

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K/A

Amendment No. 1

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 4, 2019

OptimizeRx Corporation

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation)

001-38543

(Commission File Number)

26-1265381

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

400 Water Street, Suite 200, Rochester, MI

(Address of principal executive offices)

48307

(Zip Code)

Registrant's telephone number, including area code: 248.651.6568

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

**Title of each class**

**Trading symbol**

**Name of each exchange on which registered**

Common Stock

OPRX

Nasdaq Capital Market

### **Explanatory Note**

On October 7, 2019, we filed a Current Report on Form 8-K to disclose the closing of an Agreement and Plan of Merger (the “Agreement”) with our company, OptimizeRX Digital Therapeutics, Inc., a Delaware corporation and wholly-owned subsidiary of our company (“MergerCo”), and RMDY Health, Inc. (“RMDY”), as described in Item 2.01 to that report. The Agreement provides for the acquisition of RMDY for approximately \$16 million (subject to adjustment for net working capital and other customary adjustments), by merging MergerCo with and into RMDY, with RMDY continuing as the surviving entity and wholly owned subsidiary of our company. This Amendment to the Current Report on Form 8-K is filed to provide the required financial statements of the business acquired, as well as the proforma financial information of the combined entities.

## Cautionary Statement Regarding Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Specific forward-looking statements include, without limitation, statements related to the Company's financial outlook and projected results of operations, including assumptions underlying the Company's projections. Forward-looking statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Factors include, among others, the impact of the Company's acquisitions on its operating results and other factors, as described in the Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018. Caution should be taken not to place undue reliance on the Company's forward-looking statements, which represent the Company's views only as of the date this report is filed. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

## SECTION 2 - FINANCIAL INFORMATION

### ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS.

As previously disclosed, On September 5, 2019, OptimizeRx Corp. (the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") with OptimizeRX Digital Therapeutics, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("MergerCo"), and RMDY Health, Inc. ("RMDY"), pursuant to which the Company will acquire RMDY for approximately \$16 million (subject to adjustment for net working capital and other customary adjustments, the "Merger Consideration"), by merging MergerCo with and into RMDY, with RMDY continuing as the surviving entity and wholly owned subsidiary of the Company (the "Merger").

Pursuant to the Merger Agreement, and subject to the terms and conditions set forth therein, at the closing of the Merger (the "Closing"), each of RMDY's outstanding shares (including common and preferred shares) and applicable equity awards (including in-the-money options and warrants) will be converted into the right to receive the applicable portion of the Merger Consideration. Fifty percent of the Merger Consideration will be paid in cash and the other fifty percent will be paid in shares of the Company's common stock, with the actual number of such shares to be issued determined as the quotient obtained by dividing fifty percent of the Merger Consideration by the volume-weighted average trading price of the Company's stock as reported by NASDAQ for the thirty (30) consecutive trading days ending on the day immediately preceding the Closing. A portion of the Merger Consideration will be held in an escrow fund for the purposes of satisfying certain indemnification obligations of the equity holders.

On October 4, 2019, the Company completed the acquisition of RMDY. As a result of the Closing, RMDY became a wholly-owned subsidiary of the Company. For the acquisition, the Company paid the Merger Consideration, consisting of approximately \$16 million, and subject to further adjustment based on the final working capital determination as of the closing date. The price was paid in cash and stock as set forth in the Merger Agreement. Approximately \$8.7 million of cash was paid at closing and 382,893 shares of common stock will be issued in October 2019. Additional shares may be issued upon eventual release of the escrow amounts.

The Merger Agreement has been included to provide investors with information regarding its terms. The representations, warranties, and covenants contained in the Merger Agreement were made only for the purposes of the Merger Agreement, were made as of specific dates, were made solely for the benefit of the parties to the Merger Agreement, and may not have been intended to be statements of fact, but rather as a method of allocating risk and governing the contractual rights and relationships among the parties to the Merger Agreement. In addition, such representations, warranties, and covenants may have been qualified by certain disclosures not reflected in the text of the Merger Agreement and may apply standards of materiality and other qualifications and limitations in a way that is different from what may be viewed as material by the Company's shareholders. None of the Company's shareholders or any other third party should rely on the representations, warranties, and covenants, or any descriptions thereof, as characterizations of the actual state of facts or conditions of the Company, the Company, Merger Sub, or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of representations and warranties may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The Merger Agreement should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the Forms 10-K, Forms 10-Q, Forms 8-K, and other documents that the Company files or has filed with the SEC.

The foregoing descriptions of the Merger Agreement and the Merger are summaries, do not purport to be complete, and are qualified in their entirety by reference to the full text of the Merger Agreement, and the exhibits attached thereto, a copy of which is attached as Exhibit 2.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2019 and incorporated by reference herein.

## ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We have included as exhibits to this Current Report the required financial statements of RMDY in connection with our acquisition of the company, as well as the required combined proforma information.

## SECTION 3 - SECURITIES AND TRADING MARKETS

### ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES.

The information disclosed under Item 1.01 of this Current Report is incorporated herein by reference.

The issuance of the Merger Consideration consisting of the Company's common stock upon the closing of the Merger is expected to be made in reliance on the exemption afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 of Regulation D promulgated under the Securities Act.

## SECTION 9 – FINANCIAL STATEMENTS AND EXHIBITS

### ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
2.1	<a href="#">Agreement and Plan of Merger, dated September 5, 2019(1)</a>
23.1	<a href="#">Consent of Kesselman &amp; Kesselman</a>
99.1	<a href="#">Audited financial statements for RMDY</a>
99.2	<a href="#">Unaudited financial statements for RMDY</a>
99.3	<a href="#">Unaudited Pro Forma Combined Financial Information</a>

(1) Incorporated by reference to Exhibit 2.1 of the Current Report filed on September 9, 2019 with the Securities and Exchange Commission.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**OptimizeRx Corporation**

/s/ Douglas Baker

Douglas Baker  
Chief Financial Officer

Date December 18, 2019

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 No. 333-228357 and Form S-8 No. 333-210653 of OptimizeRx Corp. of our report dated December 18, 2019 relating to the financial statements of RMDY Health Inc., which appears in this Current Report on Form 8-K/A.

Tel-Aviv, Israel  
December 18, 2019

/s/ Kesselman & Kesselman  
Certified Public Accountants (Isr.)  
A member firm of PricewaterhouseCoopers International Limited

---

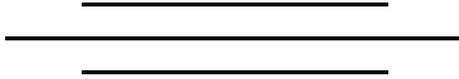
**RMDY HEALTH INC.**  
2018 ANNUAL REPORT

---

RMDY HEALTH INC.  
2018 ANNUAL REPORT

TABLE OF CONTENTS

	<u>Page</u>
<a href="#">Report of independent auditors</a>	2
<b>Consolidated financial statements in U.S. dollars:</b>	
<a href="#">Balance sheet</a>	3
<a href="#">Statement of loss</a>	4
<a href="#">Statement of changes in shareholders' equity</a>	5
<a href="#">Statement of cash flows</a>	6
<a href="#">Notes to the consolidated financial statements</a>	7-20





## Report of Independent Auditors

To the board of directors and management of RMDY Health Inc.

We have audited the accompanying consolidated financial statements of RMDY Health Inc. and its subsidiary, which comprise the consolidated balance sheet as of December 31, 2018 and the related consolidated statements of loss, changes in shareholders' equity and cash flows for the year then ended.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RMDY Health Inc. and its subsidiary as of December 31, 2018 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1(b) to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency and cash outflows from operating activities, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1(b). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

/s/ Kesselman & Kesselman  
Certified Public Accountants (Isr.)  
A member firm of PricewaterhouseCoopers International Limited

December 18, 2019

Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 6812508, Israel,  
P.O Box 50005 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax: +972 -3- 7954556, [www.pwc.com/il](http://www.pwc.com/il)

**RMDY HEALTH INC.**  
**CONSOLIDATED BALANCE SHEET**  
**U.S. DOLLARS IN THOUSANDS**

	<b>Note</b>	<b>December 31, 2018</b>
<b>Assets</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	2f	130
Accounts receivable	2h	258
Other current assets		8
<b>TOTAL CURRENT ASSETS</b>		<b>396</b>
<b>NON-CURRENT ASSETS:</b>		
Property, equipment and software, net	3	24
Restricted deposits	2g	6
Severance pay fund	5	220
Employee loans	8	629
<b>TOTAL ASSETS</b>		<b>1,275</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>CURRENT LIABILITIES:</b>		
Short term bank debts		30
Trade payables		159
Shareholder loans	8	369
Other payables	4	248
<b>TOTAL CURRENT LIABILITIES</b>		<b>806</b>
<b>NON-CURRENT LIABILITIES:</b>		
Severance pay liability	5	251
Officer loans	8	448
Warrant liability	6	9
		708
<b>TOTAL LIABILITIES</b>		<b>1,514</b>
<b>SHAREHOLDERS' EQUITY:</b>		
	6	
Ordinary shares of USD 0.001 par value 35,696,414 shares issued and outstanding at December 31, 2018:		36
Series A Preferred Shares USD 0.001 par value 1,085,521 shares issued and outstanding at December 31, 2018		1
Series B Preferred Shares USD 0.001 par value 15,373,131 shares issued and outstanding at December 31, 2018		15
Series C Preferred shares USD 0.001 par value 8,333,880 shares issued and outstanding at December 31, 2018		8
Additional paid-in capital		3,799
Accumulated deficit		(4,098)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIT)</b>		<b>(239)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,275</b>

