDM, and the judge dismissed the case with prejudice on March 18, 2014. Per the terms of the settlement agreement, the Company paid a one-time fee of \$400,000 and will pay LDM the greater of \$0.37 per patient discount distributed by OptimizeRx or 10% of the total revenue earned by OptimizeRx for distribution and redemption of all patent discounts.

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to December 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.

F-18

Table of Contents

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

No events occurred requiring disclosure under Item 304 of Regulation S-K during the fiscal year ending December 31, 2013.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report, being December 31, 2013. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer.

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 Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Based upon that evaluation, including our Chief Executive Officer and Chief Financial Officer, we have concluded that our disclosure controls and procedures were ineffective as of the end of the period covered by this annual report.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2013 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of this assessment, management concluded that, as of December 31, 2013, our internal control over financial reporting was not effective. Our management identified the following material weaknesses in our internal control over financial reporting, which are indicative of many small companies with small staff: (i) inadequate

segregation of duties and effective risk assessment; (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both US GAAP and SEC guidelines; and (iii) insufficient levels of supervision and review of the accounting and financial reporting process.

We plan to take steps to enhance and improve the design of our internal control over financial reporting. During the period covered by this annual report on Form 10-K, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we hope to implement the following changes during our fiscal year ending December 31, 2014: (i) appoint additional qualified personnel to address inadequate segregation of duties and ineffective risk management; and (ii) adopt sufficient written policies and procedures for accounting and financial reporting.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to an exemption for non-accelerated filers set forth in Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Limitations on the Effectiveness of Internal Controls

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting are or will be capable of preventing or detecting all errors or all fraud. Any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. 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. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements, due to error or fraud will not occur or 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 may occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of controls. The design of any system of controls is based in part on 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. Projections of any evaluation of controls effectiveness to future periods are subject to risk.

Item 9B. Other Information

None

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following information sets forth the names, ages, and positions of our current directors and executive officers as of December 31, 2013.

| Name | Age | Position(s) and Office(s) Held |
|---------------------|-----|---|
| David Lester | 56 | Chief Operating Officer, Secretary, Treasurer and Director |
| David A. Harrell | 48 | Chairman, Chief Executive Officer, Chief Strategic Officer and Director |
| Terence J. Hamilton | 48 | Director and VP of Sales |

Set forth below is a brief description of the background and business experience of each of our current executive officers and directors.

David Lester

Mr. Lester is a business veteran whom has accumulated over thirty years of executive experience in the areas of business, marketing, sales, operations, technology, and leadership. Prior to accepting his new role with us, Mr. Lester held the title of Director, Consumer & Industrial Products Marketing for Deloitte LLP. During his tenure at Deloitte, he established Deloitte as a leader through innovative programs and strategic partnerships. Prior to Deloitte, he worked with Sun Microsystems as Director, Industry Strategy & Marketing, and Manufacturing Industries.

David Lester has worked with Governor Tommy Thompson, former Secretary of Health & Human Services, on health care reform and cost control; partnered with Governor Tom Ridge, former head of Homeland Security on defending cyber security initiatives; and as a active participant within the National Association of Manufacturers and the Manufacturing Institute worked with former Michigan Governor John Engler, now President of the National Association of Manufacturers, on challenges inhibiting the competitiveness of manufacturers like health care reform, trade policy, renewable energy, business tax reform, and sustainability.

David A. Harrell

Mr. Harrell founded the Company in January of 2006 and has served as our President and Chief Executive Officer. He became a director when the Company changed from a limited liability to a corporation in 2007. Mr. Harrell was the Vice President of Development for Meridian Incorporated from 2003-2005 and, prior to that, had been Vice President of Sales and Marketing since 1999 at Advance Graphic Systems. Mr. Harrell has spent two decades leading sales, marketing and business development units within the pharmaceutical and national retail industries. Prior to his work at Advance Graphic Systems, Mr. Harrell served for ten years at SmithKline Beecham, specializing in the managed markets healthcare segment. As part of the Integrated Health Division, Mr. Harrell was responsible for contracting and achieving regional revenue growth for SmithKline Beecham's four business units: Pharmaceuticals, Consumer Health, Clinical Labs and Diversified Pharmaceutical Services (PBM). During his tenure with SmithKline Beecham, he was a recipient of numerous national awards and served as a member of the Division's Strategic Planning Committee. Mr. Harrell graduated from Oakland University with a Bachelor of Science in Business Administration.

