

OptimizeRx Corp  
Form 10-Q/A  
November 23, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

**FORM 10-Q /A**

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **September 30, 2011**

Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-53605**

**OptimizeRx Corporation**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**26-1265381**

(IRS Employer Identification No.)

**407 6th Street**

**Rochester, MI, 48307**

(Address of principal executive offices)

**248-651-6568**

(Registrant's telephone number)

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

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:  
14,192,496 shares as of November 14, 2011.

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**EXPLANATORY NOTE**

This Amendment No. 1 to the Quarterly Report on Form 10-Q/A (the “Amendment”) amends the Quarterly Report on Form 10-Q of OptimizeRx Corporation (the “Company”) for the quarter ended September 30, 2011 (the “Original Filing”), that was originally filed with the U.S. Securities and Exchange Commission on November 14, 2011. The Amendment is being filed to correct a disclosure made in Note 19 to the financial statements about not having proceeds as of November 7, 2011 in the Beringea arbitration. The Amendment revises that disclosure incorrect to state that proceeds were in fact received as of October 7, 2011.

Except as described above, the Amendment does not modify or update the disclosures presented in, or exhibits to, the Original Filing in any way. The Amendment continues to speak as of the date of the Original Filing. Furthermore, the Amendment does not reflect events occurring after the filing of the Original Filing. Accordingly, the Amendment should be read in conjunction with the Original Filing, as well as the Company’s other filings made with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act subsequent to the filing of the Original Filing.

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

F-1 Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010 (unaudited);

F-2 Consolidated Statements of Operations for the three months ended September 30, 2011 and 2010 (unaudited);

F-3 Consolidated Statements of Operations for the nine months ended September 30, 2011 and 2010 (unaudited);

F-4 Consolidated Statements of Cash Flow for the nine months ended September 30, 2011 and 2010 (unaudited);

F-5 Notes to Consolidated Financial Statements.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended September 30, 2011 are not necessarily indicative of the results that can be expected for the full year.

Table of Contents**OPTIMIZERx CORPORATION****Consolidated Balance Sheets (Unaudited)  
as of September 30, 2011 and December 31, 2010**

## ASSETS

	September 30, 2011	December 31, 2010
Current Assets		
Cash and cash equivalents	\$ 1,019,315	\$ 1,278,094
Accounts receivable	121,745	226,000
Prepaid expenses	196,456	80,051
Debt discount-current portion	-0-	500,000
Total Current Assets	1,337,516	2,084,145
Property and equipment, net	11,702	13,061
Other Assets		
Patent rights, net	861,618	902,647
Website development costs, net	438,761	332,107
Debt discount-net of current portion	-0-	416,667
Total Other Assets	1,300,379	1,651,421
<b>TOTAL ASSETS</b>	<b>\$2,649,597</b>	<b>\$3,748,627</b>

## LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable - trade	\$29,140	\$38,409
Accounts payable - related party	570,000	570,000
Accrued expenses	-0-	5,700
Accrued interest	-0-	15,000
Deferred revenue	140,300	225,720
Total Current Liabilities	739,440	854,829
Long-Term Liabilities		
Notes payable - investor	-0-	1,000,000
Total Liabilities	739,440	1,854,829
Stockholders' Equity		
Common stock, \$.001 par value, 500,000,000 shares authorized, 14,192,496 shares issued and outstanding (13,606,676 - 2010)	14,192	13,607
Preferred stock, \$.001 par value, 10,000,000 shares authorized, 65 shares issued and outstanding (50 - 2010)	-0-	-0-
Stock warrants	20,826,934	20,281,328

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Additional paid-in-capital	4,942,777	3,355,615
Accumulated deficit	(23,873,746)	(21,756,752)
Total Stockholders' Equity	1,910,157	1,893,798
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,649,597	\$3,748,627

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

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Table of Contents**OPTIMIZERx CORPORATION****Consolidated Statements of Operations (Unaudited)****for the Three Months Ended September 30, 2011 and 2010**