The accompanying notes are an integral part of the consolidated financial statements

**RMDY HEALTH INC.**  
**CONSOLIDATED STATEMENT OF LOSS**  
**U.S. DOLLARS IN THOUSANDS**

	<b>Note</b>	<b>Year ended December 31, 2018</b>
<b>REVENUES</b>	2k	2,368
<b>COST OF REVENUE</b>		603
<b>GROSS PROFIT</b>		<u>1,765</u>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	2m	993
<b>SALES AND MARKETING EXPENSES</b>	2l	362
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		853
<b>DEPRECIATION AND AMORTIZATION</b>		13
<b>TOTAL OPERATING EXPENSES</b>		<u>2,221</u>
<b>OPERATING LOSS</b>		(456)
<b>FINANCIAL EXPENSE, net</b>		(24)
<b>LOSS BEFORE TAXES ON INCOME</b>		<u>(480)</u>
<b>INCOME TAX EXPENSE</b>	7	2
<b>NET LOSS</b>		<u><u>(482)</u></u>

The accompanying notes are an integral part of the consolidated financial statements

**RMDY HEALTH INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**U.S. DOLLARS IN THOUSANDS**

	Ordinary Shares		Preferred Shares			Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid in Capital		
<b>Balance At January 1, 2018</b>	35,696,414	36	16,458,652	16	2,492	(3,616)	(1,072)
Issuance of preferred shares, net of issuance costs	-	-	8,333,880	8	1,292	-	1,300
Share based compensation	-	-	-	-	15	-	15
Net loss for the year	-	-	-	-	-	(482)	(482)
<b>Balance At December 31, 2018</b>	35,696,414	36	24,792,532	24	3,799	(4,098)	(239)

The accompanying notes are an integral part of the consolidated financial statements

**RMDY HEALTH INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**U.S. DOLLARS IN THOUSANDS**

**Year ended**  
**December 31**  
**2018**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net loss	(482)
Adjustment to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	13
Share based compensation	15
Changes in operating assets and liabilities:	
Other current assets	4
Trade payables	(16)
Accounts receivables	(40)
Other payables	(809)
Other long-term liabilities	(22)
Other Assets	(49)
Net cash used in operating activities	<u>(1,386)</u>

**CASH FLOWS FROM INVESTMENT ACTIVITIES -**

Purchase of property, equipment and software	(3)
Net cash used in investment activities	<u>(3)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES -**

Short term loans	22
Issuance of preferred shares and warrants, net of issuance costs	1,309
Net cash provided by financing activities	<u>1,331</u>

Decrease in cash, cash equivalents and restricted cash	(58)
Cash, cash equivalents and restricted cash at the beginning of the year	<u>194</u>
Cash, cash equivalents and restricted cash at the end of the year	<u><u>136</u></u>

The below table reconciles cash, cash equivalents, and restricted cash as reported in the consolidated balance sheet to the total of the same amounts shown in the consolidated statements of cash flows, at the end of the year:

As reported in the consolidated balance sheets	130
Restricted deposits	<u>6</u>
As shown in the consolidated statements of cash flows	<u><u>136</u></u>

**The accompanying notes are an integral part of the consolidated financial statements**

## RMDY HEALTH INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 - GENERAL OVERVIEW:

- a. RMDY Inc. (together with its subsidiary, “CyberDiet LTD” or the “Company”), is engaged in developing and marketing of digital health SAAS solutions across a range of healthcare and life science initiatives, used by pharmaceutical companies, payers, MedTech companies, and medical associations nationwide to improve medication adherence and care coordination.
- b. The Company has experienced net losses and negative cash flows from operations since its inception and has relied on its ability to fund its operations primarily through equity financings. For the year ended December 31, 2018, the Company recorded a net loss of approx. \$500 thousands. Additionally, during the year ended December 31, 2018, the Company used cash in operations of approx. \$1,400 thousands. As of December 31, 2018, the Company had an accumulated deficit of \$4 million and cash and cash equivalents of \$130 thousands. Management has prepared cash flow forecasts, which indicate that based on the Company’s expected operating losses and negative cash flows, there is substantial doubt about the Company’s ability to continue as a going concern, within one year after the date that the financial statements are issued.

The Company’s ability to continue as a going concern is dependent upon its ability to raise additional funding and/or consummate the transaction discussed in note 9 and complete a successful integration. Otherwise, it could be forced to delay, reduce or eliminate its research and development programs or other operations. If any of these events occur, the Company’s ability to achieve the development and commercialization goals would be adversely affected. The Company does not have any additional financing in place and there can be no assurance that the Company can obtain financing, if at all, on terms acceptable to it.

#### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The Significant accounting policies applied in the preparation of the financial statements are as follows:

**a. Accounting principles**

The consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) in the United States of America (hereafter - U.S. GAAP).

**b. Principles of consolidation**

The accompanying consolidated financial statements include the accounts of RMDY HEALTH Inc. and its wholly owned subsidiary. All intercompany transactions have been eliminated in consolidation.

**c. Use of estimates in the preparation of financial statements**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. As applicable to these financial statements, the most significant estimates and assumptions relate to the fair value of share-based compensation and fair value of the warrants for preferred shares.

**d. Functional currency and translation**

The functional currency of the Company and its subsidiaries is the U.S. dollar (“dollar” or “\$”). Our foreign subsidiaries derive their revenue primarily from services provided to the parent company as well each obtains its financing from the parent company in dollars.

Accordingly, monetary accounts maintained in currencies other than the dollar are re-measured into dollars in accordance with the principles set forth in ASC 830 of the Financial Accounting Standards Board (“FASB”) “Foreign Currency Translation”, in the following manner:

## RMDY HEALTH INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued):

Transactions and balances originally denominated in dollars are presented at their original amounts. Balances in non-dollar currencies are translated into dollars using historical and current exchange rates for non-monetary and monetary balances, respectively. For non-dollar transactions reflected in the statement of income, the transaction date exchange rates are used. Depreciation, amortization and other changes deriving from non-monetary items are based on historical exchange rates. The resulting transaction gains or losses are recorded as financial income or expenses, as appropriate.

#### e. Fair value measurement

U.S. GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between arms-length market participants at the measurement date. When determining the fair value of its assets and liabilities, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use, such as inherent risk, transfer restrictions and risk of nonperformance.

Fair value is estimated by applying a hierarchy that prioritizes the inputs used to measure fair value into three levels. It also bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities;

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3—Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

As of December 31, 2018, the fair values of the Company’s cash, cash equivalents, short-term and long-term deposits, accounts receivable, and accounts payable, approximated the carrying values of these instruments presented in the Company’s consolidated balance sheets because of their short term nature.

#### f. Cash and cash equivalents

The Company considers cash invested in short-term bank deposits (up to three months from date of deposit) that are not restricted to withdrawal or use and money market instruments, to be cash equivalents. The Company maintains cash and cash equivalent balances with various financial institutions. The Company regularly reviews investment concentrations of these institutions.

#### g. Restricted deposits

The Company maintains restricted deposits held as collateral for the purposes of its vehicles lease.

The restricted deposits under the non-current assets include deposits held for vehicles lease . Depending on the length of the lease, the restricted lease deposit is presented as either a current or non-current asset.

#### h. Accounts receivable

Accounts receivable includes mainly open accounts with direct clients. Accounts receivable are recorded at the original invoiced amount less an allowance for any potential uncollectible amounts. The Company reviews accounts receivable regularly and makes estimates for the allowance for doubtful accounts when there is doubt as to the ability to collect individual balances. In evaluating the ability to collect outstanding receivable balances, the Company considers many factors, including the age of the balance, the customer’s payment history and current creditworthiness, and current economic trends. Bad debts are written off after all collection efforts have ceased. The Company does not require collateral from its customers.

**RMDY HEALTH INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued):**

**i. Property, equipment and software, net:**

- 1) The assets are stated at cost.
- 2) The assets are depreciated and amortized by the straight-line method, on basis of their estimated useful lives.
- 3) Additions, renewals, and betterments are capitalized. Maintenance and repairs that do not extend the useful life of the asset are expensed as incurred.

The estimated useful lives are as follows:

	<b>Years</b>
Computers, software and peripheral equipment	3-5
Furniture and office equipment	6-16
Leasehold improvements	Lesser of economic life or lease term

**j. Impairment of long-lived assets**

The Company reviews long-lived assets for their impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of the asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

**k. Revenue recognition**

The Company derives its revenue principally from digital services to its customers, using its platform. The Company generates revenue principally through fixed commitment contracts under which the Company provides various services, including access to a cloud-based platform, as well as the related customer support and other services. The Company's customers do not have a contractual right, or the ability, to take possession of the Company's software at any time during the hosting period, or contract with an unrelated third party to host the Company's software. Therefore, revenue recognition for the Company's services is not accounted for under specific guidance of the Financial Accounting Standards Board ("FASB") on software revenue recognition. The Company recognizes revenue for its services ratably over the contracted service period, provided that there is persuasive evidence of an arrangement, the service has been provided to the customer, collection is reasonably assured, the amount of fees to be paid by the customer is fixed or determinable and the Company has no significant remaining obligation at the completion of the contracted term. The Company's contracts do not contain general rights of return.

Revenue for optional services is recognized as delivered, or as completed, provided that the general revenue recognition criteria described above are met.

**l. Sales and marketing expenses**

Sales and marketing includes business development and product launch costs, marketing and advertising costs, customer acquisition and retention costs. This also includes employee compensation and related costs to support the sales and marketing process.

