

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2018

OR

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

For the transition period from _____ to _____.

Commission file number 001-35527

MYnd Analytics, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

87-0419387
(I.R.S. Employer
Identification No.)

26522 La Alameda, Suite 290
Mission Viejo, California 92691
(Address of principal executive offices) (Zip Code)

(949) 420-4400
(Registrant's telephone number, including area code)

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

| Title of each class | Name of each exchange on which registered |
|-----------------------------------|---|
| Common Stock, \$0.001 par value | The Nasdaq Stock Market LLC |
| Warrants to Purchase Common Stock | The Nasdaq Stock Market LLC |

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

None

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|--|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> (Do not check if smaller reporting company) | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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.

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

As of May 14, 2018, the registrant had 5,676,191 shares of Common Stock, \$0.001 par value, issued and outstanding.

MYnd Analytics, Inc.

INDEX

| | <u>Page</u> |
|---|-------------|
| <u>PART I</u> | |
| <u>FINANCIAL INFORMATION</u> | 3 |
| <u>Item 1.</u> | |
| <u>Financial Statements</u> | 3 |
| <u>Unaudited Condensed Consolidated Balance Sheets as of March 31, 2018 and September 30, 2017</u> | 3 |
| <u>Unaudited Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2018 and 2017</u> | 4 |
| <u>Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended March 31, 2018</u> | 5 |
| <u>Notes to Unaudited Condensed Consolidated Financial Statements</u> | 6 |
| <u>Item 2.</u> | |
| <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 33 |
| <u>Item 3.</u> | |
| <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 51 |
| <u>Item 4.</u> | |
| <u>Controls and Procedures</u> | 51 |
| <u>PART II</u> | |
| <u>OTHER INFORMATION</u> | 52 |
| <u>Item 1.</u> | |
| <u>Legal Proceedings</u> | 52 |
| <u>Item 1A.</u> | |
| <u>Risk Factors</u> | 52 |
| <u>Item 2.</u> | |
| <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 53 |
| <u>Item 5.</u> | |
| <u>Other Information</u> | 54 |
| <u>Item 6.</u> | |
| <u>Exhibits</u> | 54 |

**PART I
FINANCIAL INFORMATION**

Item 1. Financial Statements

**MYND ANALYTICS, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

| | As of March 31, 2018 | As of September 30, 2017 |
|--|-------------------------|-----------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 2,412,200 | \$ 5,449,000 |
| Accounts receivable, net | 218,600 | 6,500 |
| Prepaid insurance | 107,500 | 57,200 |
| Note receivable - related party | — | 159,500 |
| Prepaid other assets | 82,600 | 22,000 |
| Total current assets | 2,820,900 | 5,694,200 |
| Property and equipment, net | 143,100 | 120,700 |
| Intangible assets, net | 146,300 | 60,200 |
| Goodwill | 1,386,800 | — |
| Investment in Arcadian Services | — | 195,900 |
| Other assets | 35,000 | 25,100 |
| TOTAL ASSETS | \$ 4,532,100 | \$ 6,096,100 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| CURRENT LIABILITIES: | | |
| Accounts payable (including \$129,300 and \$36,200 to related parties as of March 31, 2018 and September 30, 2017, respectively) | \$ 1,023,200 | \$ 736,900 |
| Accrued liabilities | 139,400 | 55,200 |
| Accrued compensation | 425,100 | 466,000 |
| Accrued compensation – related parties | 237,200 | 204,600 |
| Accrued interest and other | 3,900 | 3,900 |
| Deferred revenue | 170,900 | 45,900 |
| Current portion of note payable | 1,800 | 31,500 |
| Note payable - finance company | 2,400 | — |
| Current portion of capital lease | 1,300 | 1,300 |
| Total current liabilities | 2,005,200 | 1,545,300 |
| LONG-TERM LIABILITIES | | |
| Long-term borrowing, net | 569,000 | — |
| Accrued interest on long - term borrowing | 118,200 | — |
| Long-term portion of capital lease | 2,800 | 3,400 |
| Total long-term liabilities | 690,000 | 3,400 |
| TOTAL LIABILITIES | 2,695,200 | 1,548,700 |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock; 15,000,000 authorized; 1,500,000 shares of Series A Preferred Stock authorized and 1,050,000 shares of Series A Preferred Stock issued and outstanding as of March 31, 2018; No shares of Preferred stock issued and outstanding as of September 30, 2017; aggregate liquidation preference of \$600 as of March 31, 2018 | 1,100 | — |
| Common stock, \$0.001 par value; 250,000,000 shares and 500,000,000 shares authorized as of March 31, 2018 and September 30, 2017 respectively, 4,364,311 and 4,299,311 shares issued and outstanding as of March 31, 2018 and September 30, 2017, respectively; | 4,400 | 4,300 |
| Additional paid-in capital | 82,907,400 | 80,189,700 |
| Accumulated deficit | (81,076,000) | (75,646,600) |
| Total stockholders' equity | 1,836,900 | 4,547,400 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 4,532,100 | \$ 6,096,100 |

See accompanying notes to unaudited condensed consolidated financial statements.

