OptimizeRx Corp
Form 10-K/A
September 16, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

Amendment No. 1

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

For the fiscal year ended **December 31, 2014**

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	**48307**

Rochester, MI
(Address of principal executive offices) (Zip Code)

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

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

Title of each class	Name of each exchange on which registered
none	**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**

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**

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 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 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**

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 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. **$26,134,458**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. **22,912,319 common shares as of March 20, 2015**

Explanatory Note

This Amendment No. 1 on Form 10-K/A amends the Annual Report on Form 10-K for the year ended December 31, 2014 of OptimizeRx Corp. (he "Company", "we" or "us"), filed with the U.S. Securities and Exchange Commission (the "SEC") on March 31, 2015 to include an updated auditor report for KLJ & Associates, LLP.

No other changes have been made to the Form 10-K. This Amendment does not reflect events occurring after the filing of the Form 10-K, does not update disclosures contained in the Form 10-K, and does not modify or amend the Form 10-K except as specifically described in this explanatory note. Accordingly, this Amendment should be read in conjunction with our Form 10-K and our other filings made with the SEC subsequent to the filing of the Form 10-K, including any amendments to those filings.

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PART I

Item 1. Business

Company Highlights For 2014

In 2014 and into 2015, our company continues to be focused on four key operational areas:

1. Expand pharmaceutical brands and budgets
2. Expand physician utilization in our current EHR Network
3. Expand our promotional network in other EHRs and platforms
4. Expand infrastructure and resources to fully support and exploit each of the above three.

Per Per this focus, we were able to demonstrate success in each during 2014 through:

- increased sales of approximately 39% over 2013.
- increased promotional transactions of approximately 26% over those in 2013.
- distributed eCoupons related to approximately 80 different brands.
- generated operating income of approximately $400,000, excluding non-cash expenses,
- successfully launching our SampleMD e-coupon solution within Quest Diagnostics' Care360 EMR and eHealthline networks.
- continued acquisition of new pharmaceutical manufacturers and brands promoting through our platforms.
- hiring of key senior level personnel, including a highly experienced financial executive as CFO and a former global marketing director from AstraZeneca to lead east coast sales, while expanded our Board of Directors with seasoned executives.

- acquisition of $10 million dollars in new capital to exercise the negotiated buyout of Vicis, which netted out an additional $2.8 million dollars to us, and a reduction of approximately 7 million in potential fully diluted shares.

- completion and launch of the SampleMD 2.0 technology platform to support growth and are upgrading to Oracle database software to further improve system and reporting capacity.

- conducting and proving an outstanding Return on Investment associated with our pharmaceutical promotions through three independent analytics firms involving multiple pharmaceutical brands and manufacturers.

- unveiling VoucherDVM and engaged leading platforms to offer automated vet product savings. The company has formalized an agreement with National Veterinary Associates, a leading national hospital network, to beta launch in second quarter of 2015.

We generated positive cash flow from operations in 2014, excluding working capital fluctuations, and we expect to continue to do so in 2015, as well as to be profitable during the upcoming year based on the expected escalation of revenues.

Our success in acquiring, integrating and expanding into new promotional EHR/eRx platforms continues to grow as well. We are in the process of completing the initial rollout of brands into the Practice Fusion network, as well as discussing 2015 rollout dates with other potential networks.

In the fourth quarter of 2014, we signed an agreement with Practice Fusion, the largest cloud-based electronic health records (EHR) platform, to integrate and automate our patient savings and support system to enable Practice Fusion prescribers to more efficiently help patients better afford and adhere to their prescribed medications. Practice Fusion’s EHR is used by a community of more than 112,000 active medical professionals monthly with over 91 million patient records and should have a significant impact on our prescribing reach and sales once live. We anticipate that the integration will be completed early in the second quarter of 2015.

We are enforcing our agreements to integrate our promotions within LDM/PDR’s network of over 100,000 physicians and work collectively to integrate into NextGen. This delay in implementation of agreed terms has resulted in significant loss of revenue and profits to OptimizeRx. Thus we are aggressively seeking multiple strategies, including legal, to address and resolve this.

In March 2015, we signed an agreement with HCA Information Technology & Services, Inc.to pilot our eCoupon promotional system within their network. HCA is the largest hospital system in the nation.

We also signed our first agreement with National Veterinary Associates (NVA), one of the largest veterinary hospital systems in the nation.

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Pharmaceutical Sales and Marketing Updates

Our sales team continues to expand opportunities within existing and new clients. We are focused on adding additional brands at existing clients, expanding the utilization of our network for existing brands, and obtaining new clients.

Additionally, we are expanding our non e-Coupon services as follows:

We will focus on our New Drug File Integration.