	For the three months ended September 30, 2011	For the three months ended September 30, 2010
REVENUE		
Sales	\$ 191,593	\$ 40,676
TOTAL REVENUE	191,593	40,676
EXPENSES		
Operating expenses	482,635	545,889
TOTAL EXPENSES	482,635	545,889
OPERATING LOSS	(291,042 )	(505,213 )
OTHER INCOME (EXPENSE)		
Interest income	206	635
Interest expense	(678,543 )	-0-
TOTAL OTHER INCOME (EXPENSE)	(678,337 )	635
LOSS BEFORE PROVISION FOR INCOME TAXES	(969,379 )	(504,578 )
PROVISION FOR INCOME TAXES	-0-	-0-
NET LOSS	\$(969,379 )	\$(504,578 )
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	13,989,959	13,233,754
NET LOSS PER SHARE: BASIC AND DILUTED	\$(0.07 )	\$(0.04 )

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





Table of Contents**OPTIMIZERx CORPORATION****Consolidated Statements of Operations (Unaudited)****for the Nine Months Ended September 30, 2011 and 2010**

	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
REVENUE		
Sales	\$785,610	\$58,679
TOTAL REVENUE	785,610	58,679
EXPENSES		
Operating expenses	1,445,070	1,701,067
TOTAL EXPENSES	1,445,070	1,701,067
NET OPERATING LOSS	(659,460 )	(1,642,388 )
OTHER INCOME (EXPENSE)		
Interest income	1,041	2,165
Other income	66	-0-
Interest expense	(958,641 )	(226 )
TOTAL OTHER INCOME (EXPENSE)	(957,534 )	1,939
LOSS BEFORE PROVISION FOR INCOME TAXES	(1,616,994 )	(1,640,449 )
PROVISION FOR INCOME TAXES	-0-	-0-
NET LOSS	\$(1,616,994 )	\$(1,640,449 )
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	13,830,401	13,057,058
NET LOSS PER SHARE: BASIC AND DILUTED	\$(0.12 )	\$(0.13 )

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

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Table of Contents**OPTIMIZERx CORPORATION****Consolidated Statements of Cash Flows (Unaudited)****for the Nine Months Ended September 30, 2011 and 2010**

	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the period	\$(1,616,994)	\$(1,640,449)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	90,149	24,417
Stock issued for services	83,992	201,140
Stock options issued for compensation	106,861	-0-
Amortization of debt discount	916,667	98,935
Changes in:		
Accounts receivable	104,255	(21,210 )
Prepaid expenses	(116,405 )	(2,495 )
Accounts payable	(9,269 )	24,188
Accrued interest	(15,000 )	-0-
Accrued expenses	(63,200 )	(4,605 )
Deferred revenue	(85,420 )	-0-
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(604,364 )</b>	<b>(1,320,079)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	-0-	(1,230 )
License fees	-0-	(15,000 )
Website site development costs	(154,415 )	(154,460 )
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(154,415 )</b>	<b>(170,690 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of common stock	-0-	8,750
Issuance of preferred stock	855,460	1,500,000
Issuance of warrants in connection with preferred stock	644,540	-0-
Payments on loan payable	(1,000,000)	-0-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>500,000</b>	<b>1,508,750</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(258,779 )</b>	<b>17,981</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>1,278,094</b>	<b>656,394</b>

CASH AND CASH EQUIVALENTS - END OF PERIOD	\$1,019,315	\$674,375
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$-0-	\$226
Cash paid for income taxes	\$-0-	\$-0-
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued to satisfy dividends related to preferred stock	\$500,000	\$-0-
Conversion of warrants to common stock	\$-0-	\$153,816
Common stock issued for settlement of equity issuance costs	\$115,000	\$—
Payable issued for equity issuance costs	\$57,500	\$—

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

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**OPTIMIZER<sub>x</sub> CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**NOTE 1 – NATURE OF BUSINESS**

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

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

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

Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Form 10-K filed with the SEC as of and for the period ended December 31, 2010. In the

opinion of management, all adjustments necessary for the financial statements to be not misleading for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

#### Accounting Basis

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

#### Principles of Consolidation

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

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**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

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

Reclassifications

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

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

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

Property and Equipment

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

Revenue Recognition

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



### Income Taxes

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

### Concentration of Credit Risks

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

### Use of Estimates

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

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**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**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 not included in the diluted earnings per share calculation for September 30, 2011 and 2010, respectively, since their effect is anti-dilutive.