MYND ANALYTICS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|-------------------------------------|-----------------------|-----------------------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 |
| REVENUES | | | | |
| Neurometric services | \$ 79,800 | \$ 31,900 | \$ 133,100 | \$ 54,100 |
| Telepsychiatry services | 380,100 | — | 448,800 | — |
| Total revenues | <u>459,900</u> | <u>31,900</u> | <u>581,900</u> | <u>54,100</u> |
| OPERATING EXPENSES | | | | |
| Cost of revenue | 298,300 | 3,800 | 383,200 | 7,600 |
| Research | 73,400 | 29,300 | 154,900 | 60,900 |
| Product development | 342,200 | 292,800 | 611,400 | 588,100 |
| Sales and marketing | 638,000 | 191,800 | 1,305,200 | 297,500 |
| General and administrative | 1,740,900 | 934,200 | 3,515,800 | 1,955,900 |
| Total operating expenses | <u>3,092,800</u> | <u>1,451,900</u> | <u>5,970,500</u> | <u>2,910,000</u> |
| OPERATING LOSS | (2,632,900) | (1,420,000) | (5,388,600) | (2,855,900) |
| OTHER INCOME (EXPENSE): | | | | |
| Interest expense, net | (24,800) | (1,400) | (38,500) | (3,900) |
| Total other income (expense) | <u>(24,800)</u> | <u>(1,400)</u> | <u>(38,500)</u> | <u>(3,900)</u> |
| LOSS BEFORE PROVISION FOR INCOME TAXES | (2,657,700) | (1,421,400) | (5,427,100) | (2,859,800) |
| Income taxes | 1,900 | 30,600 | 1,900 | 32,400 |
| NET LOSS | <u>\$ (2,659,600)</u> | <u>\$ (1,452,000)</u> | <u>\$ (5,429,000)</u> | <u>\$ (2,892,200)</u> |
| BASIC AND DILUTED LOSS PER SHARE: | | | | |
| | <u>\$ (0.61)</u> | <u>\$ (0.61)</u> | <u>\$ (1.25)</u> | <u>\$ (1.29)</u> |
| WEIGHTED AVERAGE SHARES OUTSTANDING: | | | | |
| Basic and Diluted | 4,362,564 | 2,372,394 | 4,347,745 | 2,236,728 |

See accompanying notes to unaudited condensed consolidated financial statements.

MYND ANALYTICS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Six Months Ended March 31, | |
|---|-----------------------------------|---------------------|
| | 2018 | 2017 |
| OPERATING ACTIVITIES: | | |
| Net loss | \$ (5,429,000) | \$ (2,892,200) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 57,500 | 18,100 |
| Provision for doubtful accounts | 1,200 | — |
| Stock-based compensation | 593,000 | 988,900 |
| Common stock issued to vendors for services | 25,800 | — |
| Accretion of debt discount and non-cash interest expense | 35,500 | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (156,200) | (2,100) |
| Prepaid expenses and other assets | (97,200) | (41,100) |
| Accounts payable and accrued liabilities | 112,400 | 316,800 |
| Deferred revenue | 125,000 | — |
| Deferred-compensation | (8,300) | 10,500 |
| Net cash used in operating activities | <u>(4,740,300)</u> | <u>(1,601,100)</u> |
| INVESTING ACTIVITIES: | | |
| Purchase of furniture and equipment | (55,200) | (84,800) |
| Payment for acquisition of business, net of cash acquired | (306,600) | — |
| Costs incurred to develop intangible assets | — | (3,600) |
| Net cash used in investing activities | <u>(361,800)</u> | <u>(88,400)</u> |
| FINANCING ACTIVITIES: | | |
| Principal payments on note payable | (34,100) | — |
| Principal payments on capital lease | (600) | (600) |
| Proceeds from sale of preferred stock and common stock warrants | 2,100,000 | — |
| Proceeds from aspire line | — | 145,000 |
| Proceeds from sale of common stock | — | 2,981,300 |
| Net cash provided by financing activities | <u>2,065,300</u> | <u>3,125,700</u> |
| NET INCREASE(DECREASE) IN CASH | (3,036,800) | 1,436,200 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF THE PERIOD | <u>5,449,000</u> | <u>318,200</u> |
| CASH AND CASH EQUIVALENTS - END OF THE PERIOD | <u>\$ 2,412,200</u> | <u>\$ 1,754,400</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the period for: | | |
| Interest | \$ 4,700 | \$ 200 |
| Income taxes | \$ 1,900 | \$ 32,400 |
| SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING & FINANCING ACTIVITIES: | | |
| Long-term borrowings assumed in business combination | \$ 651,700 | \$ — |

See accompanying notes to unaudited condensed consolidated financial statements

MYND ANALYTICS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Nature of Operations and Going Concern Uncertainty

MYnd Analytics, Inc. (“MYnd,” “CNS,” “we,” “us,” “our,” or the “Company”), formerly known as CNS Response Inc., is a predictive analytics company that has developed a decision support tool to help physicians reduce trial and error treatment in mental health and provide more personalized care to patients. The Company provides objective clinical decision support to healthcare providers for the personalized treatment of behavioral disorders, including depression, anxiety, bipolar disorder, post-traumatic stress disorder (“PTSD”) and other non-psychotic disorders. The Company uses its proprietary neurometric platform, PEER Online, to generate Psychiatric EEG Evaluation Registry (“PEER”) Reports to predict the likelihood of response by an individual to a range of medications prescribed for the treatment of behavioral disorders. Commercial expansion is focused on payer and self-insured markets, provider direct sales to multi-physician and multi-practice provider groups, and patient direct referrals to these groups. The Company continues to expand its database, including younger adults and adolescents. The Company also continues to focus on military personnel and their family members who are suffering from depression, PTSD and other disorders through the military, Veterans Administration, and Canadian Forces.

On November 13th, 2017 the Company acquired Arcadian Telepsychiatry Services LLC (“Arcadian Services”) which manages the delivery of telebehavioral health services through a multi-state network of licensed and credentialed psychiatrists, psychologists and other behavioral health therapists (“Providers”). Arcadian Services, because it has access to a broad network of licensed behavioral health professionals exclusively focused on telepsychiatry and telebehavioral health. These Providers collectively offer a full suite of behavioral health and wellness services, including short-term (urgent), medium-term (rehabilitation) and long-term (management) behavioral care.