Terence J. Hamilton

Mr. Hamilton joined the Company as a Director and VP of Sales in February 2008. Prior to that, Mr. Hamilton was Manager at MedImmune since 2005 and was Senior National Account Manager for Glaxo SmithKline pharmaceuticals for 13 years prior to that. Mr. Hamilton has spent the last 19 years working in the pharmaceutical and biotech arenas within various sales, marketing and managed markets management positions. He also has held many positions within the pharmaceutical and biotech industries, including District Manager, Brand Manager, Managed Market Specialist, Contract Manager, Government Account Manager.

Directors

Our bylaws authorize two (2) directors unless changed by the Board of Directors. The board has since changed the number of directors authorized, and we currently have three (3) Directors.

Term of Office

Our Directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

Table of Contents

Significant Employees

We have no significant employees other than our officers and directors.

Family Relationships

There are no family relationships between or among the directors, executive officers or persons nominated or chosen by us to become directors or executive officers.

Involvement in Certain Legal Proceedings

To the best of our knowledge, during the past ten years, none of the following occurred with respect to a present or former director, executive officer, or employee: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Audit Committee

We do not have a separately-designated standing audit committee. The entire board of directors performs the functions of an audit committee, but no written charter governs the actions of the board of directors when performing the functions of that would generally be performed by an audit committee. The board of directors approves the selection of our independent accountants and meets and interacts with the independent accountants to discuss issues related to financial reporting. In addition, the board of directors reviews the scope and results of the audit with the independent accountants, reviews with management and the independent accountants our annual operating results, considers the adequacy of our internal accounting procedures and considers other auditing and accounting matters including fees to be paid to the independent auditor and the performance of the independent auditor.

Edgar Filing: OptimizeRx Corp - Form 10-K

We do not have an audit committee financial expert because of the size of our company and our board of directors at this time. We believe that we do not require an audit committee financial expert at this time because we retain outside consultants who possess these attributes as needed.

For the fiscal year ending December 31, 2013, the board of directors:

1. Reviewed and discussed the audited financial statements with management, and
2. Reviewed and discussed the written disclosures and the letter from our independent auditors on the matters relating to the auditor's independence.

Based upon the board of directors' review and discussion of the matters above, the board of directors authorized inclusion of the audited financial statements for the year ended December 31, 2013 to be included in this Annual Report on Form 10-K and filed with the Securities and Exchange Commission.

Table of Contents**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who beneficially own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent beneficial shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To the best of our knowledge based solely on a review of Forms 3, 4, and 5 (and any amendments thereof) received by us, the following persons have failed to file, on a timely basis, the identified reports required by Section 16(a) of the Exchange Act during fiscal year ended December 31, 2013:

| Name and principal position | Number of late reports | Transactions not timely reported | Known failures to file a required form |
|--|------------------------|----------------------------------|--|
| Shad Stastney Former Chairman, President, CEO and Director | 0 | 1 | 0 |
| David Lester COO, Secretary, Treasurer and Director | 0 | 0 | 0 |
| David A. Harrell CEO, Vice Chairman, Chief Strategic Officer and Director | 0 | 0 | 0 |
| Terence J. Hamilton VP of Sales and Director | 0 | 0 | 0 |
| Richard Kraniak 10% Holder | 0 | 0 | 0 |

Code of Ethics

As of December 31, 2013, we had not adopted a Code of Ethics for Financial Executives, which would include our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

Table of Contents**Item 11. Executive Compensation**

The table below summarizes all compensation awarded to, earned by, or paid to our former or current executive officers for the fiscal years ended December 31, 2013 and 2012.

SUMMARY COMPENSATION TABLE

| Name and principal position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) ⁽²⁾ | Non-Equity Incentive Plan Compensation (\$) | Nonqualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |
|---|------|-------------|------------|-------------------|-----------------------------------|---|--|-----------------------------|------------|
| Shad Stastney Former Chairman, President, CEO and Director | 2012 | 0 | | | | | | | 0 |
| | 2013 | 126,762 | | | | | | | 126,762 |
| David Lester COO, Secretary, Treasurer and Director | 2012 | 157,500 | 10,000 | | | | | | 167,500 |
| | 2013 | 157,500 | 15,000 | | | | | | 172,500 |
| David A. Harrell Chairman, Chief Executive Officer, Chief Strategic Officer and Director | 2012 | 166,698 | 50,000 | | | | | | 216,698 |
| | 2013 | 180,104 | 19,151 | | | | | | 199,255 |
| Terence J. Hamilton VP of Sales and Director | 2012 | 157,500 | 7,000 | | | | | | 164,500 |
| | 2013 | 157,500 | 11,000 | | | | | | 168,500 |