**m. Research and development expenses**

Research and development expenses include costs associated with the maintenance and ongoing development of the Company's technology, including employee compensation and related costs, professional services and consulting expenses, and non-capitalized costs associated with the development of new technologies.

**RMDY HEALTH INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued):**

**n. Income taxes**

Income taxes are accounted for using an asset and liability approach as required under U.S. GAAP. The asset and liability approach requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The measurement of current and deferred tax liabilities and assets is based on provisions of the relevant tax law; the effects of future changes in tax laws or rates are not anticipated. Deferred taxes have not been provided on the amount of unremitted earnings from foreign subsidiaries retained for reinvestment in the Company. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized. Valuation allowances are established for deferred tax assets when the likelihood of the deferred tax assets not being realized exceeds the more likely than not criterion. Deferred tax assets and liabilities, along with any related valuation allowance, are classified as non-current assets or non-current liabilities on the balance sheet.

The Company follows the guidance on accounting for uncertainty in income taxes in accordance with U.S. GAAP. The guidance provides a comprehensive model for the recognition, measurement and disclosure in financial statements of uncertain income tax positions that a company has taken or expects to take on a tax return. Under this guidance, a company can recognize the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position; otherwise no benefit can be recognized. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Additionally, the Company accrues interest and related penalties, if applicable, on all tax exposures for which reserves have been established consistent with jurisdictional tax laws. Interest and penalties are classified as income tax expense in the consolidated financial statements.

Income tax expense includes U.S. (federal and state) and foreign income taxes. Tax legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") includes a mandatory one-time tax on accumulated earnings of foreign subsidiaries, and as a result, all previously unremitted earnings for which no U.S. deferred tax liability had been accrued were subject to U.S. tax. Notwithstanding the U.S. taxation of these amounts, the Company intends to continue to invest most or all of these earnings, as well as our capital in these subsidiaries, indefinitely outside of the U.S. and do not expect to incur any significant, additional taxes related to such amounts. The 2017 Tax Act had no impact on our financial statements as we provide full valuation allowance on our NOLs.

**o. Share-based compensation**

The Company measures and recognizes compensation expense for share-based awards based on estimated fair values on the date of grant using the Black-Scholes option-pricing model. This option pricing model requires the Company to make several estimates, including the option's expected life, price and volatility of the underlying share. The Company recognizes the estimated fair value of option-based awards, net of estimated forfeitures (as they occur), as share-based compensation costs using the accelerated method.

**p. Contingencies**

Loss contingencies are recognized in the consolidated financial statements as an incurrence of liabilities or impairment of assets when the loss is probable and can be reasonably estimated. Gain contingencies are recognized when realized.

**RMDY HEALTH INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES** (continued):

**q. Concentrations of credit risk and significant customers**

The Company's principal credit risk relates to its cash, cash equivalents, restricted cash and accounts receivable. Cash, cash equivalents and restricted cash are deposited primarily with financial institutions that management believes to be of high credit quality. To manage accounts receivable credit risk, the Company regularly evaluates the creditworthiness of its customers. As of December 31, 2018, there was no allowance for potential credit losses.

As of December 31, 2018 there were 3 customers accounted for more than 10% of accounts receivable and 10% or more of revenue for the year ended December 31, 2018.

**r. Recently issued accounting pronouncements**

In 2018, the FASB issued new accounting guidance intended to align the requirements for capitalization of implementation costs incurred in a cloud computing arrangement that is a service contract with the existing guidance for internal-use software. Capitalized implementation costs should be amortized over the term of the hosting arrangement and recorded in the same financial statement line items as amounts for the hosting arrangement. The new guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The guidance provides flexibility in adoption, allowing for either retrospective adjustment or prospective adjustment for all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact this new accounting guidance will have on our financial statements.

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), its standard on revenue from contracts with customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In applying the revenue model to contracts within its scope, an entity identifies the contract(s) with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract and recognizes revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for private company annual reporting periods beginning after December 15, 2018. The impact of the adoption of ASU 2016-09 on the Company's financial statements is not expected to be material.

On February 25, 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"), which will require lessees to recognize most leases on their balance sheet as a right-of-use asset and a lease liability. Leases will be classified as either operating or finance, and classification will be based on criteria similar to current lease accounting, but without explicit bright lines. The guidance is effective for annual reporting periods beginning after December 15, 2020. The Company is currently assessing the impact of the adoption of ASU 2016-02 on the Company's financial statements.

**RMDY HEALTH INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES** (continued):

In 2016, the FASB issued new guidance on the measurement of credit losses on financial instruments. Credit losses on loans, trade and other receivables, held-to-maturity debt securities, and other instruments will reflect our current estimate of the expected credit losses and generally will result in the earlier recognition of allowances for losses. Additional disclosures will be required, including information used to track credit quality by year of origination for most financing receivables. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. We will adopt the new guidance effective January 1, 2020. We are required to apply the provisions of this guidance as a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. We are evaluating the impact of and approach to adopting this new accounting guidance on our consolidated financial statements.

In 2016, the FASB issued new guidance on restricted cash on the statement of cash flows. The new guidance requires the classification and presentation of changes in restricted cash and cash equivalents in the statement of cash flows. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning and ending balances shown on the statement of cash flows. The guidance had to be applied retrospectively after adoption. We adopted the guidance effective January 1, 2018 on a retrospective basis. The beginning and ending balances of cash and cash equivalents on the consolidated statement of cash flows now include restricted cash and restricted cash equivalents, with no significant change.

In 2017, the FASB issued new guidance clarifying which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Specifically, an entity would apply modification accounting only if the fair value, vesting conditions, or classification of the awards changes as a result of changes in the terms or conditions. We adopted the guidance effective January 1, 2018 and applied it prospectively upon adoption. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In 2018, the FASB amended existing guidance to include share-based payment transactions for acquiring goods and services from non-employees. This amendment prescribes that entities should apply the requirements for employee share-based payment compensation to non-employee awards used to acquire goods and services, except for specific guidance on inputs to an option pricing model and the attribution of cost (period of time that the awards vest and pattern of recognition). The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. We adopted the guidance effective January 1, 2018. The adoption of this guidance did not have a material impact on our consolidated financial statements.

**s. Subsequent events**

The Company has evaluated subsequent events through December 18, 2019, the date on which the consolidated financial statements were available to be issued.

**RMDY HEALTH INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 3 – PROPERTY, EQUIPMENT AND SOFTWARE, NET:**

Composition of assets, grouped by major classifications, is as follows:

	<b>December 31, 2018</b>
Leasehold improvements	22
Furniture and office equipment	18
Computers, software and peripheral equipment	439
Accumulated depreciation	<u>(455)</u>
	<u>24</u>

Depreciation expense for the year ended December 31, 2018 were USD 13

**NOTE 4 - OTHER PAYABLES:**

	<b>December 31, 2018</b>
Accrued expenses	102
Accrued vacation and recreation	42
Employees	37
Institutions	27
Credit cards	40
	<u>248</u>

**NOTE 5 – SEVERANCE PAY FUND AND ACCRUED SEVERANCE PAY:**

**Cyberdiet Ltd. (“The Israeli Subsidiary”):**

- 1) Labor laws in Israel and employment agreements require paying severance pay to employees that are dismissed or retiring from their employment in certain circumstances, according to a defined benefit plan. The Israeli Subsidiary’s severance pay liability for the Israeli employees is covered mainly by the purchase of insurance policies.
- 2) Employees (for whom the Company makes regular deposits in pension and severance pay funds according to a defined benefit plan) dismissed before attaining retirement age are entitled to severance pay computed on the basis of their latest pay rate. In respect of these employees, the Company is committed to supplement the difference between severance pay computed as above and the amounts accumulated in the abovementioned funds.

Commencing 2011, the Israeli Subsidiary added Section 14 of the Severance Pay Law - 1963 to new employees’ agreements that eliminates the need to accrue provisions for retirement expenses for these employees, other than periodic payments made on behalf of the employees that are expensed periodically.

**RMDY HEALTH INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 6 - SHAREHOLDERS' EQUITY:**

- a. The Company is authorized to issue two classes of stock to be designated respectively, Common Stock and Preferred Stock. Share capital is composed as follows as of December 31, 2018:

	December 31, 2018		
	Shares Authorized	Shares Issued and Paid	Share Capital
Ordinary shares of USD 0.001 par value:	75,000,000	35,696,414	36
Preferred A Shares of USD 0.001 par value	1,085,521	1,085,521	1
Preferred B Shares of USD 0.001 par value	15,373,131	15,373,131	15
Preferred C shares of USD 0.001 par value	12,917,514	8,333,880	8
Total	104,376,166	60,488,946	60

**b. Rights attached to Ordinary Shares**

Subject to any provision in the Company's amended and restated articles of association, conferring special preferences and rights to the Preferred Shares, Ordinary Shares shall confer on their holders the right to receive notices of, and to attend and to vote at general meetings of the Company, the right to receive dividends and to participate in the distribution of the surplus assets of the Company upon its winding-up.