Acquisition

On November 13, 2017, Arcadian Telepsychiatry LLC (“Arcadian”), MYnd and certain third-party physicians entered into a number of transactions to reorganize the operations of Arcadian and implement a new ownership and management structure. Arcadian converted into a Pennsylvania professional corporation after the equity interests in Arcadian were sold to a third - party physician for nominal consideration. On that same date, Arcadian entered into a Management Services Agreement with Arcadian Services and transferred certain assets and liabilities to Arcadian Services including its debt obligations. MYnd subsequently acquired 100% of the equity interests in Arcadian Services and in consideration for the transfer of the equity interests in Arcadian Services, MYnd entered into an employment agreement with the founder of Arcadian, pursuant to which MYnd will continue to employ the former founder of Arcadian as the CEO of Arcadian Services for an annual salary of \$215,000 and granted him options to purchase 35,000 shares of common stock of MYnd. In addition, MYnd agreed to guarantee Arcadian Services’ assumed debt.

Arcadian Services manages the delivery of telebehavioral health services through a multi-state network of licensed and credentialed psychiatrists, psychologists and other behavioral health therapists or “Providers”. As a result of certain state regulations, Arcadian Services entered into several management services agreements with professional entities owned by physicians who are licensed in those states to provide telepsychiatry services directly to patients. Arcadian Services will collect revenue based on management fees charged to the doctors who own the professional entities through which the telepsychiatry services are being delivered. Arcadian Services is not capital intensive and had a limited number of employees, therefore their balance sheet consisted primarily of working capital accounts and a limited amount of property and equipment consisting primarily of office furniture and computer equipment. Working capital and property equipment (no value assigned) were deemed to be at their fair value due to their short-term nature. The Company hired an independent third-party valuation services firm to assist the Company in its accounting for the intangibles and non-competition agreement in accordance with Financial Accounting Standards Board Accounting Standards (“FASB”) Codification 805, Business Combinations (“ASC 805”).

Going Concern Uncertainty

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"), which contemplate continuation of the Company as a going concern. The Company has a limited operating history and its operations are subject to certain problems, expenses, difficulties, delays, complications, risks and uncertainties frequently encountered in the operation of a business with a limited operating history. These risks include the ability to obtain adequate financing on a timely basis, if at all, the failure to develop or supply technology or services to meet the demands of the marketplace, the failure to attract and retain qualified personnel, competition within the industry, government regulation and the general strength of regional and national economies.

The Company's recurring net losses and negative cash flows from operations raise substantial doubt about its ability to continue as a going concern. During the six months ended March 31, 2018, the Company incurred a net loss of \$5.4 million and used \$4.7 million of net cash in operating activities. As of March 31, 2018, the Company's accumulated deficit was \$81.1 million. In connection with these consolidated financial statements, management evaluated whether there were conditions and events, considered in the aggregate, that raised substantial doubt about the Company's ability to meet its obligations as they become due for the next twelve months from the date of issuance of these financial statements. Management assessed that there were such conditions and events, including a history of recurring operating losses, and negative cash flows from operating activities.

If the Company raises additional funds by issuing additional equity or convertible debt securities, the fully diluted ownership percentages of existing stockholders will be reduced. In addition, any equity or debt securities that the Company would issue may have rights, preferences or privileges senior to those of the holders of its common stock.

To date, the Company has financed its cash requirements primarily from debt and equity financings. The Company will need to raise additional funds immediately to continue its operations and needs to raise substantial additional funds before the Company can increase demand for its PEER Online and telepsychiatry services. Until it can generate sufficient revenues to meet its cash requirements, which it may never do, the Company must continue to finance future cash needs primarily through public or private equity offerings, debt financings, borrowings or strategic collaborations. The Company's liquidity and capital requirements depend on several factors, including the rate of market acceptance of its services, the future profitability of the Company, the rate of growth of the Company's business and other factors described elsewhere in this Quarterly Report on Form 10-Q. The Company continues to explore additional sources of capital, but there is substantial doubt as to whether any financing arrangement will be available in amounts and on terms acceptable to the Company to permit it to continue operations. The accompanying condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with GAAP and applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals and adjustments) necessary to present fairly the financial position, results of operations and cash flows of the Company at the dates and for the periods indicated. The interim results for the quarter ended March 31, 2018 are not necessarily indicative of results for the full 2018 fiscal year or any other future interim periods. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Form 10-K for the year ended September 30, 2017.

Basis of Consolidation

The unaudited condensed consolidated financial statements include the results of Mynd, its wholly owned subsidiary, Arcadian Services, one professional association, Arcadian Telepsychiatry (“PA”) which is located in Texas, and one professional corporation, Arcadian Telepsychiatry P.C. (“PC”) which is located in Pennsylvania, collectively “the Arcadian Entities.”

Arcadian Services is party to Management Services Agreements by and among it and the Arcadian Entities pursuant to which each entity provides services to Arcadian Services. Each entity is established pursuant to the requirements of its respective domestic jurisdiction governing the corporate practice of medicine.

Variable Interest Entities (VIE)

All intercompany balances and transactions have been eliminated upon consolidation.

On November 13, 2017, Arcadian Services entered into a management and administrative services agreement with PA which is located in Texas, for an initial fixed term of 20 years. In accordance with relevant accounting guidance, PA is determined to be a Variable Interest Entity (“VIE”) as MYnd is the primary beneficiary with the ability to direct the activities (excluding clinical decisions) that most significantly affect PA’s economic performance through its majority representation of the PA; therefore, PA is consolidated by MYND.

On November 13, 2017, Arcadian Services entered into a management and administrative services agreement with PC which is located in Pennsylvania, for an initial fixed term of 20 years. In accordance with relevant accounting guidance, PC is determined to be a VIE and MYnd is the primary beneficiary with the ability to direct the activities (excluding clinical decisions) that most significantly affect PC’s economic performance through its majority representation of PC; therefore, PC is consolidated by MYND.