Impairment of Long-Lived Assets

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

Recently Issued Accounting Guidance

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

**NOTE 3 – PREPAID EXPENSES**

Prepaid expenses consisted of the following as of September 30, 2011 and December 31, 2010:

	September 30, December	
	2011	31, 2010
Insurance	\$ 6,728	\$ 6,111
Web development	26,250	20,000
Investor relations	0	50,000
Employee advances	694	940
Consulting	16,569	0
Advertising	143,715	3,000
Rent	2,500	0
Total Prepaid Expenses	\$ 196,456	\$ 80,051

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2011****NOTE 4 – PROPERTY AND EQUIPMENT**

The Company owned equipment recorded at cost which consisted of the following as of September 30, 2011 and December 31, 2010:

	September 30, December	
	2011	31, 2010
Computer equipment	\$ 13,824	\$ 13,824
Furniture and fixtures	4,293	4,293
Subtotal	18,117	18,117
Accumulated depreciation	(6,415 )	(5,056 )
Property and equipment, net	\$ 11,702	\$ 13,061

Depreciation expense was \$1,359 and \$1,297 for the nine months ended September 30, 2011 and 2010, respectively.

**NOTE 5 – WEBSITE DEVELOPMENT COSTS**

The Company has capitalized costs in developing their website and web-based products, which consisted of the following as of September 30, 2011 and December 31, 2010:

	September 30, December	
	2011	31, 2010
OptimizeRx web development	\$ 154,133	\$ 154,133
SampleMD web development	486,522	332,107
Subtotal, web development costs	640,655	486,240
Accumulated amortization	(142,811 )	(95,050 )
Impairment	(59,083 )	(59,083 )
Web development costs, net	\$ 438,761	\$ 332,107

The Company began amortizing the OptimizeRx website costs, using the straight-line method over the estimated useful life of 5 years, once it was put into service in December of 2007. During the year end December 31, 2009, the Company began a new web-based project and the related programming and development costs have been capitalized for the SampleMD website. The project was completed in mid-December 2010 and no amortization was recorded in 2010. Amortization began on the straight-line method in January 2011 over the period of five years. Although the Project was completed in mid-December, the Company continues to enhance and upgrade the website. Monthly payments for these upgrades have been capitalized, but not amortized, as of September 30, 2011. The Company determined that the original OptimizeRx website was no longer useful so the remaining unamortized balance of \$59,083 was impaired as of December 31, 2010. Amortization expense was \$47,761 for the nine months ended September 30, 2011 and \$30,827 for the year ended December 31, 2010, respectively.

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

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

Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2011****NOTE 6 – PATENT RIGHTS AND INTANGIBLE ASSETS (CONTINUED)**

The Company has capitalized costs in purchasing the SampleMD patent, which consisted of the following as of September 30, 2011 and December 31, 2010:

	September 30, December	
	2011	31, 2010
Patent rights and intangible assets	\$ 930,000	\$930,000
Accumulated amortization	(68,382 )	(27,353 )
Patent rights and intangible assets, net	\$ 861,618	\$902,647

The Company began amortizing the patent, using the straight-line method over the estimated useful life of 17 years, once it was put into service in July 2010. Amortization expense was \$41,029 for the nine months ended September 30, 2011 and \$27,353 for the year ended December 31, 2010, respectively.

**NOTE 7 – ACCRUED EXPENSES**

Accrued expenses consisted of the following as of September 30, 2011 and December 31, 2010:

	September 30, December	
	2011	31, 2010
Accrued payroll taxes	\$ 0	\$ 700
Accrued audit fees	0	5,000
Accrued expenses	\$ 0	\$ 5,700

**NOTE 8 – DEFERRED REVENUE**

The Company has signed several contracts with customers for coupon redemptions on their website. The payments are not taken into revenue until the end user redeems the coupon. The redemptions are tracked via their website and revenues are recorded as the coupons are redeemed. Deferred revenue was \$140,300 and \$225,720 as of September 30, 2011 and December 31, 2010, respectively.