We will begin a test rollout of our demand drug rep and sample request with two Urology EHR platforms to provide immediate access to assigned drug reps. Drug rep access via cold calling has become a very inefficient way to support and market to physician offices. This provides a novel, potentially ground breaking new way to increase access and meaningful support by reps in a more efficient, effective manner.

ePrescribe Training – we have multiple opportunities pending to leverage our partnership with WPP/Grey to train representatives on understanding and leveraging EHR sales opportunities.

VoucherDVM - we continue to advance our negotiations with each of the leading veterinarian technology platforms and have signed an agreement with National Veterinary Associates, one of the largest veterinary groups in the U.S., to initiate a beta launch within the second quarter of 2015.

We are also continuing to ramp up our marketing efforts as follows:

Held multiple meetings generated through Pharma to bring on new Health Systems/ePrescribe Platforms.

Spoke at Coupon and Co-Pay Off-set Strategies Conference.

Spoke at the Noble Financial Capital Markets Eleventh Annual Equity Conference at Club Med.

Sponsored the 2nd Annual ePrescribe/EHR Conference.

Developed and distributed a White Paper to demonstrate the eCoupon ROI to Pharmaceutical Manufacturers.

Through our partnership with Grey Healthcare, rebranded our promotional marketing items, including new brochures, presentations, and digital media.

With the growth of both our pharmaceutical products and our distribution network, we expect that our distribution of e-coupons will continue to increase substantially over last year.

Financial Update

We generated positive cash flow from operations, when ignoring working capital fluctuations, of approximately $400,000 in 2014 as set forth in the following table.

	Years Ended December 31	
	2014	2013
Net Revenue	$6,502,962	$4,679,741
Revenue Share Expense	3,221,534	1,861,316
Gross Margin	3,281,428	2,818,425
Total Operating Expenses	4,307,756	3,085,961
Less Noncash operating expenses	1,439,877	717,173
Cash operating Expenses	2,867,879	2,368,788
Income from Operations excluding noncash expenses	$413,549	$449,637

Operational Update

In 2015, we are intensively focused on increasing physician utilization of our partner networks. Prior to the launch of the Practice Fusion network, the total reach of our partner networks was approximately 300,000 providers. However, only approximately 100,000 providers have access to eCoupon functionality. Approximately 65,000 providers have used our eCoupon functionality at least once, but only approximately 20,000 providers actually use the networks regularly at the present time. We are working individually with each of our partners based on their particular situation to improve workflow to increase coupon utilization by those providers that have access, obtain access for those providers that currently do not have e-coupon access, and increase overall revenue derived from each channel. We believe there is significant revenue growth available within our existing brands by better utilization of our existing partner networks in addition to the revenue growth provided by new brands and new network partners.

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Technology Updates

To support our growth, we have completed the development and migration of SampleMD 2.0's on-demand, rule based content delivery platform. The system can now manage up to 1 million rules and return the appropriate content within 1 second. This allows unsurpassed response time to avoid delays, and the ability to meet the upcoming dramatic scale we expect.

We have launched downloadable "wrapper" code, which streamlines the integration requirements for our solution from a few weeks to a few days, if EHR channel partners choose to utilize this method. This addresses one of the biggest hurdles we face in getting health systems and EHRs to implement our system, given the extensive demand on their available technical resources.

On top of building out our updated software solution, we also updated 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. We believe this technology investment will increase performance, simplify integrations, insure availability and protect the investments of our shareholders. We will also be migrating our platform to Oracle database software to support our anticipated growth requirements.

Other Key Events in 2014

During 2014, we also successfully completed a $10 million capital raise and exercised the option to redeem Vicis Capital Master Fund's holdings in our company. By successfully executing these initiatives we reduced potential fully diluted shares by approximately 7 million and provided an additional $2.8 million in working capital to support our growth and eliminate dividend payments and other unfavorable provisions of Vicis' preferred stock.

We added two new outside members to our Board of Directors. Gus Halas has an extensive operating background at a variety of companies across a wide range of industries. He brings broad based business and investor perspectives to our senior leadership and is a real asset to us as we hone our strategy and further position ourselves for growth acceleration. Dr. Jack Pinney brings broad based medical knowledge and extensive experience in physician practice and an important user perspective to our Board of Directors and works with us to better understand how we can help more healthcare providers utilize our automated access to needed information and support for their practice and patients.

We expanded our senior leadership team by adding Ed Berger, a former AstraZenica global marketing director with extensive contacts throughout the pharmaceutical industry to lead our sales efforts on the east coast. We also added Doug Baker as our Chief Financial Officer, a certified public accountant with extensive financial experience with public companies.