Narrative Disclosure to the Summary Compensation Table

On January 14, 2013, we entered into a written Employment Agreement with Shad Stastney. Pursuant to the terms and conditions of the Employment Agreement:

§ Mr. Stastney will serve as Chairman and Chief Executive Officer of our company for a period of twelve (12) months;

§

Mr. Stastney will earn a base salary of \$175,000;

We will issue to Mr. Stastney an option to acquire two million (2,000,000) shares of our common stock at an exercise price per share of \$1.00 with a term of 5 years; and
§ Mr. Stastney will be entitled to participate in any employee benefit plans, as established by our board of directors.

Mr. Stastney also agreed to keep certain information confidential and not compete with or solicit from our company for a period of time.

On August 14, 2013, we amended the employment agreement with Mr. Stastney. Pursuant to the terms and conditions of the Amendment to Employment Agreement with Shad Stastney:

Mr. Stastney agreed to non-competition and non-solicitation restrictions with our company during the term of his employment and two years thereafter;
§ The term of Mr. Stastney's employment shall be for one year, and shall automatically renew for each year thereafter unless terminated on thirty day's notice before the end of the term; and
§ Mr. Stastney shall be entitled to two years of severance pay if he is terminated with or without cause.

Table of Contents

On September 20, 2013, we entered into a Separation Agreement with Mr. Stastney regarding the terms and conditions of his departure from the Company (the "Agreement"). Pursuant to the provisions of the Agreement, we agreed with Mr. Stastney as follows:

- § As of the date of the Agreement, Mr. Stastney is no longer an officer or director of our company and all prior agreements with Mr. Stastney are terminated in their entirety;
- § Mr. Stastney shall receive 500,000 shares of our common stock, half now and the rest by January 1, 2014;
- § We agreed to use our best efforts to register Mr. Stastney's shares on Form S-8 by March 1, 2014;
- § We agreed to pay Mr. Stastney \$126,762 and his reasonable out of pocket expenses incurred on our behalf;
- § The parties agreed to a mutual release of all claims and Mr. Stastney further agreed to certain covenants as provided for in the Agreement; and
- § Mr. Stastney will be involved with our company in a limited role as a consultant for one year to assist us on financing, strategic and legal initiatives and to help the transition with several ongoing projects.

On April 6, 2009, we entered into an employment agreement with Mr. Lester to serve as our Chief Executive Officer. The agreement was amended on January 14, 2013 to account for his new positions as COO, Secretary and Treasurer. Under the agreement, we agreed to compensate Mr. Lester \$150,000 annually and we granted him options to purchase 500,000 shares of our common stock, with 25% vesting immediately and 25% vesting after the completion of each quarter of hire. Mr. Lester is also eligible for additional quarterly and annual bonus compensation, stock options, and stock grants based on performance metrics outlined by our board of directors. He is entitled to vacation and sick days, and other benefits included in the agreement.

On August 14, 2013, we amended the employment agreement with Mr. Lester. Pursuant to the terms and conditions of the Amendment to Employment Agreement with David Lester:

- § Mr. Lester will serve as Chief Operating Officer of our company; and
- § Mr. Lester will earn a base salary of \$157,500 per year.

On August 1, 2008, we entered into an employment agreement with Mr. Hamilton to serve as our VP of Sales. Under the agreement, we agreed to compensate Mr. Hamilton \$120,000 annually and we granted him options to purchase 150,000 shares of our common stock in 2009. Mr. Hamilton is also eligible for additional quarterly and annual bonus compensation, stock options, and stock grants based on performance metrics outlined by our board of directors. He is entitled to vacation and sick days, and other benefits included in the agreement. On March 18, 2010, we entered into an addendum to the employment agreement to increase his compensation to \$150,000 annually.

On August 14, 2013, we amended the employment agreement with Mr. Hamilton. Pursuant to the terms and conditions of the Amendment to Employment Agreement with Terry Hamilton:

§ Mr. Hamilton will earn a base salary of \$157,500 per year.

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

On June 1, 2008, we entered into an employment agreement with Mr. Harrell to serve as our CEO. The agreement was amended on January 14, 2013 to account for his new positions as CSO and Vice Chairman. The terms of his compensation, which is still in effect, are an annual salary of \$144,000 with a 5% cost of living increase on each 12 month anniversary. Mr. Harrell is also eligible for additional quarterly and annual bonus compensation, stock options, and stock grants based on performance metrics outlined by our board of directors. He is entitled to vacation and sick days, and other benefits included in the agreement. On March 18, 2010, we entered into an addendum to the employment agreement to increase his compensation to \$152,004 annually.