#### **NOTE 9 – NOTE PAYABLE**

On October 5, 2010, the Company issued a secured promissory note of \$1,000,000 to an investor. The note accrues interest at 6% per annum, compounded on April and October each year and will be paid at the earliest of September 12, 2012 or earlier at the Company's option. No principal or interest payments are required until the maturity date. Accrued interest was \$15,000 as of December 31, 2010. The terms of the note also granted 1,000,000 stock warrants and 1,000,000 contingent stock warrants in connection with the financing. The non-contingent warrants were valued at \$1,007,992 with \$1,000,000 recorded as debt discount and \$7,992 recorded as interest expense in the December 31, 2010 year. The Company analyzed the assumptions associated with the contingent warrants and determined that the performance objectives were not likely to occur in 2011. Therefore, no value was recorded for the contingent warrants. The debt discount derived from the warrant valuation of \$1,000,000 was being amortized over the life of the loan using the straight-line method and charged to interest expense.

On September 16, 2011, the Company entered into a Termination Agreement, in conjunction with a Securities Purchase Agreement with another investor. Under the Termination Agreement, the Company paid off the \$1,000,000 promissory note, plus all accrued interest to date. Upon payment of the note, the contingent stock warrants obligation was terminated and the remaining debt discount from the warrant valuation was expensed. See Note 12.

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**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**NOTE 10 – COMMON STOCK**

OptimizeRx Corporation has 500,000,000 shares of \$.001 par value common stock authorized as of September 30, 2011. There were 14,192,496 and 13,606,676 common shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively.

On March 11, 2010, the Company issued 12,000 shares of common stock for services valued at \$27,960.

On April 20, 2010, the Company issued 66,000 shares to board members for services valued at \$130,680.

Additionally on May 27, 2010, the Company issued 25,000 for services valued at \$42,500.

On September 27, 2010, the Company issued 100,000 shares of common stock for services valued at \$100,000.

On October 14, 2010, the Company issued 24,000 shares to a board member or advisory services valued at \$30,000.

During the year ended December 31, 2010, the Company issued 410,520 shares of common stock to satisfy \$700,000 of preferred dividends.

On February 19, 2010, 75,400 stock warrants were exercised for 43,039 shares of common stock in a cashless exchange.

On May 19, 2010, 25,000 stock warrants were exercised for 25,000 shares of common stock for total proceeds of \$8,750.



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

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

During the nine months ended September 30, 2011, the Company issued 475,820 shares of common stock to satisfy \$500,000 of preferred dividends.

#### **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.

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**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**NOTE 11 – PREFERRED STOCK (CONTINUED)**

Series A Preferred (Continued)

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

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

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

Series B Preferred

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

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

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

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**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**NOTE 11 – PREFERRED STOCK (CONTINUED)**

Series B Preferred (Continued)

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

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

**NOTE 12 – STOCK OPTIONS AND WARRANTS**

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

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

clearly determined. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital over the period during which services are rendered.

On January 6, 2010, the Company issued 25,000 stock warrants for services to a consultant with an exercise price of \$0.35. The warrants were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 259%, risk-free interest rate of 2.6% and expected life of 60 months. The Company recognized consulting expense of \$57,425.

On June 4, 2010, the Company issued 3,000,000 stock warrants in connection with the preferred stock issuance with an exercise price of \$3.00. The warrants were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 260%, risk-free interest rate of 2.65% and expected life of 84 months. The Company recorded the stock warrants valued at \$5,096,472 in an equity transaction.

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**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

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

On July 1, 2010, the Company issued 100,000 stock warrants for services to a consultant with an exercise price of \$2.50. The warrants were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 241%, risk-free interest rate of 1.26% and expected life of 60 months. During the quarter ended September 30, 2011, these warrants were cancelled as part of a settlement with the consultant.

On October 5, 2010, the Company issued 1,000,000 stock warrants and 1,000,000 contingent stock warrants in connection with the Company's debt financing with an exercise price of \$2.25. The warrants were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 241%, risk-free interest rate of 1.83% and expected life of 84 months. The non-contingent warrants were valued at \$1,007,992 with \$1,000,000 recorded as debt discount and \$7,992 recorded as interest expense in the current period. The company analyzed the assumptions associated with the contingent warrants and determined that the performance objectives were not likely to occur in 2011. Therefore, no value was recorded for the contingent warrants. The Company recorded \$250,000 and \$83,333 of the debt discount as interest expense in the six months ended June 30, 2011 and the year ended December 31, 2010. On September 16, 2011, the Company entered into a Termination Agreement and Release with the investor. As part of the agreement, the 1,000,000 contingent stock warrants were terminated and the remaining debt discount interest from the warrant valuation was expensed. See Note 9.