In August 2014, we settled litigation related to a patent infringement case with Physicians Interactive Holdings, Inc. and Skyscape.com. All actions and claims have been released. We believe this settlement will reduce legal expenses moving forward.

Summary

Despite the lengthy sales cycle involved in creating this new e-coupon market, we remain very excited about our core e-coupon business and expect acceleration to continue with the launch of additional channels and our joint pursuit of leading health systems with our pharmaceutical partners. We expect our active network to grow substantially in 2015 and feel confident our active users will double by the end of the second quarter of 2015 based on anticipated contractual and platform commitments being implemented.

We are also pleased with the status of our current discussions with, and the value recognized by, leading veterinary platform providers that are interested in partnering to deliver similar automated savings to animal owners—while allowing veterinarians to remain competitive in their pharmacy business. These discussions are leading to expanded ways we can offer savings directly to veterinarians—as well as to their pet owners outside of the vet clinics.

Principal Products and Applications

Our principal products and applications can be summarized as follows:

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. 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. Over 90% of our revenue comes through activities related to our SampleMD platform.

OPTIMIZEHR – Our consulting practice focused on educating and working with pharmaceutical manufacturers on identifying, formulating, and implementing new eRx media strategies for promoting their products. Our consulting services include: 1) Drug File Integration - a service to insure that the manufacturer's 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. Currently, this activity results in less than 10% of our revenue, but we believe this represents a significant growth opportunity for us.

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. At the present time, we generate no revenue through this site, but we believe it represents a significant potential future revenue source.

Marketing and Sales

We continue to extend our marketing efforts to build both brand and capabilities awareness in the market. As previously discussed, 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 CBInet eRx and EHR conferences in March and October of 2014. We are also a cosponsor of the March 2015 conference. During the course of the year, we also initiated and delivered successful email marketing campaigns, which generated viable leads for our sales

force.

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 SampleMD and OPTIMIZERx 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, in 2014, we hired a highly seasoned Sales and Marketing Executive, who has decades of global pharmaceutical marketing and sales experience at AstraZeneca and elsewhere, as our Eastern Vice President of Sales. We continue to be alert for qualified sales personnel and will expand our sales force as revenues continue to grow.

Competition

Our SampleMD platform competes 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. Coupon offerings compete for pharmaceutical budgets with a variety of other forms of advertising and promotion.

Despite these overall 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 our reach to clinicians. The primary competitors in our space of the market are PDR Network, LLC and Physicians Interactive Holdings, Inc. However, we believe our breadth of brands offered, extensive list of pharmaceutical clients, and the vast reach of our network give us a substantial advantage and allows us to achieve a dominant position in the marketplace.

Intellectual Property

In 2012, we were awarded a patent for our innovative SampleMD solution (US Patent No. 8,341,015). This award was a result of our extensive 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 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 believe our current and expanding IP will allow us to continue being the leader in this rapidly growing space.

OPTIMIZERx and SampleMD are both licensed trademarks of ours.

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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 HIPPA 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 December 31, 2014, we had 12 full time employees and 1 part time employee, in addition to contracted programmers, as needed, 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 clients.

Subsidiaries

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

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Item 1A. Risk Factors

Risks Relating to Business and Financial Condition

Because we have historically experienced losses, if we are unable to achieve profitability, our financial condition and company could suffer.

Since the inception of our business we have historically incurred losses. While we have increased revenues significantly, we have not yet been able to achieve profitability due to significant investments in our growth. Our ability to achieve consistent profitability depends on our ability to generate sales through our technology platform and advertising model, while maintaining reasonable expense levels. If we do not achieve sustainable profitability, it may impact our ability to continue our operations.

Our business and growth may suffer if we are unable to attract and retain key employees.

Our success depends on the expertise of our executive officers and certain other key technical personnel. It may be difficult to find sufficiently qualified individuals to replace management or other key technical personnel in the event of death, disability or resignation, thus frustrating our ability to implement our business plan, which could negatively affect our operating results.

Furthermore, our ability to expand operations to accommodate our anticipated growth will also depend on our ability to attract and retain qualified media, management, finance, marketing, sales and technical personnel. However, competition for these types of employees is intense due to the limited number of qualified professionals. Our ability to meet our business development objectives will depend in part on our ability to recruit, train and retain top quality people with advanced skills who understand our technology and business. We believe that we will be able to attract competent employees, but no assurance can be given that we will be successful in this regard. If we are unable to engage and retain the necessary personnel, our business may be materially and adversely affected.

Our failure to obtain retain or attract additional customers could prevent us from successfully executing our business plan.

We currently work with many leading pharmaceutical companies, including Pfizer, Eli Lilly, Auxilium, Actavis, AstraZeneca, Alcon, Daichi Sankyo, Shire, Activis, and others. Our failure to retain existing customers or expand with new customers could negatively impact our business.