On August 14, 2013, we amended the employment agreement with Mr. Harrell Pursuant to the terms and conditions of the Amendment to Employment Agreement with David Harrell:

§ Mr. Harrell will serve as Vice Chairman of the Board and Chief Strategy Officer of our company;
§ The term of Mr. Harrell's employment shall be for one year, and shall automatically renew for each year thereafter unless terminated on thirty day's notice before the end of the term; and

§ Mr. Harrell will earn a base salary of \$183,750 per year;

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

Table of Contents

Outstanding Equity Awards at Fiscal Year-End

The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officers as of December 31, 2013.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END
OPTION AWARDS**

STOCK AWARDS

| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Expiration Date | Option Exercise Price (\$) | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Equity | Equity |
|--------------|---|---|---|------------------------|----------------------------|---|--|--|--|
| | | | | | | | | Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#) |
| David Lester | 375,000 | \$0.35 ⁽¹⁾ | 10/1/14 | | | | | | |
| | 125,000 | \$0.35 ⁽¹⁾ | 12/22/14 | | | | | | |
| | 55,000 | | 5/31/16 | | | | | | |
| | | \$1.00 | | | | | | | |
| | | | | | 121,875 | 225,468 | | | |

Edgar Filing: OptimizeRx Corp - Form 10-K

| | | | | | |
|------------|---------|--------|---------|---------|---------|
| David | 100,000 | \$1.00 | 3/5/14 | | |
| Harrell | 200,000 | \$1.81 | 4/26/15 | | |
| | 102,500 | \$1.00 | 5/31/16 | | |
| Terence J. | 150,000 | \$1.00 | 3/5/14 | 215,625 | 398,906 |
| Hamilton | 127,500 | \$1.00 | 5/31/16 | | |

⁽¹⁾ These are warrants that were revalued on October 1, 2009 to \$0.35 per share.

Table of Contents**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related**

The following table sets forth, as of March 31, 2014, the beneficial ownership of our common and preferred stock by each executive officer and director, by each person known by us to beneficially own more than 5% of the our common stock and by the executive officers and directors as a group. Unless otherwise noted, the address of each beneficial owner is located at 400 Water Street, Ste. 200, Rochester, MI 48307.

| Title of class | Name and address of beneficial owner ⁽¹⁾ | Amount of beneficial ownership | Percent of class ⁽²⁾ | |
|---|--|--------------------------------|---------------------------------|---|
| Common | David Lester ⁽³⁾ | 483,348 | 2.1 | % |
| Common | David Harrell ⁽⁴⁾ | 3,599,687 | 15.5 | % |
| Common | Terence J. Hamilton ⁽⁵⁾ | 754,812 | 3.2 | % |
| Total of All Directors and Executive Officers: More Than 5% Beneficial Owners: | 4,837,847 | 20.5 | % | |
| Common | Bradley Louis Radoff 117 W Loop S, Ste 1625 Houston, TX 77027 Wolverine Flagship Fund | 3,250,000 | 14.2 | % |
| Common | Trading Limited 175 W Jackson Blvd, 3rd Flr Chicago, IL 60604 | 2,083,500 | 9.1 | % |

As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this table, a person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date.

⁽²⁾The percent of class is based on 22,809,586 voting shares as of March 31, 2014.

⁽³⁾Includes 428,348 shares held in his name and options to purchase 55,000 shares of common stock at \$1.00 per share.

⁽⁴⁾Includes 3,197,187 shares held in his name, options to purchase 402,500 shares of common stock at prices ranging from of \$1.00 to \$1.81 per share.

⁽⁵⁾Includes 527,312 shares held in his name and options to purchase 227,500 shares of common stock at a price of \$1.00 per share.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Other than the transactions described under the heading “Executive Compensation” (or with respect to which such information is omitted in accordance with SEC regulations), since January 1, 2013 there have not been, and there is not currently proposed, any transaction or series of similar transactions to which we were or will be a participant in which the amount involved exceeded or will exceed the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years, and in which any director, executive officer, holder of 5% or more of any class of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

Securities Redemption Option Agreement

On March 17, 2014, we raised gross proceeds of \$10,000,000 in an unregistered offering (the “Offering”) with certain accredited investors. We used a portion of the net proceeds of the Offering to exercise the Securities Redemption Option Agreement, as amended, with Vicis Capital Master Fund (“Vicis”) that provides us with an option to purchase all of the outstanding shares and derivative securities held by Vicis for total payment of six million dollars (\$6,000,000). 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 common stock held by Vicis in our company.