The Company holds a variable interest in the entities, which contract with physicians and other health professionals in order to provide telepsychiatry services to Arcadian Services. The entities are considered variable interest entities since they do not have sufficient equity to finance their activities without additional financial support. An enterprise having a controlling financial interest in a VIE must consolidate the VIE if it has both power and benefits—that is, it has (1) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance (power) and (2) the obligation to absorb losses of the VIE that potentially could be significant to the VIE or the right to receive benefits from the VIE that potentially could be significant to the VIE (benefits). The Company has the power and rights to control all activities of the entities and funds and absorbs all losses of the VIE.

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expense, and related disclosure of assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to revenue recognition, allowance for doubtful accounts, useful lives of furniture and equipment, intangible assets, valuation allowance on deferred taxes, valuation of equity instruments, and accrued liabilities. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

Cash

The Company deposits its cash with major financial institutions and may at times exceed the federally insured limit of \$250,000. At March 31, 2018 cash exceeds the federally insured limit by \$2,294,100. The Company believes that the risk of loss is minimal. To date, the Company has not experienced any losses related to cash deposits with financial institutions.

Debt Instruments

Debt instruments are initially recorded at fair value, with coupon interest and amortization of debt issuance discounts recognized in the statement of operations as interest expense at each period end while such instruments are outstanding.

Fair Value of Financial Instruments

Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, ASC 825-10 - Recognition and Measurement of Financial Assets and Financial Liabilities defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company. The Company considers the carrying amount of cash, accounts receivable, other receivables, accounts payable and accrued liabilities, to approximate their fair values because of the short period of time between the origination of such instruments and their expected realization.

The Company also analyzes all financial instruments with features of both liabilities and equity under ASC 480-10, ASC 815-10 and ASC 815-40.

ASC 820-10 on January 1, 2008. ASC 820-10 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

- Level I inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level II inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments; and
- Level III inputs to the valuation methodology are unobservable and significant to the fair value.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The changes in carrying amounts of the debt acquired through acquisition for the six months ended March 31, 2018 were as follows:

| | |
|--|-------------------|
| Beginning balance as of acquisition date (November 13, 2017) | \$ 555,000 |
| Accretion of debt discount | 14,000 |
| Ending balance (March 31, 2018) | <u>\$ 569,000</u> |

The long-term borrowings noted above were fair valued in connection with the business combination will not be adjusted to fair valued going forward.

Accounts Receivable

The Company estimates the collectability of customer receivables on an ongoing basis by reviewing past-due invoices and assessing the current creditworthiness of each customer. Allowances are provided for specific receivables deemed to be at risk for collection which as of March 31, 2018 and September 30, 2017 were \$2,200 and \$1,000, respectively.

Property and Equipment

Property and Equipment, which are recorded at cost, consist of office furniture and equipment which are depreciated, over their estimated useful lives on a straight-line basis. The useful lives of these assets are estimated to be between three and five years. Depreciation expense on furniture and equipment for the three months ended March 31, 2018 and 2017 was \$15,600 and \$2,900, respectively. Depreciation expense on furniture and equipment for the six months ended March 31, 2018 and 2017 was \$28,000 and \$3,600, respectively. Accumulated depreciation at March 31, 2018 and September 30, 2017 was \$116,900 and \$84,200, respectively.

Long-Lived Assets

As required by ASC 350-30 - Intangibles — Goodwill and other, the Company reviews the carrying value of its long-lived assets at least annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. No impairment loss was recorded for the three and six months ended March 31, 2018 and 2017.

Intangible Assets

Costs for software developed for internal use are accounted for through the capitalization of those costs incurred in connection with developing or obtaining internal-use software. Capitalized costs for internal-use software are included in intangible assets in the consolidated balance sheets. Capitalized software development costs are amortized over three years. Costs incurred during the preliminary project along with post-implementation stages of internal use computer software development and costs incurred to maintain existing product offerings are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs require considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility and estimated economic life. At March 31, 2018, the Company had \$82,200 in capitalized software development costs. Amortization for the three months ended March 31, 2018 and 2017 was \$6,700 and \$6,700. Amortization for the six months ended March 31, 2018 and 2017 was \$13,400 and \$13,400. Accumulated amortization on the intellectual property was \$42,500 and \$29,100 at March 31, 2018 and September 30, 2017 respectively.

On November 23, 2011, the Company acquired intellectual property in the form of transcranial magnetic stimulation (TMS) biomarkers at a cost of \$21,200 which was recorded at cost and is being amortized over its estimated useful life of 10 years on a straight-line basis. Amortization for the three months ended March 31, 2018 and 2017 was \$500 and \$500 respectively. Amortization for the six months ended March 31, 2018 and 2017 was \$1,000 and \$1,100 respectively. Accumulated amortization on the intellectual property was \$13,400 and \$11,300 at March 31, 2018 and at September 30, 2017, respectively.

On November 13, 2017, the Company acquired customer relationship and tradename intangibles in connection with the Arcadian Services acquisition of \$109,000 which was recorded at fair value and is being amortized over its estimated useful life of four years on a straight-line basis. Amortization for the three months ended March 31, 2018 and 2017 was \$6,500 and \$0, respectively. Amortization for the six months ended March 31, 2018 and 2017 was \$10,200 and \$0, respectively. Accumulated amortization on the intellectual property was \$10,200 and \$0 at March 31, 2018 and September 30, 2017, respectively.

The expected amortization of the intangible assets, as of March 31, 2018, for each of the next five years is as follows:

| | For the fiscal years ending September 30, |
|-------------------------------------|--|
| 2018 (for the remaining six months) | \$ 32,400 |
| 2019 | 51,600 |
| 2020 | 29,400 |
| 2021 | 29,400 |
| 2022 | 3,500 |
| Total | <u>\$ 146,300</u> |

Goodwill

Goodwill is the excess of purchase price over the fair value of identified net assets of businesses acquired. Intangible assets with indefinite useful lives are measured at their respective fair values as of the acquisition date. The Company does not amortize goodwill and intangible assets with indefinite useful lives.