On April 26, 2010, the Company issued 200,000 stock options to acquire 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 with an exercise price of \$1.81. 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 262%, risk-free interest rate of 2.54% and expected life of 60 months. The Company capitalized \$360,000 as patent rights for these options.

On October 1, 2010, the Company issued 25,000 stock options to an employee with a vesting period of one year and an exercise price of \$1.21. The options were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 241%, risk-free interest rate of 1.26% and expected life of 60 months. The Company recognized share-based compensation expense of \$6,203 during the year ended December 31, 2010 with the remaining balance of \$18,610 to be recognized in 2011. \$6,203 has been recognized in the nine months ended September 30, 2011.

On April 27, 2011, the Company issued 100,000 stock options to an individual at an exercise price of \$0.73. The options were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 221%, risk-free interest rate of 2.06% and expected life of 60 months. The agreement is for a period of six months. The Company recognized expenses of \$77,423 during the nine months ended September 30, 2011 with the remaining balance of \$16,569 recorded as prepaid consulting to be expensed over the next month.

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**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

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

On May 31, 2011, the Company issued 285,000 stock options to 3 employees at an exercise price of \$1.00. The options were valued on the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0%, expected volatility of 218%, risk-free interest rate of 1.68% and expected life of 60 months. The total value of the options was \$320,585. The options vest over one year. The Company recognized share-based compensation expense of \$106,861 during the nine months ended September 30, 2011. The remaining balance will be recognized over the following eight months.

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

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

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

**NOTE 14 – 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. See Notes 6, 10 and 12.

**NOTE 15 – MAJOR CUSTOMERS**



The Company has one major customer that accounted for 50% of the Company's revenues and has three major customers that accounted for approximately 60% of revenues for the nine months ended September 30, 2011 and for the year ended December 31, 2010, respectively. The Company expects to continue to maintain these relationships with the customers.

**NOTE 16 – INCOME TAXES**

For the nine months ended September 30, 2011, the Company incurred a net loss of approximately \$1,674,000 and therefore has no tax liability. The Company began operations in 2007 and has previous net operating loss carry-forwards of \$11,359,000 through December 31, 2010. The cumulative loss of \$13,033,000 will be carried forward and can be used through the year 2031 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.

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Table of Contents**OPTIMIZERx CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2011****NOTE 16 – INCOME TAXES (CONTINUED)**

The provision for Federal income tax consists of the following for the nine months ended September 30, 2011 and 2010:

	September 30, 2011	September 30, 2010
Federal income tax benefit attributable to:		
Current operations	\$ 569,000	\$ 386,000
Valuation allowance	(569,000 )	(386,000 )
Net provision for federal income tax	\$ 0	\$ 0

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows as of September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
Deferred tax asset attributable to:		
Net operating loss carryover	\$4,431,000	\$3,862,000
Valuation allowance	(4,431,000 )	(3,862,000)
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 \$13,033,000 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 17 – OPERATING EXPENSES**

Operating expenses consisted of the following for the three and nine months ended September 30, 2011 and 2010:

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	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Advertising	\$ 46,261	\$ 32,146	\$ 89,556	\$ 123,411
Professional fees	27,844	90,356	240,733	161,461
Consulting	51,479	138,554	133,580	540,026
Salaries, wages and benefits	186,585	193,189	566,926	511,374
Rent	7,606	7,500	22,606	22,500
General and administrative	162,860	84,144	391,669	342,294
Total Operating Expenses	\$ 482,635	\$ 545,889	\$ 1,445,070	\$ 1,701,066

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**OPTIMIZERx CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**NOTE 18 – GOING CONCERN**