**c. Main terms of Preferred Stock agreements**

Dividends:

The Company shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable in shares of Common Stock for which an adjustment was made pursuant to the certificate of association) unless, in addition to the obtaining of any consents required elsewhere in this Certificate of Incorporation, the holders of the Preferred Stock then outstanding shall first receive, dividends in the following amounts and with the following preferences and priorities:

First, and in preference and priority to any declaration or payment of any dividend in respect of shares of any other class or series of capital stock of the Corporation, the holders of shares of Series C Preferred Stock shall receive dividends in respect of each outstanding share of Series C Preferred Stock in an amount per share equal to the Series C Preference Amount (as defined below) (the "Series C Dividend Preference Amount");

Second, following the payment in full of the Series C Dividend Preference Amount in respect of each outstanding share of Series C Preferred Stock any dividend shall be paid with respect to each outstanding share of Preferred Stock and Common Stock on a pro-rata and as-converted basis.

Liquidation Preference:

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation (each a "Liquidation Event") or Deemed Liquidation Event (as defined below), the Corporation shall make distributions to the stockholders of the Corporation in the following order of preference:

RMDY HEALTH INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 6 - SHAREHOLDERS' EQUITY** (continued):

Series C Preference. First, the Corporation shall distribute to each holder of Series C Preferred Stock held by it prior to and in preference to any distribution or payments in respect of any other classes or series of shares of capital stock of the Corporation, a per share amount equal to the greater of (a) sum of (x) the Series C Original Purchase Price, plus (y) an amount equal to 5% of the Series C Original Purchase Price per annum compounded on an annual basis, based on time actually elapsed, until the fifth anniversary of the Series C Original Issue Date, plus (z) an amount equal to all declared and unpaid dividends thereon, less any dividends previously paid on the Preferred C Stock (such sum, the "Series C Preference Amount") or (b) such amount per share as would have been payable had all shares of Series C Preferred Stock been converted into Common Stock pursuant to Section 4 to the COA immediately prior to such Liquidation Event or Deemed Liquidation Event; If the assets and funds thus distributed in respect of the shares of Series C Preferred Stock shall be insufficient to permit the payment of the full Series C Preference Amount in respect of each outstanding share of Series C Preferred Stock, then all of the funds and other assets of the Corporation legally available for distribution shall be distributed ratably among the holders of the Series C Preferred Stock in proportion to the respective amounts which would otherwise be payable in respect of the shares of Series C Preferred Stock.

Series A Preference. Second, following the payment in full of the Series C Preference Amount in respect of each outstanding share of Series C Preferred Stock the Company shall distribute to the holders of shares of Series A Preferred Stock then outstanding an amount per share equal to the greater of (a) the Series A Original Purchase Price (the "**Series A Preference Amount**"); or (b) such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into Common Stock pursuant to Section 4 to the COA immediately prior to such Liquidation Event or Deemed Liquidation Event. If the assets and funds thus distributed in respect of the shares of Series A Preferred Stock shall be insufficient to permit the payment of the full Series A Preference Amount in respect of each outstanding share of Series A Preferred Stock then all of the funds and other assets of the Corporation legally available for distribution (following the payment in full of the Series C Preference Amount in respect of each outstanding share of Series C Preferred Stock) shall be distributed ratably among the holders of the Series A Preferred Stock in proportion to the respective amounts which would otherwise be payable in respect of the shares of Series A Preferred Stock held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

RMDY HEALTH INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6 - SHAREHOLDERS' EQUITY (continued):

Series B Preference. Third, following the payment in full of the Series C Preference Amount in respect of each outstanding share of Series C Preferred Stock and the payment in full of the Series A Preference Amount in respect of each outstanding share of Series A Preferred Stock, the Company shall distribute to the holders of shares of Series B Preferred Stock then outstanding an amount per share equal to the greater of (a) sum of (x) (i) with respect to Series B-1 Preferred Stock and Series B-2 Preferred Stock, 125% of the applicable Series B Original Purchase Price or (ii) with respect to Series B-3 Preferred Stock and Series B-4 Preferred Stock, the applicable Series B Original Purchase Price, plus an amount equal to 5% of the applicable Series B Original Purchase Price per annum compounded on an annual basis, based on time actually elapsed, until the 5<sup>th</sup> anniversary of the Series B-3 Original Issue Date or B-4 Original Issue Date, as applicable, plus (y) an amount equal to all declared and unpaid dividends thereon, less any dividends previously paid on the Preferred B Stock (the "**Series B Preference Amount**"); or (b) such amount per share as would have been payable had all shares of Series B Preferred Stock been converted into Common Stock pursuant to Section 4 of the COA immediately prior to such Liquidation Event or Deemed Liquidation Event. If the assets and funds thus distributed in respect of the shares of Series B Preferred Stock shall be insufficient to permit the payment of the full Series B Preference Amount in respect of each outstanding share of Series B Preferred Stock, then all of the funds and other assets of the Corporation legally available for distribution (following the payment in full of the Series C Preference Amount in respect of each outstanding share of Series C Preferred Stock and the Series A Preference Amount in respect of each outstanding share of Series A Preferred Stock) shall be distributed ratably among the holders of the Series B Preferred Stock in proportion to the respective amounts which would otherwise be payable in respect of the shares of Series B Preferred Stock held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

Remaining Assets. Last, and after payment in full of all preferential amounts required to be paid in accordance with the terms above, the remaining assets then available for distribution, if any, shall be distributed to the holders of Common Stock (not on an as-converted basis) pro rata among them based on the number of shares of capital stock held thereby.

**d. Warrants to purchase shares**

The Company signed an agreement with current shareholders that are entitled during the exercise period to purchase Warrant Stock against additional investment in an aggregate amount of up to \$1,000.

The warrants may be exercised in whole or in part, at one time or from time to time, until the earlier of: (i) immediately prior to the closing of an IPO; (ii) the lapse of twenty four (24) months following the Closing of the Series C Preferred Stock Agreement; or (iii) a Deemed Liquidation Event (as defined in the Company's Amended and Restated Certificate of Incorporation). The shares issuable to the holder upon exercise of this Warrant (or any part thereof) shall be either (i) a sub-series of the Company's presently authorized Series C Preferred Stock, in the event that the Warrant (or any part thereof) is exercised prior to the first triggering event or (ii) a sub-series of the series of stock issued upon the most recent Triggering Event in the event that the Warrant (or any part thereof) is exercised upon or after a Triggering Event (defined as the Closing of: (i) an equity investment; or (ii) a Deemed Liquidation Event; or (iii) an initial public offering). The Warrant Stock shall bear the same rights and privileges as set forth in the Company's Certificate of Incorporation for the applicable series of Stock. The exercise price per share of the Warrant shall be equal to \$15,000 divided by the total issued and outstanding share capital of the Company on a fully diluted basis as of immediately prior to the exercise of this Warrant (currently reflecting an exercise price of approximately \$0.22 per share); provided however that if the price per share in the applicable triggering event is based on a pre-money valuation of the Company which is lower than \$15,000, the exercise price per share shall be equal to 80% of the price per share in such triggering event.

**RMDY HEALTH INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 6 - SHAREHOLDERS' EQUITY** (continued):

The warrants are classified as liabilities in accordance with ASC 480-10-35-5, as they are considered freestanding financial instruments, exercisable into the most preferred issued shares, and thus deemed redeemable. Accordingly, the warrants are measured at fair value in every reporting period, and changes in their fair value are recognized in the Statements of Operations within financial income (expense).

The fair value during 2018 was measured and determined mainly based on the 2018 SPA price per share of Series C preferred shares and assumptions of 2.35% risk-free interest rate and expected volatility at a rate of 66.2%.

**e. Option plan**

In 2005 and 2013, the Company's Board of Directors approved a stock option plan (the "Plan"). Under the Plan, options can be granted to employees, directors and service providers.

As of December 31, 2018, the aggregate number of options approved under the above option plan was 25,385,518. The current amount of options outstanding is 5,164,438 and 15,096,288 were exercised. Stock options granted typically vest over a period of 2-4 years.

The Company's Board of Directors also approved the Plan for the purpose of Section 102 of the Israeli Tax Ordinance and selected the capital gains tax track for options granted to the Israeli employees.

Following is a summary of the status of the option plan as of December 31, 2018 and the changes during the year ended:

	<b>2018</b>	
	<b>Number</b>	<b>Weighted average exercise price USD</b>
Options outstanding at beginning of year	2,486,244	0.057
Changes during the year:		
Granted	2,758,194	0.12
Exercised	-	-
Forfeited	80,000	0.05
Options outstanding at end of year	5,164,438	0.089

RMDY HEALTH INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6 - SHAREHOLDERS' EQUITY (continued):

The following table summarizes information about options under the Company's plan outstanding at December 31, 2018:

	Options outstanding			Weighted average remaining contractual life (in years)
	Exercise Price	Number Outstanding at December 31, 2018	Number Exercisable at December 31, 2018	
	0.12	2,758,194	586,194	9.41
	0.067	1,515,000	1,010,000	8.28
	0.050	631,806	631,806	10.72
	0.020	259,438	259,438	5.67
<b>Total</b>		<b>5,164,438</b>	<b>2,487,438</b>	

The fair value of options granted was estimated using the Black—Scholes option-pricing model. The assumptions used to value options granted during 2018 were as follows:

Risk-free interest rate	2.84%-2.88%
Expected term (in years)	5.5-6.5
Dividend yield	0%
Volatility	67%

Total compensation cost for share-based compensation awards recognized in 2018 was \$9. There was no corresponding tax benefit, as in the U.S. we are in a full valuation allowance position, and in Israel we are not entitled to such benefits.

At December 31, 2018 there was \$14 of unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted average period of 2 years.