We are dependent on a concentrated group of customers

Our revenues are concentrated in approximately 25 customers, primarily large pharmaceutical manufacturers and large advertising agencies. Approximately 64% of our revenue came from our largest five customers. Loss of one or more of these customers could have a significant negative impact on our operating results.

We may be unable to support our technology to further scale our operations successfully.

Our plan is to grow rapidly through further integration of our technology in electronic platforms. Our growth will place significant demands on our management and technology development, as well as our financial, administrative and other resources. We cannot guarantee that any of the systems, procedures and controls we put in place will be adequate to support the commercialization of our operations. Our operating results will depend substantially on the ability of our officers and key employees to manage changing business conditions and to implement and improve our financial, administrative and other resources. If we are unable to respond to and manage changing business conditions, or the scale of our products, services and operations, then the quality of our services, our ability to retain key personnel and our business could be harmed.

If we are unable to maintain our contracts with electronic prescription platforms, our business will suffer.

We are reliant upon our contracts with leading electronic prescribing platforms, including Allscripts, Dr. First, Quest Diagnostics, and others. We will need to maintain these relationships as well as diversify them. The inability to do so could adversely impact our business.

Our agreements with electronic prescription platforms are subject to audit, which could subject us to additional costs that might affect our results of operations.

Our agreements with our electronic prescription platform partners provide for revenue sharing payments to the platform partners based on the revenue we generate through the platform. These payments are subject to audit by our partners, at their cost, and if there is a dispute as to the calculation, we may be liable for additional payments. If an underpayment is determined to be in excess of a certain amount, for example 10%, some agreements would require us to pay for the cost of the audit, as well.

Developing and implementing new and updated applications, features and services for our portals may be more difficult than expected, may take longer and cost more than expected and may not result in sufficient increases in revenue to justify the costs.

We have completed the development and migration of SampleMD 2.0's on-demand, rule based content delivery platform. The system can now manage up to 1 million rules and return the appropriate content within 1 second. This allows unsurpassed response time to avoid delays, and the ability to meet the upcoming dramatic scale we expect. Despite the launch of Sample MD 2.0, attracting and retaining users of our portals requires us to continue to improve the technology underlying those portals and to continue to develop new and updated applications, features and services for those portals. If we are unable to do so on a timely basis or if we are unable to implement new applications, features and services without disruption to our existing ones, we may lose potential users and clients. The costs of development of these enhancements may negatively impact our ability to achieve profitability.

We rely on a combination of internal development, strategic relationships, licensing and acquisitions to develop our portals and related applications, features and services. Our development and/or implementation of new technologies, applications, features and services may cost more than expected, may take longer than originally expected, may require more testing than originally anticipated and may require the acquisition of additional personnel and other resources. There can be no assurance that the revenue opportunities from any new or updated technologies, applications, features or services will justify the amounts spent.

If we are unable to adhere to the regulatory and competitive climate in which we operate, we could be materially and negatively impacted.

Do to the labyrinth of regulations in healthcare space, state and federal, as well as political sensitivity of healthcare delivery our business model could be negatively impacted or fail.

The markets in which we operate are competitive, continually evolving and, in some cases, subject to rapid change.

Our portals face competition from numerous other companies, both in attracting users and in generating revenue from advertisers and sponsors. We compete for users with online services and Web sites that provide savings on medications and healthcare products, including both commercial sites and not-for-profit sites. We compete for advertisers and sponsors with: health-related web sites; general purpose consumer web sites that offer specialized health sub-channels; other high-traffic web sites that include both healthcare-related and non-healthcare-related content and services; search engines that provide specialized health search; and advertising networks that aggregate traffic from multiple sites.

Our healthcare provider portals compete with: providers of healthcare decision-support tools and online health management applications; wellness and disease management vendors; and health information services and health management offerings of healthcare benefits companies and their affiliates.

Many of our competitors have greater financial, technical, product development, marketing and other resources than we do. These organizations may be better known than we are and have more customers or users than we do. We cannot provide assurance that we will be able to compete successfully against these organizations or any alliances they have formed or may form. Since there are no substantial barriers to entry into the markets in which our public portals participate, we expect that competitors will continue to enter these markets.

Developments in the healthcare industry could adversely affect our business

Most of our revenue is derived from the healthcare industry and could be affected by changes affecting healthcare spending. We are particularly dependent on pharmaceutical, biotechnology and medical device companies for our advertising and sponsorship revenue.