Goodwill was \$1,386,800 and \$0 as of March 31, 2018 and September 30, 2017, respectively.

The Company reviews goodwill for impairment annually and whenever events or circumstances indicate that the carrying amount of these assets may not be recoverable. The Company tests its goodwill each year on September 30th. At March 31, 2018, the Company did not record any Goodwill impairment.

Accrued Compensation

Accrued compensation consists of accrued vacation pay, accrued bonuses granted by the Board but not paid, and accrued pay due to staff members.

Accrued compensation – related parties consists of accrued vacation pay, accrued bonuses granted by the Board but not paid for officers and directors.

Deferred Revenue

Deferred revenue represents cash collected in advance of services being rendered but not earned as of March 31, 2018 and September 30, 2017. This represents a philanthropic grant for the payment of PEER Reports ordered in a clinical trial for a member of the U.S. Military, a veteran or their family members, the cost of which is not covered by other sources. These deferred revenue grant funds total \$170,900 and \$45,900 as of March 31, 2018 and September 30, 2017, respectively.

Revenues

The Company recognizes revenue on services, in accordance with the ASC No. 605, "Revenue Recognition". Revenue is recognized when we have persuasive evidence of an arrangement, a determinable fee, collection is considered to be reasonably assured and the services are delivered.

Research and Development Expenses

The Company charges research and development expenses to operations as incurred.

Advertising Expenses

The Company charges all advertising expenses to operations as incurred. For the three months ended March 31, 2018 and 2017 advertising expenses were \$97,500 and \$4,500, respectively. For the six months ended March 31, 2018 and 2017 advertising expenses were \$248,500 and \$4,500, respectively.

Stock-Based Compensation

The Company accounts for employee stock options in accordance with ASC Topic 718, Compensation-Stock Compensation. For stock options issued to employees and directors we use the Black-Scholes option valuation model for estimating fair value at the date of grant. For stock options issued for services rendered by non-employees, we recognize compensation expense in accordance with the requirements of ASC Topic 505-50, Equity, or ASC 505-50, as amended. Non-employee option grants that do not vest immediately upon grant are recorded as an expense over the vesting period. At the end of each financial reporting period prior to performance, the value of these options, as calculated using the Black-Scholes option valuation model, is determined, and compensation expense recognized or recovered during the period is adjusted accordingly. Since the fair market value of options granted to non-employees is subject to change in the future, the amount of the future compensation expense is subject to adjustment until the common stock options or warrants are fully vested.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

On December 22, 2017, the Tax Cuts and Jobs Act was signed into legislation. The Company is currently evaluating the impact of the Tax Cuts and Job Act on its condensed consolidated financial statements and related disclosures for Fiscal 2018 and cannot be determined with certainty at this time because of a blended rate. Any impact against the Company's gross deferred tax asset will be offset by a 100% valuation allowance, therefore the Company expects no material impact on its consolidated financial statements. The Company will continue to review the components of the Tax Cuts and Job Act and its related regulations and evaluate their impact to its consolidated financial statements and related disclosures for the year ended September 30, 2018.

As a result of the implementation of certain provisions of FASB ASC 740, *Income Taxes*, which clarifies the accounting and disclosure for uncertainty in tax positions, the Company has analyzed filing positions in each of the federal and state jurisdictions where required to file income tax returns, as well as all open tax years in these jurisdictions. We have identified U.S. Federal and California as our major tax jurisdictions. Generally, we remain subject to Internal Revenue Service examination of our 2013 through 2016 U.S. federal income tax returns, and remain subject to California Franchise Tax Board examination of our 2012 through 2016 California Franchise Tax Returns. We have certain tax attribute carryforwards which will remain subject to review and adjustment by the relevant tax authorities until the statute of limitations closes with respect to the year in which such attributes are utilized.

We believe that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to our financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740. Our policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

Noncontrolling Interest

The Company consolidates entities in which the Company has a controlling financial interest. The Company consolidates subsidiaries in which the Company holds, directly or indirectly, more than 50% of the voting rights, and variable interest entities (VIEs) in which the Company is the primary beneficiary. Noncontrolling interests represent third-party equity ownership interests in the Company's consolidated entities. The amount of net income (loss) attributable to noncontrolling interests for the three and six months ended March 31, 2018 was \$0. There were no equity or losses attributable to these noncontrolling interests for the three and six months ended March 31, 2018.

Earnings (Loss) per Share

Basic earnings (loss) per share are computed by dividing income (loss) available to common stockholders by the weighted average common shares outstanding during the period. Diluted earnings (loss) per share takes into account the potential dilution that could occur if securities or other contracts to issue Common Stock were exercised and converted into Common Stock.

Recent Accounting Pronouncements

Apart from the below-mentioned recent accounting pronouncements, there are no new accounting pronouncements that are currently applicable to the Company.

In May 2014, the FASB issued Accounting Standards Update, ASU, ASU 2014-9, "Revenue from Contracts with Customers" (ASU 2014-9) and has subsequently issued a number of amendments to ASU 2014-9. The new standard, as amended, provides a single comprehensive model to be used in the accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific guidance. The standard's stated core principle is that an entity should recognize 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 in exchange for those goods or services. The new standard will be effective for us beginning October 1, 2018 and permits two methods of adoption: the full retrospective method, which requires the standard to be applied to each prior period presented, or the modified retrospective method, which requires the cumulative effect of adoption to be recognized as an adjustment to opening retained earnings in the period of adoption. The Company is currently evaluating the impact of the pending adoption of ASU 2014-9 on its consolidated financial statements and has not yet selected the transition method.

In February 2016, the FASB issued ASU 2016-2, Leases (Topic 842). This ASU requires that a lessee recognize lease assets and lease liabilities for those leases classified as operating leases. The guidance is effective for interim and annual periods beginning after December 15, 2018 and will be applied at the beginning of the earliest period presented using a modified retrospective approach. This ASU may have a material impact on the Company's financial statements. The impact on the Company's results of operations is currently being evaluated.