RMDY HEALTH INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 7 - INCOME TAXES:

The components of net loss before income taxes for the year ended December 31, 2018 was as follows:

	<b>Year Ended December 31, 2018</b>
Net income (loss) before income taxes:	
Foreign	34
U.S. Domestic	(516)
	<u>(482)</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of long-term assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company has deferred tax assets and liabilities comprised primarily of net operating losses, employee benefits, and accruals and reserves.

Deferred taxes as of December 31, 2018 were reduced by a valuation allowance relating to net operating losses. In assessing the likelihood of realizing deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based on the taxable loss in the United States, management believes it was more likely than not that the deferred tax assets will not be realized in the United States for the next few years.

Deferred taxes are determined utilizing the asset and liability method based on the estimated future tax effects of differences between the financial accounting and tax bases of assets and liabilities under the applicable tax laws. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the determination of the appropriate valuation allowances, the Company has considered the most recent projections of future business results and taxable income by jurisdiction. Actual results may vary in compare to current projections.

As of December 31, 2018, the Company had net operating loss carry forwards for federal income tax purposes of approximately \$4 million. These net operating losses can be utilized to reduce future taxable income, if any. Utilization of the net operating loss carryforwards may be subject to substantial annual limitations due to ownership change provisions of the Internal Revenue Code of 1986, as amended and similar state provisions. The annual limitation may result in the expiration of net operating loss carryforwards before utilization.

The Israeli subsidiary has a tax rate of 23% in 2018.

**RMDY HEALTH INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 8 - RELATED PARTY TRANSACTIONS**

- a. Within long-term liabilities included officer loans amounting to \$448. The loans bear an annual interest of 1.65%, and are payable on the earlier of (i) a Deemed Liquidation Event as defined in the Company's Certificate of Incorporation, or (ii) December 16, 2023.
- b. Within current liabilities included loans from shareholder and related persons amounting to \$369. The loans bear an annual interest of 8%, and are payable in 2019.
- c. Within non-current assets included employee loans amounting to \$629. The loans bear an annual interest of 1.65%, and are payable on the earlier of (i) a Deemed Liquidation Event as defined in the Company's Certificate of Incorporation, or (ii) December 16, 2023.

**NOTE 9 - SUBSEQUENT EVENTS:**

- a. The Company raised in the third quarter of 2019 a loan in amount of \$350 from OptimizeRx Corp. The loan bears an annual interest of 4% and is due at the earlier of (i) July 1, 2020, and (ii) the closing of the Acquisition described below.
- b. During September 2019 the Company's shareholders announced the sale of the Company to a OptimizeRx Corp. for a consideration of up to USD 46 million.

In October 2019, the transaction was completed. The purchase price was \$16.0 million, which will be adjusted for final working capital acquired. Total cash paid in October as part of the transaction was \$8.7 million, which included payments for closing indebtedness, transaction expenses, escrows, and payments to RMDY Health stockholders.

Additionally, a portion of the purchase price, \$5.9 million, is payable in shares of Optimize Rx common stock, and 382,893 shares were issued in November 2019. Additional shares may be issued in future years at the time of the escrow release. Two additional payments not to exceed \$30.0 million (in cash and shares) may become due as part of an earnout in the amount of 1.75 times the amount that we exceed \$4.0 million of revenues related to the "RMDY" product in 2020, and 1.75 times the amount that we exceed 2020 revenues related to the "RMDY" product in 2021.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**RMDY HEALTH INC.**  
UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
As of September 30, 2019

---

**RMDY HEALTH INC.**  
UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
As of September 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
<b>Unaudited condensed consolidated financial statements in U.S. dollars:</b>	
<a href="#">Balance sheets</a>	3
<a href="#">Statements of operations</a>	4
<a href="#">Statements of cash flows</a>	5
<a href="#">Notes to unaudited condensed consolidated financial statements</a>	6-11

RMDY HEALTH INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS  
U.S. DOLLARS IN THOUSANDS

	September 30, 2019	December 31, 2018
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	35	130
Accounts receivable	235	258
Employee loans	637	-
Other current assets	25	8
<b>Total current assets</b>	<b>932</b>	<b>396</b>
<b>Non-current assets:</b>		
Property, equipment and software, net	19	24
Restricted deposits	6	6
Severance pay fund	255	220
Employee loans	-	629
<b>Total assets</b>	<b>1,212</b>	<b>1,275</b>
<b>Liabilities and Shareholders' Equity:</b>		
<b>Current liabilities:</b>		
Short term bank debts	17	30
Trade payables	146	159
Short term loans	129	-
Shareholder and officer loans	872	369
Other payables	762	248
<b>Total current liabilities</b>	<b>1,926</b>	<b>806</b>
<b>Non-current liabilities:</b>		
Severance pay liability	289	251
Officer loans	-	448
Warrant liability	173	9
<b>Total liabilities</b>	<b>462</b>	<b>708</b>
<b>Shareholders' equity:</b>		
Ordinary shares of USD 0.001 par value 35,696,414 shares issued and outstanding at December 31, 2018 and 35,729,747 at September 30, 2019:	36	36
Series A Preferred Shares USD 0.001 par value 1,085,521 shares issued and outstanding at December 31, 2018 and September 30, 2019	1	1
Series B Preferred Shares USD 0.001 par value 15,373,131 shares issued and outstanding at December 31, 2018 and September 30, 2019	15	15
Series C Preferred shares USD 0.001 par value 8,333,880 shares issued and outstanding at December 31, 2018 and September 30, 2019	8	8
Additional paid-in capital	3,809	3,799
Accumulated deficit	(5,045)	(4,098)
<b>Total shareholders' equity (deficit)</b>	<b>(1,176)</b>	<b>(239)</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,212</b>	<b>1,275</b>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

RMDY HEALTH INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF LOSS  
U.S. DOLLARS IN THOUSANDS

	Period of nine months ended September 30	
	2019	2018
Revenues	1,520	1,822
Cost of Revenue	512	469
<b>Gross Profit</b>	<b>1,008</b>	<b>1,353</b>
Research and development expenses	641	579
Sales and marketing expenses	478	329
General and administrative expenses	612	504
Depreciation and amortization	5	11
<b>Total operating expenses</b>	<b>1,736</b>	<b>1,423</b>
<b>Operating loss</b>	<b>(728)</b>	<b>(70)</b>
<b>Financial expenses, net</b>	<b>(219)</b>	<b>(26)</b>
<b>Loss before taxes on income</b>	<b>(947)</b>	<b>(96)</b>
Income tax expense	-	-
<b>Net loss</b>	<b>(947)</b>	<b>(96)</b>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

**RMDY HEALTH INC.**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
U.S. DOLLARS IN THOUSANDS

	Period of nine months ended September 30	
	2019	2018
<b>Cash Flows from Operating Activities</b>		
Net loss	(947)	(96)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5	11
Stock based compensation	8	21
Warrant revaluation	164	-
Changes in operating assets and liabilities:		
Other current assets	(12)	9
Receivables, net	(4)	(3)
Trade payables	(13)	(103)
Accounts receivables	23	(261)
Other payables	1,017	(853)
Other long-term liabilities	(411)	(44)
Other Assets	(43)	(34)
Net cash used in operating activities	<u>(213)</u>	<u>(1,353)</u>
<b>Cash Flows from Investment Activities</b>		
Purchase of property, equipment and software	-	(4)
Net cash used in investment activities	<u>-</u>	<u>(4)</u>
<b>Cash Flows from Financing Activities</b>		
Short term loans	116	(8)
Issuance of preferred shares, net of issuance costs		1,307
Exercise of stock options	2	
Net cash provided by financing activities	<u>118</u>	<u>1,299</u>
<b>Decrease in cash and cash equivalents</b>	(95)	(58)
<b>Cash and cash equivalents at beginning of the period</b>	136	194
<b>Cash and cash equivalents at end of the period</b>	<u>41</u>	<u>136</u>

The below table reconciles cash, cash equivalents, and restricted cash as reported in the consolidated balance sheet to the total of the same amounts shown in the consolidated statements of cash flows, at the end of the period:

<b>As reported in the consolidated balance sheets</b>	35	130
<b>Restricted deposits</b>	6	6
<b>As shown in the consolidated statements of cash flows</b>	<u>41</u>	<u>136</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

**RMDY HEALTH INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**U.S. DOLLARS IN THOUSANDS**

**NOTE 1 - GENERAL OVERVIEW:**

- a. RMDY Inc. (together with its subsidiary, “CyberDiet LTD” or the “Company”), is engaged in developing and marketing of digital health SAAS solutions across a range of healthcare and life science initiatives, used by pharmaceutical companies, payers, MedTech companies, and medical associations nationwide to improve medication adherence and care coordination.
- b. The Company has experienced net losses and negative cash flows from operations since its inception and has relied on its ability to fund its operations primarily through equity financings. For the 9 months period ended September 30, 2019, the Company recorded a net loss of \$947 thousands. Additionally, during that period, the Company used cash in operations of \$213 thousands. As of September 30, 2019, the Company had an accumulated deficit of approx. \$5 million and cash and cash equivalents of less than \$100 thousands. Management has prepared cash flow forecasts, which indicate that based on the Company’s expected operating losses and negative cash flows, there is substantial doubt about the Company’s ability to continue as a going concern, within one year after the date that the financial statements are issued.