General reductions in expenditures by healthcare industry participants could result from, among other things:

- government regulation or private initiatives that affect the manner in which healthcare providers interact with patients, payers or other healthcare industry participants, including changes in pricing or means of delivery of healthcare products and services;
- government regulation prohibiting the use of coupons by patients covered by federally funded health insurance programs;
- consolidation of healthcare industry participants;
- reductions in governmental funding for healthcare; and
- adverse changes in business or economic conditions affecting healthcare payers or providers, pharmaceutical, biotechnology or medical device companies or other healthcare industry participants.

Even if general expenditures by industry participants remain the same or increase, developments in the healthcare industry may result in reduced spending in some or all of the specific market segments that we serve or are planning to serve. For example, use of our products and services could be affected by:

- changes in the design of health insurance plans;
- a decrease in the number of new drugs or medical devices coming to market; and

a decrease in marketing expenditures by pharmaceutical or medical device companies, including as a result of governmental regulation or private initiatives that discourage or prohibit advertising or sponsorship activities by pharmaceutical or medical device companies.

In addition, our customers' expectations regarding pending or potential industry developments may also affect their budgeting processes and spending plans with respect to products and services of the types we provide.

The healthcare industry has changed significantly in recent years and we expect that significant changes will continue to occur. However, the timing and impact of developments in the healthcare industry are difficult to predict. We cannot assure you that the markets for our products and services will continue to exist at current levels or that we will have adequate technical, financial and marketing resources to react to changes in those markets.

Because we are embroiled in various lawsuits from time to time with uncertain consequences, the outcome of potential judgments may negatively affect our financial condition and results of operations

We are currently involved in litigation and other disputes, as described in Item 3 of this report. As we continue to grow, we can expect to have to deal with lawsuits that affect our business. Lawsuits are uncertain and involve a substantial degree of risk. If we are unable to successfully prosecute or defend these actions, our financial condition and results of operations could suffer.

Our success is dependent in part on obtaining, maintaining and enforcing our proprietary rights and our ability to avoid infringing on the proprietary rights of others.

We seek patent protection for those inventions and technologies for which we believe such protection is suitable and is likely to provide a competitive advantage to us. Because patent applications in the United States are maintained in secrecy until either the patent application is published or a patent is issued, we may not be aware of third-party patents, patent applications and other intellectual property relevant to our products that may block our use of our intellectual property or may be used in third-party products that compete with our products and processes. In the event a competitor or other party successfully challenges our products, processes, patents or licenses or claims that we have infringed upon their intellectual property, we could incur substantial litigation costs defending against such claims, be required to pay royalties, license fees or other damages or be barred from using the intellectual property at issue, any of which could have a material adverse effect on our business, operating results and financial condition.

We also rely substantially on trade secrets, proprietary technology, nondisclosure and other contractual agreements, and technical measures to protect our technology, application, design, and manufacturing know-how, and work actively to foster continuing technological innovation to maintain and protect our competitive position. We cannot assure you that steps taken by us to protect our intellectual property and other contractual agreements for our business will be adequate, that our competitors will not independently develop or patent substantially equivalent or superior technologies or be able to design around patents that we may receive, or that our intellectual property will not be misappropriated.

Our business will suffer if our network systems fail or become unavailable.

A reduction in the performance, reliability and availability of our network infrastructure would harm our ability to distribute our products to our users, as well as our reputation and ability to attract and retain customers. Our systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, Internet breakdown, earthquake and similar events. Our systems could also be subject to viruses, break-ins, sabotage, acts of terrorism, acts of vandalism, hacking, cyber-terrorism and similar misconduct. We might not carry adequate business interruption insurance to compensate us for losses that may occur from a system outage. Any system error or failure that causes interruption in availability of our product or an increase in response time could result in a loss of potential customers, which could have a material adverse effect on our business, financial condition and results of operations. If we suffer sustained or repeated interruptions, then our products and services could be less attractive to our users and our business would be materially harmed.

If we are unable to manage growth, our operations could be adversely affected.

Our progress is expected to require the full utilization of our management, financial and other resources. Our ability to manage growth effectively will depend on our ability to improve and expand operations, including our financial and management information systems, and to recruit, train and manage personnel. There can be no absolute assurance that management will be able to manage growth effectively.

If we do not properly manage the growth of our business, we may experience significant strains on our management and operations and disruptions in our business. Various risks arise when companies and industries grow quickly. If our business or industry grows too quickly, our ability to meet customer demand in a timely and efficient manner could be challenged. We may also experience development delays as we seek to meet increased demand for our products. Our failure to properly manage the growth that we or our industry might experience could negatively impact our ability to execute on our operating plan and, accordingly, could have an adverse impact on our business, our cash flow and results of operations, and our reputation with our current or potential customers.