In March 2016, the FASB issued ASU 2016-9, Improvements to Employee Share-Based Payment Accounting. This ASU simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, accounting for forfeitures, and classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The guidance will be applied prospectively, retrospectively, or by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted, dependent upon the specific amendment that is adopted within the ASU. The adoption of this new guidance did not have a material effect on the consolidated results of operations, cash flows, and financial position. The Company adopted the guidance on October 1, 2017 and chose to prospectively apply the guidance in its financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This guidance narrows the definition of a business. This standard provides guidance to assist entities with evaluating when a set of transferred assets and activities is a business. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017, and early adoption is permitted. This guidance must be applied prospectively to transactions occurring within the period of adoption. The Company adopted ASU 2017-01 for the three months ended December 31, 2017, and prospectively applied ASU 2017-01 as required with no impact on its consolidated financial position, results of operations or cash flows.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This guidance eliminates Step 2 from the goodwill impairment test, instead requiring an entity to recognize a goodwill impairment charge for the amount by which the goodwill carrying amount exceeds the reporting unit's fair value. This guidance is effective for interim and annual goodwill impairment tests in fiscal years beginning after December 15, 2019, and early adoption is permitted. This guidance must be applied on a prospective basis. The Company adopted ASU 2017-04 for the three months ended December 31, 2017, and prospectively applied ASU 2017-04 as required with no impact on its consolidated financial position, results of operations or cash flows.

In May 2017, the FASB issued ASU 2017-9, "Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting," to provide clarity and reduce both diversity in practice and cost complexity when applying the guidance in Topic 718 to a change to the terms and conditions of a stock-based payment award. ASU 2017-9 also provides guidance about the types of changes to the terms or conditions of a share-based payment award that require an entity to apply modification accounting in accordance with Topic 718. For all entities, including emerging growth companies, the standard is effective for annual periods beginning after December 15, 2017, and for interim periods therein. Early adoption is permitted. The Company adopted the guidance on October 1, 2017 and there is no impact on the financial statements.

In July 2017, the FASB issued a two-part ASU 2017-11, I. Accounting for Certain Financial Instruments With Down Round Features and II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception ("ASU 2017-11"). ASU 2017-11 amends guidance in FASB ASC 260, Earnings Per Share, FASB ASC 480, Distinguishing Liabilities from Equity, and FASB ASC 815, Derivatives and Hedging. The amendments in Part I of ASU 2017-11 change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. The amendments in Part II of ASU 2017-11 re-characterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. ASU 2017-11 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The Company adopted ASU 2017-11 for the three months ended December 31, 2017, and retrospectively applied ASU 2017-11 as required with no impact on its consolidated financial position or results of operations.

3. ACCOUNTS RECEIVABLE

Accounts receivable, net, is as follows:

| | March 31, 2018 | September 30, 2017 |
|---------------------------------|---------------------------|-------------------------------|
| Accounts receivable | \$ 220,800 | \$ 7,500 |
| Allowance for doubtful accounts | (2,200) | (1,000) |
| Accounts receivable, net | \$ 218,600 | \$ 6,500 |

4. LONG - TERM BORROWINGS AND OTHER NOTE PAYABLES

Debt assumed from Arcadian Services

As a result of the acquisition of Arcadian Services, the Company guaranteed Arcadian Services' then outstanding debt obligations totaling \$700,000 owed to Ben Franklin Technology Partners of Southeastern Pennsylvania ("BFTP"). The maturity date for the debt is September 30, 2021 and interest accrues at an 8% annual rate. Unpaid interest of \$118,200 as of March 31, 2018 is classified as long-term in the accompanying condensed consolidated balance sheet because interest is not due until maturity. The Company recorded the debt at its fair value as the result of a discount of \$130,900 as of March 31, 2018 attributable to the difference between the market interest rate and the stated interest rate on the debt. Interest expense related to the accretion of debt discount for the three and six months ended March 31, 2018 was \$9,400 and \$14,000, respectively.

A balloon payment of \$700,000 plus interest will be made on the scheduled maturity date of September 30, 2021.

Other Notes Payable

Note Payable - finance company, principal is payable over thirty-six equal payments of \$1,200 through May 8, 2018. Interest is payable monthly on the unpaid balance at 19% per annum. The outstanding balance was paid in full on May 8, 2018.

Loan payable to a vendor, principal payments of \$5,000 per month, together with interest computed at 6% per annum. Maturity date is April 30, 2018. The outstanding balance was paid in full on May 8, 2018.

5. ACQUISITION

The Company accounted for the acquisition of Arcadian Services using the acquisition method of accounting for business combinations under ASC 805, Business Combinations. The total purchase price is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date.

As the Company finalizes the fair value of assets acquired and liabilities assumed, additional purchase price adjustments may be recorded during the measurement period (a period not to exceed 12 months). Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives and the expected future cash flows and related discount rates, can materiality impact our results of operations. Significant inputs used for the model included the amount of cash flows, the expected period of the cash flows and the discount rates. The finalization of the purchase accounting assessment may result in a change in the fair value of the debt assumed and intangible assets, which may have a material impact on our results of operations and financial position.

On November 13, 2017, the Company acquired Arcadian Services. The purchase price, including the value of the indebtedness and payables of Arcadian Services, is \$1,339,600 based upon a deemed acquisition of all of the assets and liabilities of Arcadian Services, including the equity interests in Arcadian Services. The aggregate purchase price consists of (i) initial investment in Arcadian of \$195,900 (ii) \$317,000 of forgiveness of a note receivable with the primary member of Arcadian (iii) assumption by Arcadian Services of subordinated debt ("Arcadian Notes") with a fair value of \$555,000, plus accrued interest of \$96,700 (iv) \$175,000 payment for the redemption and cancellation of two warrants to purchase equity interests in Arcadian Services. The Arcadian Notes bears interest at an annual rate of 8% and matures on September 30, 2021.