Item 14. Principal Accounting Fees and Services

Below is the table of Audit Fees (amounts in US\$) billed by our auditor in connection with the audit of the Company’s annual financial statements for the years ended:

| Financial Statements for the Year Ended December 31 | Audit Services | Audit Related Fees | Tax Fees | Other Fees |
|---|----------------|--------------------|----------|------------|
| 2013 | \$33,900 | \$ 0 | \$2,800 | \$ 0 |
| 2012 | \$24,650 | \$ 0 | \$2,750 | \$ 0 |

Table of Contents

PART IV

Item 15. Exhibits, Financial Statements Schedules

(a) *Financial Statements and Schedules*

The following financial statements and schedules listed below are included in this Form 10-K.

Financial Statements (See Item 8)

(b) *Exhibits*

| <u>Exhibit Number</u> | <u>Description</u> |
|----------------------------------|--|
| 3.1 | Articles of Incorporation of OptimizeRx Corporation (the “Company”) |
| 3.2 | Amended and Restated Bylaws of the Company ¹ |
| 3.3 | Certificate of Designation, filed on September 5, 2008, with the Secretary of State of the State of Nevada by the Company ¹ |
| 10.1 | Termination Agreement and Release, dated September 16, 2011 ² |
| 10.2 | Securities Purchase Agreement, dated September 16, 2011 ² |
| 10.3 | Amended and Restated Guarantee Agreement, dated September 16, 2011 ² |
| 10.4 | Second Amended and Restated Registration Rights Agreement, dated September 16, 2011 ² |
| 10.5 | Third Amended and Restated Security Agreement, dated September 16, 2011 ² |
| 10.6 | Third Amended and Restated Guarantor Security Agreement, dated September 16, 2011 ² |
| 10.7 | Employment Agreement, dated January 14, 2013 ³ |
| 10.8 | Securities Redemption Option Agreement, dated January 10, 2013 ⁴ |
| 10.9 | Amendment No. 1 to Securities Redemption Option Agreement ⁵ |
| 10.10 | Separation Agreement, dated September 20, 2013 ⁶ |
| 10.11 | Shad Stastney Amendment to Employment Agreement, dated August 14, 2013 ⁷ |
| 10.12 | David Lester Amendment to Employment Agreement, dated August 14, 2013 ⁷ |
| 10.13 | David Harrell Amendment to Employment Agreement, dated August 14, 2013 ⁷ |
| 10.14 | Terrance Hamilton Amendment to Employment Agreement, dated August 14, 2013 ⁷ |
| 21.1 | List of Subsidiaries ¹ |
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 31.1 | <u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| 32.2 | <u>Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), 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> |

Edgar Filing: OptimizeRx Corp - Form 10-K

¹ Incorporated by reference to the Form S-1, filed by the Company with the Securities and Exchange Commission on November 12, 2008.

² Incorporated by reference to the Form 8-K, filed by the Company with the Securities and Exchange Commission on September 21, 2011.

³ Incorporated by reference to the Form 8-K, filed by the Company with the Securities and Exchange Commission on January 18, 2013.

⁴ Incorporated by reference to the Form 8-K, filed by the Company with the Securities and Exchange Commission on January 11, 2013.

⁵ Incorporated by reference to the Form 8-K, filed by the Company with the Securities and Exchange Commission on January 2, 2014.

⁶ Incorporated by reference to the Form 8-K, filed by the Company with the Securities and Exchange Commission on September 20, 2013.

⁷ Incorporated by reference to the Form 8-K, filed by the Company with the Securities and Exchange Commission on August 15, 2013

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the 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

By: /s/ David Harrell
Shad Stastney

Chief Executive Officer, Principal Executive Officer and Director
March 31, 2014

OptimizeRx Corporation

By: /s/ H. David Lester
H. David Lester

Chief Operating Officer, Chief Financial Officer, Principal Financial Officer and Director
March 31, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ David Harrell
David Harrell
Title: Director
Date: March 31, 2014

By: /s/ David Lester
David Lester
Title: Director
Date: March 31, 2014

By: /s/ Terence J. Hamilton
Terence J. Hamilton
Title: Director
Date: March 31, 2014