Our business is subject to changing regulation of corporate governance and public disclosure

Because our common stock is publicly traded, we are subject to certain rules and regulations of federal and state entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities have continued to develop additional regulations and requirements in response to laws enacted by Congress, most notably the Sarbanes-Oxley Act of 2002. Complying with these new regulations has resulted in, and is likely to continue to result in, increased general and administrative costs and a diversion of management time and attention from revenue generating and other business activities to compliance activities.

Risks Relating to Our Securities

If a market for our common stock does not develop, shareholders may be unable to sell their shares.

Our common stock is quoted under the symbol “OPRX” on the OTCQB operated by OTC Markets Group, Inc., an electronic inter-dealer quotation medium for equity securities. We do not currently have an active trading market. There can be no assurance that an active and liquid trading market will develop or, if developed, that it will be sustained.

Our securities are very thinly traded. Accordingly, it may be difficult to sell shares of our common stock without significantly depressing the value of the stock. Unless we are successful in developing continued investor interest in our stock, sales of our stock could continue to result in major fluctuations in the price of the stock.

Because we are subject to the “Penny Stock” rules, the level of trading activity in our stock may be reduced.

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any listed, trading equity security that has a market price less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exemptions. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer’s account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules which may increase the difficulty Purchasers may experience in attempting to liquidate such securities.

We do not expect to pay dividends in the foreseeable future. Any return on investment may be limited to the value of our common stock.

We do not anticipate paying cash dividends on our common stock in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the board of directors may consider relevant. If we do not pay dividends, our common stock may be

less valuable because a return on your investment will occur only if our stock price appreciates.

Provisions in the Nevada Revised Statutes and our Bylaws could make it very difficult for an investor to bring any legal actions against our directors or officers for violations of their fiduciary duties or could require us to pay any amounts incurred by our directors or officers in any such actions.

Members of our board of directors and our officers will have no liability for breaches of their fiduciary duty of care as a director or officer, except in limited circumstances, pursuant to provisions in the Nevada Revised Statutes and our Bylaws as authorized by the Nevada Revised Statutes. Specifically, Section 78.138 of the Nevada Revised Statutes provides that a director or officer is not individually liable to the company or its shareholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless it is proven that (1) the director's or officer's act or failure to act constituted a breach of his or her fiduciary duties as a director or officer and (2) his or her breach of those duties involved intentional misconduct, fraud or a knowing violation of law. This provision is intended to afford directors and officers protection against and to limit their potential liability for monetary damages resulting from suits alleging a breach of the duty of care by a director or officer. Accordingly, you may be unable to prevail in a legal action against our directors or officers even if they have breached their fiduciary duty of care. In addition, our Bylaws allow us to indemnify our directors and officers from and against any and all costs, charges and expenses resulting from their acting in such capacities with us. This means that if you were able to enforce an action against our directors or officers, in all likelihood, we would be required to pay any expenses they incurred in defending the lawsuit and any judgment or settlement they otherwise would be required to pay. Accordingly, our indemnification obligations could divert needed financial resources and may adversely affect our business, financial condition, results of operations and cash flows, and adversely affect prevailing market prices for our common stock.

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 initially entered into a 3 year lease for this 2,886 square foot facility, with a cost of $5,049.25 per month. We renewed that lease for a two year period on December 1, 2014 for a monthly rental rate of $5,201.50. 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.

Item 3. Legal Proceedings

In September 2014, we initial litigation against Shadron Stastney, our previous CEO, in the U.S. District Court in the Eastern District of Michigan as a result of a dispute related to his separation agreement. Mr. Stastney alleged damages related to the non-registration of shares that he was granted as part of his separation agreement signed in September 2013. Under the terms of the contract we are not unconditionally obligated to register the shares and we deny any obligation to do so. We have requested declarative relief from the court and also requested an injunction from the court preventing Mr. Stastney from continuing to pursue his claims. Mr. Stastney has filed a counterclaim requesting damages of $450,000 related to the nonregistration of his shares.

In March 2015, we initiated litigation against LDM Group, LLC and PDR Network, LLC in the United States District Court in the Eastern District of Missouri related to the breach by LDM, and PDR as successor, of the settlement agreement signed February 28, 2014 related to previous litigation with LDM. LDM has failed to live up to its obligations under the settlement agreement including, but not limited to, not allowing us to distribute our eCoupon programs in the LDM network, not allowing us to distribute the LDM patient education programs, and not providing other information required under the settlement agreement. We are seeking enforcement of the settlement agreement and we are seeking damages in an amount at least equal to the amounts paid to date to LDM under the settlement agreement, which approximates $900,000, as well as damages for lost income and business value as a result of LDM’s breach of the agreement.