The following table summarizes the allocation of the purchase consideration and the estimated fair value of the assets acquired and the liabilities assumed for the acquisition of Arcadian Services made by the Company:

| | |
|--|---------------------|
| Assets acquired: | |
| Cash | \$ 25,900 |
| Accounts receivable | 57,100 |
| Other assets | 24,000 |
| Intangibles | 109,000 |
| Goodwill | 1,386,800 |
| Total assets acquired | \$ 1,602,800 |
| Liabilities assumed | |
| Accounts payable | \$ 147,700 |
| Accrued other liabilities | 108,700 |
| Notes payable | 6,800 |
| Total liabilities assumed | \$ 263,200 |
| Net assets acquired | \$ 1,339,600 |
| Consideration paid: | |
| Initial investment in Arcadian Services | 195,900 |
| Long-term debt | 555,000 |
| Accrued interest | 96,700 |
| Payment on warrant outstanding | 175,000 |
| Forgiveness of loan in relation of acquisition | 317,000 |
| Total consideration | \$ 1,339,600 |

The weighted average useful life of all identified acquired intangible assets is 3.9 years. The weighted average useful lives for trade names and customer relationships are 1.0 years and 4.0 years. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method and the estimated useful lives of one to four years. The straight-line method of amortization represents the Company's best estimate of the distribution of the economic value of the identifiable intangible assets.

As a result of the acquisition, the Company recorded \$1,386,800 of goodwill. The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of Arcadian Services' products with the Company's other solutions. The Company believes that the factors listed above support the amount of goodwill recorded as a result of the purchase price paid.

For the three and six months ended March 31, 2018, the Company incurred transaction costs of \$0 and \$438,600 in connection with the Arcadian Services acquisition, which were expensed as incurred and included in general and administrative expenses within the accompanying consolidated statements of operations.

Unaudited Pro Forma Financial Information

The following unaudited pro forma statement of operations data presents the combined results of operations for the three and six months ended March 31, 2018 and the three and six months ended March 31, 2017 as if the acquisition of Arcadian Telepsychiatry Services LLC had taken place on October 1, 2016, as well as the results of the acquired business included in our unaudited financial information for the three and six months ended March 31, 2018. The unaudited pro forma financial information includes the effects of certain adjustments, including the amortization of acquired intangibles and the associated tax effect and the elimination of the Company's and the acquiree's non-recurring acquisition related expenses.

The unaudited pro forma information presented does not purport to be indicative of the results that would have been achieved had the acquisitions been consummated at October 1, 2016 nor of the results which may occur in the future. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable.

| | For Three Months Ended March 31, | | For Six Months Ended March 31, | |
|--|-------------------------------------|----------------|-----------------------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | \$ 459,900 | \$ 282,300 | \$ 727,200 | \$ 541,500 |
| Net income (loss) | \$ (2,659,600) | \$ (1,544,500) | \$ (5,605,300) | \$ (3,333,500) |
| Basic and diluted loss per share: | \$ (0.61) | \$ (0.65) | \$ (1.29) | \$ (1.49) |
| Outstanding at Weighted average shares outstanding | 4,362,564 | 2,372,394 | 4,347,745 | 2,236,728 |

6. STOCKHOLDERS' EQUITY

The Aspire Capital Equity Line

On December 6, 2016, the Company, entered into a common stock purchase agreement (the "Purchase Agreement") with Aspire Capital Fund, LLC ("Aspire Capital") which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of \$10.0 million of shares of the Company's Common Stock over the 30-month term of the Purchase Agreement. Concurrently with entering into the Purchase Agreement, the Company also entered into a registration rights agreement with Aspire Capital (the "Registration Rights Agreement"), pursuant to which the Company maintains an effective registration statement registering the sale of the shares of Common Stock that have and may be issued to Aspire under the Purchase Agreement. Under the Purchase Agreement, on any trading day selected by the Company on which the closing sale price of its Common Stock is equal to or greater than \$0.50 per share, the Company has the right, in its sole discretion, to present Aspire Capital with a purchase notice, directing Aspire Capital (as principal) to purchase up to 50,000 shares of Common Stock per business day, up to \$10.0 million of the Company's common stock in the aggregate at a per share purchase price equal to the lesser of:

- a) the lowest sale price of Common Stock on the purchase date; or
- b) the arithmetic average of the three (3) lowest closing sale prices for Common Stock during the twelve (12) consecutive trading days ending on the trading day immediately preceding the purchase date.

In addition, on any date on which the Company submits a purchase notice to Aspire Capital in an amount equal to 50,000 shares, and the closing sale price of its Common Stock is equal to or greater than \$0.50 per share, the Company also has the right, in its sole discretion, to present Aspire Capital with a volume-weighted average price purchase notice (each, a "VWAP Purchase Notice") directing Aspire Capital to purchase an amount of stock equal to up to 30% of the aggregate shares of Common Stock traded on its principal market on the next trading day (the "VWAP Purchase Date"), subject to a maximum number of shares the Company may determine. The purchase price per share pursuant to such VWAP Purchase Notice is generally 95% of the volume-weighted average price for Common Stock traded on its principal market on the VWAP Purchase Date.

The purchase price will be adjusted for any reorganization, recapitalization, non-cash dividend, stock split, or other similar transaction occurring during the period(s) used to compute the Purchase Price. The Company may deliver multiple Purchase Notices and VWAP Purchase Notices to Aspire Capital from time to time during the term of the Purchase Agreement, so long as the most recent purchase has been completed.