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

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

**NOTE 19 – SUBSEQUENT EVENTS**

On February 10, 2011, the Company filed a demand for arbitration (the “Demand”) with the American Arbitration Association (“AAA”) in Oakland County, Michigan based on a dispute between the Company and Beringea surrounding a capital raising agreement that was entered into on October 15, 2009. We have alleged that Beringea has failed to perform under the agreement, misinformed us about “tail” liability, and has wrongfully withheld funds due to us. We have sought \$400,000 in damages. On September 30, 2011 a final arbitration award (the “Award”) was issued by an AAA arbitrator. According to the Award, we are entitled to recover \$202,500 from Beringea on the claim of gross negligence, and \$88,000 for the costs of enforcing the agreement, including attorneys’ fees and expenses. All other claims sought in the Demand were denied. As of October 7, 2011, the proceeds have been received.

On November 4, 2011, the Company signed a lease for a new office which it will move into in December 2011 at an approximate rent of \$5,000 per month. The new offices will be in Rochester, Michigan where the Company currently resides.

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to September 30, 2011 through November 1, 2011 and has determined that it does not have any material subsequent events to disclose in these financial statements other than the events discussed above.

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

**Forward-Looking Statements**

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

**Overview**

We continue to work diligently to build out our SampleMD™ solution which provides the ability to search and select free sample vouchers and co-pay assistance by prescribing clinicians on behalf of their patients. We installed the SampleMD™ solution within our first health system in November of 2010. In parallel to our efforts of providing the doctors desktop version of the SampleMD™ solution to health systems that have eliminated access to pharmaceutical representatives, we also continue to work with Allscripts where we have integrated our solution right within their electronic prescribing application. The Allscripts ePrescribe solution was launched in mid December of 2010. These launches were inclusive of those handful of early adopting pharmaceutical manufacturers which saw the benefits and potentials of this new channel in reaching prescribing clinicians that prior were inaccessible.

With the completed launch of SampleMD™ to various health systems and within the Allscripts solutions, we began 2011 with two major focuses. First, we set out to improve the field functionality and adoption by prescribing clinicians of our SampleMD™ solution. Early feedback from prescribing clinicians was positive. Overall, for both

installed environments, desk top and eRx, clinicians were satisfied with the ease and availability of our SampleMD™ solution. With the feedback we received, we continued to enhance and update product ease, usability and speed. We project that our SampleMD™ 3.0 will feature components with easier access to formulary information, broader search capabilities and a scheduler for pharmaceutical representatives. Additionally, SampleMD™ will be integrated not only within ePrescribing environments, but also within Electronic Medical (EMR) and Electronic Health Record (EHR) environments – right within the clinicians work stream.

In the 3<sup>rd</sup> quarter of fiscal year 2011, we continued to generate revenue while fine tuning both the SampleMD™ stand alone solution as well as our integration with Allscript ePrescribing application. Additionally, we continue to generate great interest from health systems looking for an alternative means to provide samples and co-pay assistance to their patients. We are gaining momentum with pharmaceutical manufacturers and their brands as an alternative channel to the physician as well as interest from ePrescribing and EMR providers as an extension of their offering portfolio and revenue sharing. These efforts have expanded our offerings portfolio as we now have twelve (12) major pharmaceutical manufacturers, forty six (46) brands, and sixty (60) offerings distributed via health system widgets and integrated Allscripts ePrescribing.

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The 3<sup>rd</sup> quarter also highlighted securing additional financing to support our continued growth and the recognized need for additional resources within the technical, sales and administrative disciplines. As a portion of the initial proceeds was used to pay back the note to Physicians Interactive, the balance of the funds will be used to support the acquisition of additional resources needed to support our growth.

For our year to date performance, we continue on track while gaining exposure within the marketplace. We have focused on driving our market message and gained significant exposure while participating in the Allscripts User Conference in August of 2011. With some 3500 plus attendees, we gained valuable exposure to health systems and pharmaceutical manufacturers. Additionally, we participated within the HIMMS health care technology conference, the Marcus Evan Executive Marketing roundtable and launched an Ad campaign surrounding our SampleMD™ solution and its benefits to the health care provider advertising in Pharmaceutical Executive Magazine. It is our intent to continue to drive market awareness, secure additional sales, align with additional channel partners, and to acquire the necessary resources to support our continued growth.