In March 2015, we also initiated litigation against PDR Network, LLC in the United States District Court in the District of New Jersey as a result of PDR’s breach of the Master Services Agreement between the parties requiring PDR to exclusively use our eCoupon solution. We assert that PDR’s acquisition of LDM and the use of the LDM network to distribute coupons by PDR violates the agreement between the parties and we are seeking damages in an amount at least equal the amounts paid to date by us to LDM under the settlement agreement, which approximates $900,000, as well as damages for lost income and business value as a result of PDR’s actions.

In early 2014, Mr. Milton Wilpon ("Mr. Wilpon") of New Jersey claimed to have obtained a default judgment for approximately $929,000 in the New Jersey Superior Court, Essex County (the "Judgment") against a predecessor of ours and was seeking to amend the Judgment to add us as a judgment debtor. We appeared in the action and filed a motion to vacate the Judgment on several grounds. , In September 2014, the Court granted our motion and vacated the Judgment in its entirety and dismissed the action.

However, in December 2014, we were served with a copy of a Demand for Arbitration filed by Mr. Wilpon relating to his claims under the Settlement Agreement. On February 24, 2015, we filed an appearance with the AAA objecting to the arbitration on several grounds, including (1) that claims arose in 2001 and are barred by the applicable statute of limitations; (2) plaintiff did not properly serve and file the demand for arbitration and (3) plaintiff has not followed the proper procedure for the appointment of an arbitrator as provided by the Settlement Agreement. We will continue to vigorously oppose Mr. Wilpon's claims.

Item 4. Mine Safety Disclosures

Not applicable.

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.

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

Fiscal Year Ending December 31, 2014

Quarter Ended	High $	Low $
December 31, 2014	1.15	0.80
September 30, 2014	1.54	1.10
June 30, 2014	1.80	1.42
March 31, 2014	1.95	1.41
Quarter Ended March 31, 2015 (through March 20, 2015)	1.40	$0.98

On March 20, 2015, the last sales price per share of our common stock was $1.36.

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.

Holders of Our Common Stock

As of March 20, 2015, we had 22,912,319 shares of our common stock issued and outstanding, held by 326 shareholders of record at our transfer agent, with approximately 1,000 additional shareholders holding our shares in street name.

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, 2014

Plan Category	Number of Securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of Securities remaining available for future issuance under equity compensation plans
	(a)	(b)	(c)
Plan approved by shareholders (2013 Equity Compensation Plan)	552,500	$ 1.51	410,000
Plan not approved by shareholders (Other Equity Compensation (includes options and warrants))	2,609,139	$ 1.54	–
Total	3,161,639	$ 1.53	410,000

Recent Sales of Unregistered Securities

The information set forth below relates to our issuances of securities without registration under the Securities Act of 1933 during the reporting period which were not previously included in a Quarterly Report on Form 10-Q or Current Report on Form 8-K.

In January 2015, we issued 12,500 shares of restricted common stock to our outside Directors as part of our director compensation package for services rendered in the fourth quarter of 2014.

In March 2015, we signed a capital markets advisory agreement whereby we agreed to issue 90,000 shares of common stock in two increments as payment for the advisory services. The first 45,000 shares were issued in March 2015.

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 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," "v 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 effect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

Results of Operations for the Years Ended December 31, 2014 and 2013

Revenues

Our total revenue reported for the year ended December 31, 2014 was approximately $6.5 million, an increase of 39% from the year ended December 31, 2013. This increased revenue resulted from increases in all major revenue categories including setup fees, reporting fees, and eCoupon distributions and resulted from both increased pharmaceutical brands being promoted and expanded distribution channels. We expect continued revenue increases in 2015.

Because the pharmaceutical industry is dominated by large companies with multiple brands, our revenue is concentrated in a relatively small number of companies. We have approximately 25 pharmaceutical companies as customers and we received approximately 64% of our revenue in the year ended December 31, 2014 from our largest 5 customers, with approximately 20% of revenue from our largest customer. During the year ended December 31, 2013, approximately 75% of revenue came from our 5 largest customers, with 36% from our largest customer. While we are still dependent on major customers, as our customer base expands, we are becoming less dependent on any one customer.

Cost of Sales

Our cost of sales, composed of revenue share expense, increased in the year ended December 31, 2014, over the year ended December 31, 2013 as a result of the revenue increases. In addition, revenue share expense as a percentage of revenue in 2014 increased over 2013 from approximately 40% in the year ended December 31, 2013 to approximately 50% in the year ended December 31, 2014.