The Company’s ability to continue as a going concern is dependent upon its ability to raise additional funding and/or consummate the transaction discussed in note 6 and complete a successful integration. Otherwise, it could be forced to delay, reduce or eliminate its research and development programs or other operations. If any of these events occur, the Company’s ability to achieve the development and commercialization goals would be adversely affected. The Company does not have any additional financing in place and there can be no assurance that the Company can obtain financing, if at all, on terms acceptable to it.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of preparation:**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. In the opinion of the Company, the accompanying unaudited condensed financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its financial position as of September 30, 2019, and its results of operations for the nine months ended September 30, 2019, and 2018, and cash flows for the nine months ended September 30, 2019, and 2018. The condensed balance sheet at December 31, 2018 was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements.

The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in the Company’s Annual Report for the year ended December 31, 2018. The comparative balance sheet at December 31, 2018 has been derived from the audited financial statements at that date.

**b. Principles of consolidation:**

The accompanying consolidated financial statements include the accounts of RMDY HEALTH Inc. and its wholly owned subsidiary. All intercompany transactions have been eliminated in consolidation.

**RMDY HEALTH INC.**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
U.S. DOLLARS IN THOUSANDS

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**c. Use of estimates in the preparation of financial statements:**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. As applicable to these financial statements, the most significant estimates and assumptions relate to the fair value of share-based compensation and fair value of the warrants for preferred shares

**d. Fair value measurement:**

U.S. GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between arms-length market participants at the measurement date. When determining the fair value of its assets and liabilities, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use, such as inherent risk, transfer restrictions and risk of nonperformance.

Fair value is estimated by applying a hierarchy that prioritizes the inputs used to measure fair value into three levels. It also bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities;

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3—Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

As of September 30, 2019, the fair values of the Company's cash, cash equivalents, short-term and long-term deposits, accounts receivable, and accounts payable, approximated the carrying values of these instruments presented in the Company's consolidated balance sheets because of their short term nature.

**e. Recently issued accounting pronouncements:**

In 2018, the FASB issued new accounting guidance intended to align the requirements for capitalization of implementation costs incurred in a cloud computing arrangement that is a service contract with the existing guidance for internal-use software. Capitalized implementation costs should be amortized over the term of the hosting arrangement and recorded in the same financial statement line items as amounts for the hosting arrangement. The new guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted.

**RMDY HEALTH INC.**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
U.S. DOLLARS IN THOUSANDS

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

**e. Recently issued accounting pronouncements (continued):**

The guidance provides flexibility in adoption, allowing for either retrospective adjustment or prospective adjustment for all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact this new accounting guidance will have on our financial statements.

On May 28, 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), its standard on revenue from contracts with customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In applying the revenue model to contracts within its scope, an entity identifies the contract(s) with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract and recognizes revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for private company annual reporting periods beginning after December 15, 2018 and interim reporting periods within annual reporting periods beginning after December 15, 2019. The impact of the adoption of ASU 2016-09 on the Company’s financial statements is not expected to be material.

On February 25, 2016, the FASB issued ASU 2016-02, Leases (“ASU 2016-02”), which will require lessees to recognize most leases on their balance sheet as a right-of-use asset and a lease liability. Leases will be classified as either operating or finance, and classification will be based on criteria similar to current lease accounting, but without explicit bright lines. The guidance is effective for annual reporting periods beginning after December 15, 2020. The Company is currently assessing the impact of the adoption of ASU 2016-02 on the Company’s financial statements.

In 2016, the FASB issued new guidance on the measurement of credit losses on financial instruments. Credit losses on loans, trade and other receivables, held-to-maturity debt securities, and other instruments will reflect our current estimate of the expected credit losses and generally will result in the earlier recognition of allowances for losses. Additional disclosures will be required, including information used to track credit quality by year of origination for most financing receivables. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. We will adopt the new guidance effective January 1, 2020. We are required to apply the provisions of this guidance as a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. We are evaluating the impact of and approach to adopting this new accounting guidance on our consolidated financial statements.

**NOTE 3 - SHAREHOLDERS’ EQUITY:**

**a. Changes during the period in Shareholders’ equity:**

	<b>Period of nine months ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Shareholders' equity at the beginning of the period	(239)	(1,072)
Issuance of preferred shares, net of issuance costs		1,300
Exercise of Options	2	
Stock based compensation	8	21
Net loss for the period	(947)	(96)
Shareholders' equity at the end of the period	<u>(1,176)</u>	<u>153</u>

**RMDY HEALTH INC.**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
U.S. DOLLARS IN THOUSANDS

**NOTE 3 - SHAREHOLDERS' EQUITY (continued):**

b. Option plan

Following is a summary of the status of the option plan as of September 30, 2019 and the changes during the period:

	<b>September 30, 2019</b>	
	<b>Number</b>	<b>Weighted average exercise price USD</b>
Options outstanding at beginning of period	5,164,438	0.089
Changes during the period:		
Granted	365,000	0.12
Exercised	33,333	0.067
Options outstanding at end of period	5,496,105	0.093

c. Warrants to purchase shares

The Company signed in 2018 an agreement with current shareholders that are entitled during the exercise period to purchase Warrant Stock against additional investment in an aggregate amount of up to \$1,000.

The warrants are classified as liabilities in accordance with ASC 480-10-35-5, as they are considered freestanding financial instruments, exercisable into the most preferred issued shares, and thus deemed redeemable. Accordingly, the warrants are measured at fair value in every reporting period, and changes in their fair value are recognized in the Statements of Operations within financial income (expense).

The fair value during 2018 was measured and determined mainly based on the 2018 SPA price per share of Series C preferred shares and assumptions of 2.35% risk-free interest rate and expected volatility at a rate of 66.2%. The fair value as of September 30, 2019 was measured based on the actual amounts due in the transaction mentioned in note 6.

**RMDY HEALTH INC.**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
U.S. DOLLARS IN THOUSANDS

**NOTE 4 - INCOME TAXES**

The Company had recorded a full valuation allowance against deferred tax assets since the realization of any future benefit from deductible temporary differences, net operating loss and tax credit carry forwards cannot be sufficiently assured at September 30, 2019.

**RMDY HEALTH INC.**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
U.S. DOLLARS IN THOUSANDS

**NOTE 5 - RELATED PARTY TRANSACTIONS:**

- a. As of December 31, 2018 officer loans amounting to \$448 were included within long term liabilities. The loans bear an annual interest of 1.65%, and are payable on the earlier of (i) a Deemed Liquidation Event as defined in the Company's Certificate of Incorporation, and (ii) December 16, 2023.
- b. As of September 30, 2019 loans from shareholder and related persons amounting to \$369 were included within current liabilities. The loans bear an annual interest of 8%, and are payable in 2019.
- c. As of December 31, 2018 employee loans amounting to \$629 were included within non-current assets. The loans bear an annual interest of 1.65%, and are payable on the earlier of (i) a Deemed Liquidation Event as defined in the Company's Certificate of Incorporation, and (ii) December 16, 2023. Due to the trigger mentioned in note 6, sum of \$637 was classified as of September 30, 2019 to current assets.

All the loans mentioned above are repayable upon completion of the transaction mentioned in note 6 and included in current assets / liabilities.

**NOTE 6 - TRANSACTIONS WITH OPTIMIZERX AND SUBSEQUENT EVENTS:**

- a. The Company raised in the third quarter of 2019 a loan in amount of up to \$350 from OptimizeRx Corp. The loan bears an annual interest of 4% and is due at the earlier of (i) July 1, 2020, and (ii) the closing of the Acquisition described below. The outstanding amount as of September 30, 2019 was \$129.
- b. During September 2019 the company's shareholders announced the sale of the company to a OptimizeRx Corp. for a consideration of up to USD 46 million.

In October 2019, the transaction was completed. The purchase price was \$16.0 million, which will be adjusted for final working capital acquired. Total cash paid in October as part of the transaction was \$8.7 million, which included payments for closing indebtedness, transaction expenses, escrows, and payments to RMDY Health stockholders.

Additionally, a portion of the purchase price, \$5.9 million, is payable in shares of Optimize Rx common stock, and 382,893 shares were issued in November 2019. Additional shares may be issued in future years at the time of the escrow release. Two additional payments not to exceed \$30.0 million (in cash and shares) may become due as part of an earnout in the amount of 1.75 times the amount that we exceed \$4.0 million of revenues related to the "RMDY" product in 2020, and 1.75 times the amount that we exceed 2020 revenues related to the "RMDY" product in 2021.

- c. The Company evaluated subsequent events through December 18, 2019.

**Unaudited Pro Forma Combined Financial Information**

The following unaudited pro forma combined financial information of OptimizeRx Corporation, (“Company”) is presented to reflect the acquisition (“Acquisition”) by the Company of all the issued and outstanding shares of RMDY Health Inc. (“RMDY”). The Acquisition was consummated on October 4, 2019. The unaudited pro forma combined balance sheet of the Company at September 30, 2019 reflects the effects of the Acquisition as if it occurred on such date. The unaudited pro forma combined statements of operations for the nine months ended September 30, 2019 and the year ended December 31, 2018 reflect the effects of the Acquisition as if it occurred on January 1, 2018. The unaudited pro forma financial information is based on the historical consolidated financial statements of the Company and RMDY. The historical financial information of RMDY includes the consolidated financial information of RMDY Health, Inc. and its wholly owned subsidiary.