## **Results of Operations for the Three and Nine Months Ended September 30, 2011 and 2010**

### *Revenues*

Our total revenue reported for three months ended September 30, 2011 was \$191,593, an increase from \$40,676 for the three months ended September 30, 2010. Our total revenue reported for nine months ended September 30, 2011 was \$785,610, an increase from \$58,679 for the nine months ended September 30, 2010.

Our increased revenue for the three and nine months ended September 30, 2011 as compared with the prior year periods is a result of our SampleMD solution and the setup and integration fees for pharmaceutical manufacturers which are participating within this offering. We are in the process of extending and renewing existing contracts, solidifying new contracts, and broadening our distribution channel with leading e-prescribers and electronic medical record providers. We expect that these efforts will result in larger revenues for our fourth quarter.

### *Operating Expenses*

Operating expenses decreased to \$482,635 for the three months ended September 30, 2011 from \$545,889 for the same period ended 2010. Operating expenses decreased to \$1,445,070 for the nine months ended September 30, 2011 from \$1,701,067 for the same period ended 2010. A detail of the significant expenses for the three and nine months ended September 30, 2011 as compared to the prior year period is set forth below:

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	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Advertising	\$46,261	\$32,146	\$89,556	\$123,411
Auto Expense	15,807	10,679	54,464	35,718
Computer Services	1,614	3,137	7,035	10,190
Consulting	51,478	138,554	240,440	670,706
Contributions	100	21,957	100	22,007
Depreciation and Amortization	30,049	8,159	90,194	24,417
Development Costs	7,057	10,797	52,506	26,954
Education and Training	262	6,552	512	6,819
Employee Benefits	24,990	14,138	84,032	50,046
General and Administrative	2,643	1,583	6,277	3,127
Insurance	6,986	6,099	19,454	15,946
Legal and Accounting	27,844	89,557	183,992	158,911
Office Expense	957	1,519	3,224	5,331
Payroll	161,595	179,050	482,894	461,327
Public and Investor Relations	0	800	56,741	2,550
Rent	7,606	7,500	22,606	22,500
Telephone	3,831	3,133	10,217	8,500
Travel	3,562	2,514	9,248	8,909
Website Maintenance	8,750	5,000	28,750	27,480



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Our operating expenses have decreased in the three and nine months ended September 30, 2011 as compared with the prior year periods largely as a result of a decrease in stock-based compensation, which is included in the category for “consulting” expenses, and a decrease in legal and accounting costs. For the fourth quarter, we expect to have higher operating expenses as we bring on account manager and sales positions.

### *Other Income/Expenses*

Other expenses were \$678,337 for the three months ended September 30, 2011 as compared with other income of \$635 for same period ended 2010. Other expenses were \$957,534 for the nine months ended September 30, 2011 as compared with other income of \$1,939 for same period ended 2010. Interest expenses were the major factor for other expenses for the periods ended September 30, 2011.

### *Net Loss*

Net loss for the three months ended September 30, 2011 was \$969,379, compared to net loss of \$504,578 for the same period 2010. Net loss for the nine months ended September 30, 2011 was \$1,616,994, compared to net loss of \$1,640,449 for the same period 2010.

### **Liquidity and Capital Resources**

As of September 30, 2011, we had total current assets of \$1,337,516 and total assets in the amount of \$2,649,597. Our total current liabilities as of September 30, 2011 were \$739,440. We had working capital of \$598,076 as of September 30, 2011.

Operating activities used \$604,364 in cash for the nine months ended September 30, 2011. Our net loss of \$1,616,994, prepaid expenses of \$116,405, deferred revenue of \$85,420 and accrued expenses of \$63,200 were the primary components of our negative operating cash flow, offset mainly by \$916,667 in amortization of debt discount, \$104,255 in accounts receivable, \$83,992 in stock issued for services, and \$90,149 in depreciation and amortization. Investing activities used \$154,415 during the nine months ended September 30, 2011 as a result of website development costs. Financing activities provided \$500,000 for the nine months ended September 30, 2011 as a result of \$855,460 from the issuance of preferred stock, 644,540 from the issuance of warrants in connection with the preferred stock, offset by \$1,000,000 made on the payment of a loan.