These increases in revenue share expense as a percentage of revenue result from a combination of factors, including product mix whereby a larger percentage of overall revenues are subject to revenue share, the LDM settlement agreement, which resulted in increased revenue share payments, and increased distributions at channel partners with financial incentives to increase distributions that result in higher payments per distribution. We expect revenue share expense as a percentage of revenue in 2015 to continue at levels similar to, or greater than, that of 2014 as revenues subject to revenue share expense continues to increase as a percentage of our overall revenues, and as a result of the LDM agreement being in effect for all of 2015, compared with only 10 months of 2014.

Operating Expenses

Operating expenses increased to approximately $4.3 million for the year ended December 31, 2014 from approximately $3.1 million for the year ended December 31, 2013, an increase of approximately 40%. The detail by major category is reflected in the table below.

	Years Ended December 31	
	2014	2013
Salaries, wages, & Benefits	$1,477,450	$1,320,065
Professional Fees	242,169	426,426
Board Compensation	19,565	-0-
Investor Relations	110,998	126,399
Consultants	72,487	100,077
Advertising and Promotion	87,201	47,105
Depreciation and Amortization	264,340	193,791
Development and Maintenance	189,566	81,264
Office, Facility, and other	140,101	123,892
Travel	131,637	143,560
Subtotal	2,735,514	2,562,579
Stock-based compensation	1,172,242	523.382
Lawsuit settlement	400,000	-0-
Total Operating Expense	$4,307,756	$3,085,961

The main reasons for the increase in operating expenses in 2014 are stock-based compensation, and the lawsuit settlement, which resulted in a $400,000 payment to the plaintiff. Ignoring those items, operating expenses only increased approximately 7% compared with a revenue increase of approximately 40%. The lawsuit settlement is a one-time expense that is not expected to recur, although as discussed above, it affects revenue share expense on an ongoing basis. Stock based compensation expense increased significantly as a result of stock grants to two executive officers and option grants to new and existing employees. We expect that stock compensation expenses will be significantly reduced in 2015 as there are no stock grants scheduled, aside from some remaining shares that will come due in 2015 to our new directors under our Director Compensation Plan, and amortization of the stock granted to the previous CEO has been completed.

Within the remaining operating expenses, there were a variety of increases, some of which were offset by savings in other areas. Salaries, wages and benefits increased as a result of additional staff. Professional fees decreased primarily as a result of the resolution of litigation in 2014, resulting in lower legal fees. Advertising and promotion increased as

a result of our sponsorship of eCoupon conferences. Development and Maintenance increased as a result of expansion of our system capacity and capabilities.

Net Loss

We finished the year ended December 31, 2014 with a loss of approximately $1.0 million, as compared to a loss of approximately $0.25 million during the year ended December 31, 2013. The reasons for specific components are discussed above. Overall, the increase in revenue and resulting gross margin was offset by increased operating expenses, however the majority of those increases were in non-recurring or non-cash items. The lawsuit settlement with LDM accounted for $400,000 of the increased loss. In addition, the 2014 loss included noncash items of approximately $1.2 million related to stock based compensation and approximately $264,000 of depreciation and amortization. Ignoring working capital changes, we had positive cash flow from operations of approximately $400,000 during the year ended December 31, 2014. In the year ended December 31, 2013, the loss of approximately $267,000 included non-cash expenses of only approximately $525,000 in stock-based compensation and $195,000 in depreciation and amortization, resulting in cash flow from operations (ignoring working capital items) of slightly over $450,000 in 2013.

Quarterly Financial Information

As discussed in the notes to the financial statements, we have restated our 2013 financial statements. The restatement relates to unrecorded stock compensation related to investor relations and consulting services, unrecorded revenue share payables, and changes in revenue recognition, all occurring during the year ended December 31, 2013. The revenue recognition relates to promotional programs started in 2013 that were expected to be completed in 2013, but actually carried over into 2014. These items were discovered as a result of their effect on the 2014 financial statements and a result, the quarterly financial statements also will be restated. Following are the restated income statement numbers for the first three quarters that will be used in the 2015 quarterly reports on Form 10-Q, as well as the fourth quarter amounts for information purposes.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Revenues	$1,289,428	$1,426,808	$1,819,421	$1,967,305	$6,502,962
Revenue Share Expense	561,411	730,140	958,334	971,649	3,221,534
Gross Profit	728,017	696,668	861,087	995,656	3,281,428
Operating Expenses	1,490,218	896,529	1,155,933	765,076	4,307,756
Income (Loss) from Operations	(762,201)	(199,861)	(294,846)	230,580	(1,026,328)
Other income	106	223	303	303	935
Loss before Taxes	(762,095)	(199,638)	(294,543)	230,883	(1,025,393)
Provision for Taxes	-0-	-0-	-0-	-0-	-0-
Net Income (Loss)	(762,095)	(199,638)	(294,543)	230,883	(1,025,393)
Loss per share					
Ba					