Such unaudited pro forma combined financial information should be read in conjunction with the historical consolidated financial statements of the Company for the year ended December 31, 2018, including the notes thereto, which were filed as part of the Company’s Form 10-K filed with the Securities and Exchange Commission on March 12, 2019, and the Company’s Quarterly Report on Form 10-Q for the nine month period ended September 30, 2019, which was filed with the Securities and Exchange Commission on November 5, 2019. Additionally, the unaudited combined financial information includes unaudited historical consolidated financial information of RMDY as of September 30, 2019 and for the nine-month period ended September 30, 2019 and historical consolidated financial information of RMDY for the year ended December 31, 2018, which have been prepared by management of RMDY. The unaudited pro forma combined statements of operations of the Company only include the acquisition of RMDY. In addition, the unaudited combined financial statements are based upon pro forma allocations of the purchase price of RMDY based upon the estimated fair value of the assets and liabilities acquired in connection with the Acquisition. Management believes that all material adjustments necessary to reflect the effect of the Acquisition have been made to the unaudited pro forma combined financial information.

The unaudited pro forma combined financial information is for informational purposes only and is not necessarily indicative of the results of operations of the Company that would have occurred if the acquisition of RMDY had been completed on the dates indicated, nor does it purport to represent the Company’s results of operations as of any future date or for any future period.

---

**OptimizeRx Corporation**  
**Unaudited Pro Forma Combined Balance Sheet**  
**September 30, 2019**

	<u>OptimizeRx Corporation</u>	<u>RMDY Health, Inc.</u>	<u>Combined</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 29,759,967	\$ 34,952	\$ 29,794,919	\$ (8,492,534) [a]	\$ 21,302,385
Accounts receivable	7,158,390	235,411	7,393,801	-	7,393,801
Prepaid expenses	973,177	-	973,177	-	973,177
Employee loans	-	636,576	636,576	(636,576) [c]	-
Other current assets	-	24,978	24,978	(20,129) [l]	4,850
<b>Total Current Assets</b>	<b>37,891,534</b>	<b>931,918</b>	<b>38,823,452</b>	<b>(9,149,239)</b>	<b>29,674,213</b>
Property and equipment, net	156,809	19,173	175,982	-	175,982
<b>Other Assets</b>					
Goodwill	3,678,513	-	3,678,513	12,583,720 [b]	16,262,233
Patent rights, net	2,604,677	-	2,604,677	-	2,604,677
Other intangible assets, net	3,542,462	-	3,542,462	9,555,000 [b]	13,097,462
Right of use assets, net	587,497	-	587,497	-	587,497
Other assets and deposits	92,239	6,081	98,320	-	98,320
Severance pay fund	-	255,774	255,774	-	255,774
<b>Total Other Assets</b>	<b>10,505,388</b>	<b>261,855</b>	<b>10,767,243</b>	<b>22,138,720</b>	<b>32,905,963</b>
<b>TOTAL ASSETS</b>	<b>\$ 48,553,731</b>	<b>\$ 1,212,945</b>	<b>\$ 49,766,676</b>	<b>\$ 12,989,481</b>	<b>\$ 62,756,157</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<b>Current Liabilities</b>					
Accounts payable - trade	\$ 1,095,474	\$ 145,513	\$ 1,240,987	\$ 355,964 [d]	\$ 1,596,951
Accrued expenses	607,000	-	607,000	-	607,000
Revenue share payable	1,668,287	-	1,668,287	-	1,668,287
Current portion of lease obligations	113,476	-	113,476	-	113,476
Current portion of contingent purchase price payable	810,000	-	810,000	-	810,000
Deferred revenue	1,115,904	-	1,115,904	-	1,115,904
Loans payable	-	129,199	129,199	(129,199) [e]	-
Short term bank debts	-	17,056	17,056	(17,056) [e]	-
Other payables	-	761,736	761,736	(761,736) [e]	-
Shareholder loans	-	872,015	872,015	(872,015) [e]	-
<b>Total Current Liabilities</b>	<b>5,410,141</b>	<b>1,925,519</b>	<b>7,335,660</b>	<b>(1,424,042)</b>	<b>5,911,618</b>
<b>Non-current Liabilities</b>					
Lease obligations, net of current portion	478,201	-	478,201	-	478,201
Contingent purchase price payable, net of current portion	1,530,000	-	1,530,000	6,693,000 [f]	8,223,000
Warrant liability	-	173,288	173,288	(173,288) [m]	-
Severance pay liability	-	289,188	289,188	-	289,188
Deferred tax liability	-	-	-	1,166,550 [n]	1,166,550
<b>Total Non-current liabilities</b>	<b>2,008,201</b>	<b>462,476</b>	<b>2,470,677</b>	<b>7,686,262</b>	<b>10,156,939</b>
<b>Total Liabilities</b>	<b>7,418,342</b>	<b>2,387,995</b>	<b>9,806,337</b>	<b>6,262,220</b>	<b>16,068,557</b>
<b>Stockholders' Equity</b>					
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, no issued and outstanding at September 30, 2019 or December 31, 2018	-	-	-	-	-
Common stock, \$0.001 par value, 500,000,000 shares authorized, 14,173,850 and 12,038,618 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	14,174	-	14,174	383 [g]	14,557
Ordinary shares of USD 0.001 par value 35,696,414 shares issued and outstanding at December 31, 2018 and September 30, 2019	-	35,496	35,496	(35,496) [h]	-
Series A Preferred Shares USD 0.001 par value 1,085,521 shares issued and outstanding at December 31, 2018 and September 30, 2019	-	1,086	1,086	(1,086) [h]	-
Series B Preferred Shares USD 0.001 par value 15,373,131 shares issued and outstanding at December 31, 2018 and September 30, 2019	-	15,373	15,373	(15,373) [h]	-
Series C Preferred shares USD 0.001 par value 8,333,880 shares issued and outstanding at December 31, 2018 and September 30, 2019	-	8,334	8,334	(8,334) [h]	-
Additional paid-in-capital	72,561,045	3,809,224	76,370,269	2,098,569 [i]	78,468,838
Accumulated deficit	(31,439,830)	(5,044,563)	(36,484,393)	4,688,599 [j]	(31,795,794)
<b>Total Stockholders' Equity</b>	<b>41,135,389</b>	<b>(1,175,050)</b>	<b>39,960,339</b>	<b>6,727,261</b>	<b>46,687,601</b>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY    \$    48,553,731    \$    1,212,945    \$    49,766,676    \$    12,989,481    \$    62,756,157

---

**OptimizeRx Corporation**  
**Unaudited Pro Forma Combined Statement of Operations**  
**For the Nine Months Ended September 30, 2019**

	<u>OptimizeRx Corporation</u>	<u>RMDY Health, Inc.</u>	<u>Combined</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
NET REVENUE	\$ 17,218,492	\$ 1,519,789	\$ 18,738,281	\$ -	\$ 18,738,281
COST OF REVENUES	6,251,766	511,632	6,763,398	-	6,763,398
GROSS MARGIN	<u>10,966,726</u>	<u>1,008,157</u>	<u>11,974,883</u>	<u>-</u>	<u>11,974,883</u>
OPERATING EXPENSES	12,341,827	1,735,696	14,077,523	441,194 [b], [k]	14,518,717
INCOME FROM OPERATIONS	<u>(1,375,101)</u>	<u>(727,539)</u>	<u>(2,102,640)</u>	<u>-</u>	<u>(2,102,640)</u>
OTHER INCOME					-
Interest income	192,305	-	192,305	-	192,305
Change in Fair Value of Contingent Consideration	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
TOTAL OTHER INCOME	<u>217,305</u>	<u>-</u>	<u>217,305</u>	<u>-</u>	<u>217,305</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(1,157,796)	(727,539)	(1,885,335)	-	(1,885,335)
Financial Expenses, net		218,160	218,160	-	218,160
PROVISION FOR INCOME TAXES	-	-	-	-	-
NET INCOME	<u>\$ (1,157,796)</u>	<u>\$ (945,698)</u>	<u>\$ (2,103,494)</u>	<u>\$ -</u>	<u>\$ (2,103,494)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:					
BASIC	12,996,590				13,379,483
DILUTED	<u>12,996,590</u>				<u>13,379,483</u>
NET INCOME PER SHARE					
BASIC	\$ (0.09)				\$ (0.16)
DILUTED	<u>\$ (0.09)</u>				<u>\$ (0.16)</u>

**OptimizeRx Corporation**  
**Unaudited Pro Forma Combined Statement of Operations**  
**For the Year ended December 31, 2018**

	<u>OptimizeRx Corporation</u>	<u>RMDY Health, Inc.</u>	<u>Combined</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
Revenue	\$ 21,206,363	\$ 2,367,813	\$ 23,574,176	\$ -	\$ 23,574,176
Cost of revenues	8,999,666	603,435	9,603,101	-	9,603,101
Gross Margin	<u>12,206,697</u>	<u>1,764,378</u>	<u>13,971,075</u>	<u>-</u>	<u>13,971,075</u>
Operating expenses	12,026,565	2,220,658	14,247,223	1,006,133 [b]	15,253,356
Income (loss) from operations	<u>180,132</u>	<u>(456,279)</u>	<u>(276,147)</u>	<u>(1,006,133)</u>	<u>(1,282,281)</u>
Other income			-	-	-
Interest income	46,212	-	46,212	-	46,212
Total other income	<u>46,212</u>	<u>-</u>	<u>46,212</u>	<u>-</u>	<u>46,212</u>
Other expense					
Financial expense	-	24,382	24,382	-	24,382
Total other expense	<u>-</u>	<u>24,382</u>	<u>24,382</u>	<u>-</u>	<u>24,382</u>
Income (loss) before provision for income taxes	226,344	(480,661)	(254,317)	(1,006,133)	(1,260,451)
Provision for income taxes	-	1,542	1,542	-	1,542
Net income (loss)	<u>\$ 226,344</u>	<u>\$ (482,203)</u>	<u>\$ (255,859)</u>	<u>\$ (1,006,133)</u>	<u>\$ (1,261,993)</u>
Weighted average number of shares outstanding - basic	<u>10,832,209</u>				<u>11,215,102</u>
Weighted average number of shares outstanding - diluted	<u>11,862,991</u>				<u>12,245,884</u>
Net income (loss) per share - basic	\$ 0.02				\$ (0.11)
Net income (loss) per share - diluted	<u>\$ 0.02</u>				<u>\$ (0.11)</u>

## Notes to Unaudited Pro Forma Combined Financial Statements

### Note 1 - Basis of Presentation

On October 4, 2019, OptimizeRx Corp. (the “Company”) entered into, and consummated the transactions contemplated by, a Stock Purchase Agreement (the “Purchase Agreement”) by and among the Company, RMDY (collectively, the “Sellers”), each of Amir Kishon and Elad Levran, as “Seller Indemnitors” and Amir Kishon in his capacity as seller’s representative, which agreement provided for the purchase of all equity of RMDY by the Company. All outstanding RMDY options and warrants were converted to common stock immediately prior to the transaction and were included in the equity acquired.