On September 16, 2011, we entered into a Securities Purchase Agreement with Vicis Capital Master Fund, a sub-trust of Vicis Capital Series Master Trust, a unit trust organized and existing under the laws of the Cayman Islands (“Vicis”), and our wholly-owned subsidiary, OptimizeRx Corporation, a Michigan corporation (the “Guarantor”) entered into an Amended and Restated Guarantor Agreement with Vicis for sale of up to 50 shares of our Series B Preferred Stock and warrants to purchase up to 3,333,334 shares of our common stock with an exercise price of \$3.00 per share (the “Vicis Warrants”).

The first closing of the financing, which has occurred, was for the sale of 15 shares of Series B Preferred Stock and a warrant to purchase 1,000,000 shares of our common stock at the above exercise price for \$1,500,000. This money was used to pay off a secured promissory note (the “Note”) in the principal amount of \$1,000,000 to Physicians Interactive, Inc., a Delaware corporation and the remainder will be used for working capital to our company.

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

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

If after the Conversion Eligibility Date the market price for the common stock for any ten consecutive trading days exceeds \$2.00 (subject to adjustment for reverse and forward stock splits, stock combinations and other similar transactions of the common stock that may occur) and the average daily trading volume for the common stock during such ten day period exceeds 100,000 shares (such period, the "Threshold Period"), the Company may, at any time after the fifth trading day after the end of any such period, deliver a notice to the holder (a "Forced Conversion Notice" and the date such notice is received by the holder, the "Forced Conversion Notice Date") to cause the holder to immediately convert all and not less than all of the Stated Value of the shares held by such Holder plus accumulated and unpaid dividends at the then current Conversion Price (a "Forced Conversion"). We may only effect a Forced Conversion Notice if all of the conditions specified in the purchase agreement are met through the applicable Threshold Period until the date of the applicable Forced Conversion and through and including the date such shares of common stock are issued to the holder.

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

With the above financing and cash on hand, we believe we have sufficient cash to both operate our business and provide for our growth needs for the next twelve months

### **Off Balance Sheet Arrangements**

As of September 30, 2011, there were no off balance sheet arrangements.

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

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

**Item 4T. Controls and Procedures**

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2011. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Mr. David Lester. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2011, our disclosure controls and procedures are effective. There have been no significant changes in our internal controls over financial reporting during the quarter ended September 30, 2011 that have materially affected or are reasonably likely to materially affect such controls.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

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Limitations on the Effectiveness of Internal Controls

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

**PART II – OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

On February 10, 2011, we commenced an action against Beringea, LLC (“Beringea”) with the American Arbitration Association (“AAA”) in Oakland County, Michigan. The action is based on a dispute between our company and Beringea surrounding a capital raising agreement that was entered into on October 15, 2009. We have alleged that Beringea has failed to perform under the agreement, misinformed us about “tail” liability, and is wrongfully withholding funds due to us. We sought \$400,000 in damages.

On September 30, 2011 a final arbitration award (the “Award”) was issued by an AAA arbitrator. According to the Award, we are entitled to recover \$202,500 from Beringea on the claim of gross negligence, and \$88,000 for the costs of enforcing the agreement, including attorneys’ fees and expenses. All other claims sought in the Demand were denied.

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

Midtown Partners removed the action to the United States District Court for the Eastern District of Michigan. On June 30, 2011, we entered into a settlement agreement with Midtown Partners. Under the settlement agreement, we paid Midtown Partners \$57,500 and issued the company 100,000 shares of our common stock. As a result of the settlement, the litigation in the Eastern District of Michigan was dismissed.

### **Item 1A: Risk Factors**

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

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

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

During the quarter ended September 30, 2011, we issued 475,820 shares of common stock to satisfy \$500,000 of preferred dividends to Vicis.

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

**Item 3. Defaults upon Senior Securities**

None

**Item 4. Removed and Reserved**

**Item 5. Other Information**

None

**Item 6. Exhibits**

Exhibit Number	Description of Exhibit
10.1	<u>Settlement Agreement, dated June 30, 2011</u>
31.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

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**SIGNATURES**

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

OptimizeRx Corporation

Date: November 23, 2011

By: /s/ David Lester

David Lester

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