The consideration for the acquisition costs of \$8.72 million in cash, as adjusted for estimated working capital, estimated indebtedness, escrow amounts and Sellers’ estimated transaction expenses, as well as shares of the Company’s common stock equal to \$5.11 million divided by the closing date share price, and earnout payments not to exceed \$30 million, as a result of achieving certain revenue targets for 2020 and 2021. In addition, the Company incurred its own expenses for the transaction of approximately \$670,000.

The unaudited pro forma combined financial statements have been prepared to give effect to the acquisition by the Company of RMDY using the historical consolidated financial statements of the Company and the historical consolidated financial statements RMDY. Please note that the unaudited pro forma combined financial statements should be read in conjunction with the audited and unaudited historical financial statements of the Company and RMDY, respectively. This information can be found in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and Quarterly Report on Form 10-Q for the nine months ended September 30, 2019, and in Item 99.1 and 99.2 of this Current Report on Form 8-K.

The historical financial information of RMDY includes the consolidated financial information of RMDY Health, Inc. and its wholly owned subsidiary.

The unaudited pro forma combined balance sheet as of September 30, 2019, combines the unaudited consolidated balance sheets of the Company and RMDY on September 30, 2019, and gives effect to the Acquisition as if it had occurred on September 30, 2019.

The unaudited pro forma combined statement of operations for the nine months ended September 30, 2019 combines the unaudited results of operations of the Company and RMDY to give the effect as if the Acquisition occurred the first day of the period presented (January 1, 2018). The unaudited pro forma combined statement of operations for the year ended December 31, 2018 combines the audited consolidated statements of operations of the Company for the year ended December 31, 2018, with the audited consolidated statement of operations of RMDY for the year ended December 31, 2018, to give the effect as if the Acquisition occurred the first day of the period presented (January 1, 2018).

## Note 2 - Unaudited Pro Forma Adjustments

The following are explanations that correspond by letter to the pro forma adjustments in the accompanying unaudited pro forma combined financial statements:

[a]

Cash impact upon paying the Closing Amount to the Sellers:

1) Payment for RMDY working capital (9/30)	\$ (149,829)
2) Payment of cash purchase consideration per closing statement	\$ (8,719,738)
Working capital per closing statement	\$ 236,110
Actual 9/30 working capital	149,829
3) Add back working capital not paid per closing to adjust for 9/30	86,281
Indebtedness per closing statement	1,466,801
Actual 9/30 indebtedness	1,780,006
4) Decrease cash for debt not paid per closing to adjust for 9/30	(313,205)
5) Officer loans collected from other assets	636,576
6) Cash balance per closing statement	2,333
Actual 9/30 cash balance	34,952
Decrease cash for additional amount that would have been paid	(32,619)
Net impact on cash	<u>(8,492,534)</u>

[b] The following table summarizes the estimated fair values of the RMDY assets acquired and liabilities assumed and the allocation of the excess purchase price to certain identifiable intangible assets. The two periods presented represent the pro forma balance sheet date of this report on September 30, 2019 and the actual Closing Date of October 4, 2019.

	September 30, 2019	October 4, 2019
<b>Assets acquired</b>		
Non-cash current assets	235,411	286,110
Other non-cash current assets	4,850	-
Other assets	6,081	6,081
Fixed assets	19,173	19,173
Customer Relationship	1,004,000	1,004,000
Tradenname	2,673,000	2,673,000
Technology/Software (Patent)	5,445,000	5,445,000
Non-Compete Agreement	433,000	433,000
Goodwill	12,583,720	12,583,720
Total assets acquired	<u>\$ 22,404,235</u>	<u>\$ 22,450,084</u>
<b>Liabilities assumed</b>		
Non-debt current liabilities	145,513	50,000
Total liabilities assumed	145,513	50,000
Net assets acquired	<u>\$ 22,258,722</u>	<u>\$ 22,400,084</u>
<b>Purchase consideration:</b>		
Closing Cash Consideration	5,824,604	5,965,966
Closing Common Stock Consideration	5,107,793	5,107,793
Closing Indebtedness	1,466,775	1,466,775
Purchase Price Adjustment Escrow Amount	150,000	150,000
Indemnification Escrow Amount	1,600,000	1,600,000
Stockholder Representative Expense Amount	250,000	250,000
Contingent Payment	6,693,000	6,693,000
Deferred Tax Liability	1,166,550	1,166,550
	<u>\$ 22,258,722</u>	<u>\$ 22,400,084</u>

The Company has allocated the purchase price to the tangible and identified intangible assets acquired and liabilities assumed based on their fair values in accordance with generally accepted accounting principles in accordance with ASC 805. ASC 805 considers the existence of intangible assets in the following areas: marketing, customer relationships, proprietary software, artistic creations, contracts, and technology. The Company has identified and valued a patented technology, customer relationships, tradename and non-compete agreements as RMDY's principal intangible assets in accordance with ASC 805 requirements.

As of the unaudited pro forma combined balance sheet date, below are the fair values of the identified intangible assets and their respective amortization periods for their useful life:

	Fair Value	Estimated Useful life
Technology (Patent)	\$ 5,445,000	10 years
Non-Compete Agreement	433,000	2 years
Tradenname	2,673,000	15 years
Customer Relationship	1,004,000	15 years
	<u>\$ 9,555,000</u>	

Amortization of technology, non-compete agreements, tradename, and customer relationships are amortized on a straight-line basis. For the unaudited pro forma combined periods presented, monthly amortization would have been \$83,844, based upon their respective useful lives. Total amortization for the nine months ended September 30, 2019 and the year ended December 31, 2018, was \$754,600 and \$1,006,133, respectively.

The estimated total amortization expenses for the five years after the closing are as follows:

Years Ending December 31:	
2019	251,532
2020	1,006,128
2021	952,011
2022	789,636
2023	<u>789,636</u>
Thereafter	5,766,057

There is no pro forma adjustment for depreciation expense as assets were fully depreciated.

[c] Represents loans to RMDY officers repaid as part of acquisition closing in the amount of \$636,576

[d] Impact on accounts payable:

Impact on accounts payable

1) Total estimated acquisition related costs	\$ 669,370
2) Costs reflected in OptimizeRx historical financial statements as of September 30, 2019	(313,406)
Pro Forma acquisition costs reflected through the recordation of accounts payable at September 30, 2019	<u>\$ 355,964</u>

[e] Represents debt and other payables repaid as part of closing

[f] Represents the estimated fair value of the future potential contingent earn-out the Sellers may earn based upon RMDY achieving certain revenue targets. Fair value of the earnout was estimated utilizing a Monte Carlo simulation with an asset volatility of 40% and a risk-free rate of 1.40%.

[g] Represents 382,893 shares of Common Stock issued as purchase consideration

[h] Represents removal of RMDY shares issued and outstanding

[i] Impact on Additional paid-in capital:

1) Reflects the issuance of 382,893 shares of common stock as consideration in the purchase price. Shares were valued at \$13.34 per share or \$5,107,793. Shares are assumed to be fully outstanding in the periods presented	\$ 5,107,793
2) Reflects removal of \$3,809,224 additional paid-in-capital of RMDY in the acquisition	(3,809,224)
3) Parent stock holdback amount	800,000
	<u>\$ 2,098,569</u>

[j] Impact on accumulated deficit:

1) Total estimated acquisition related costs	\$ 669,370
2) Costs reflected in OptimizeRx historical financial statements as of September 30, 2019	(313,406)
3) Total acquisition costs not recorded in historical financial statements as of September 30, 2019	\$ 355,964
4) Reflects removal of \$5,044,563 in accumulated deficit of RMDY in the acquisition	(5,044,563)
Pro Forma reduction to accumulated deficit	<u>\$ (4,688,599)</u>

[k] Pro forma add back of one-time transaction costs expensed in the historical period ended September 30, 2019 of \$313,406

[l] Prepaid directors and officers insurance purchased during September 2019 not to be included as an asset in OptimizeRx financial statements in the amount of \$20,129

[m] Represents removal of warrant liability as part of closing

[n] Represents the deferred tax liability related to intangible assets acquired excluding goodwill less the existing RMDY deferred tax asset