The Purchase Agreement provides that the Company and Aspire Capital will not effect any sales under the Purchase Agreement on any purchase date where the closing sale price of the Company's common stock is less than \$0.50. There are no trading volume requirements or restrictions under the Purchase Agreement, and the Company will control the timing and amount of sales of Common Stock to Aspire Capital. Aspire Capital has no right to require any sales by the Company, but is obligated to make purchases from the Company as directed by the Company in accordance with the Purchase Agreement. There are no limitations on use of proceeds, financial or business covenants, restrictions on future fundings, rights of first refusal, participation rights, penalties or liquidated damages in the Purchase Agreement. In consideration for entering into the Purchase Agreement, concurrently with the execution of the Purchase Agreement, the Company issued to Aspire Capital 80,000 shares of Common Stock (the "Commitment Shares"). The Purchase Agreement may be terminated by the Company at any time, at its discretion, without any cost to the Company. Aspire Capital has agreed that neither it nor any of its agents, representatives and affiliates shall engage in any direct or indirect short-selling or hedging of Common Stock during any time prior to the termination of the Purchase Agreement. Any proceeds from the Company received under the Purchase Agreement are expected to be used for working capital and general corporate purposes. The Company cannot request Aspire to purchase more than \$100,000 per business day.

On February 23, 2017, Aspire Capital purchased 20,000 shares of Common Stock, at a per share price of \$7.25, resulting in gross cash proceeds to the Company of \$145,000.

Subsequent to March 31, 2018, the Company has issued purchase notices to Aspire Capital to purchase 1,180,000 shares of common stock, at a per share price of \$2.00, resulting in gross cash proceeds of approximately \$2.4 million. The Company has issued purchase notices under the Equity Line of Credit to Aspire Capital for the total number of shares subject to the current registration statement covering the resale of shares thereunder. The Company intends to enter into an updated agreement with Aspire Capital to provide for a continuation of its ability to draw upon the resource.

The issuance of shares of common stock that may be issued from time to time to Aspire Capital under the Purchase Agreement are exempt from registration under the Securities Act, pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(a)(2) of the Securities Act.

Variable Interest Entities (VIE)

On November 13, 2017, Arcadian Services entered into a management and administrative services agreement with Arcadian Telepsychiatry PA, which is located in Texas, for an initial fixed term of 20 years. In accordance with relevant accounting guidance, PA is determined to be a Variable Interest Entity and MYnd is the primary beneficiary with the ability to direct the activities (excluding clinical decisions) that most significantly affect PA's economic performance through its majority representation of the PA; therefore, PA is consolidated by MYnd. As of March 31, 2018, PA owns no percentage of MYnd.

On November 13, 2017, Arcadian Services entered into a management and administrative services agreement with Arcadian Telepsychiatry P.C., which is located in Pennsylvania, for an initial fixed term of 20 years. In accordance with relevant accounting guidance, PC is determined to be a Variable Interest Entity and MYnd is the primary beneficiary with the ability to direct the activities (excluding clinical decisions) that most significantly affect PC's economic performance through its majority representation of the PC; therefore, PC is consolidated by MYND. As of March 31, 2018, PC owns no percentage of MYnd.

Common and Preferred Stock

As of March 31, 2018, the Company was authorized to issue to 265,000,000 shares of stock of which 250,000,000 shares were Common Stock, and 15,000,000 shares were preferred stock.

As of March 31, 2018, 4,364,311 shares of Common Stock were issued and outstanding. 1,050,000 shares of preferred stock were issued or outstanding.

See "*-2012 Omnibus Incentive Compensation Plan*" below for a discussion of equity based awards granted under the Company's incentive compensation plan.

Private Placement of Common Stock

From February 10, 2017 through March 21, 2017, the Company sold and issued an additional 237,000 shares of its Common Stock, at a per share price of \$6.25, in private placements to four affiliated and accredited investors, resulting in gross cash proceeds to the Company of \$1,481,300. The affiliated investors were as follows: RSJ, purchased 160,000 shares for \$1,000,000; John Pappajohn, a member of the Board, purchased 72,000 shares for \$450,000; Geoffrey Harris is a member of the Board purchased 5,000 shares for \$31,300. RSJ is a greater than 10% stockholder of the Company and Michal Votruba, who serves as a Director for Life Sciences at the RSJ/Gradus Fund, has served as a member of our Board since July 30, 2015. The subscription agreement between the Company and RSJ provided for the grant to RSJ by the Company of a right of first refusal through June 30, 2018, to license or to have distribution rights in Europe with respect to any of the Company's technology and/or intellectual property.

Stock Dividend Warrants

On July 13, 2017, the Company declared a special dividend of warrants to purchase shares of the Company's common stock to record holders of Common Stock as of such date. Warrants to purchase 2,539,061 shares of Common Stock were distributed pro rata to all holders of common stock on the record date. These warrants will be exercisable (in accordance with their terms) to purchase one share of common stock, at an exercise price of \$5.25 per share. The warrants will become exercisable commencing not less than 12 months following their July 27, 2017 distribution date and will expire five years thereafter.

The dividend warrant has an exercise price of \$5.25 and expires on July 26, 2022. We estimated the fair value of the dividend warrant at issuance date to be \$16,375,394 using the Black-Scholes option valuation model with the following assumptions: market price of the stock of \$6.55 per share, time to maturity of five years, volatility of 211.6%, zero expected dividend rate and risk-free rate of 1.89%. These warrants qualify for equity treatment. The allocation of the fair value of these warrants was included in additional paid-in capital on the consolidated balance sheet. The Company also recognized a dividend related to the dividend warrants as every shareholder was entitled to receive one warrant for every share of common stock for no consideration given. Accordingly, the Company recognized a \$16,375,394 dividend at closing.

Underwritten Public Offering

In July 2017, the Company completed an underwritten public offering of its Common Stock and warrants, raising gross proceeds of approximately \$8.79 million. In the offering, the Company sold 1,675,000 shares of Common Stock and accompanying warrants to purchase up to 1,675,000 shares of Common Stock (the "Public Warrants"), at a combined public offering price of \$5.25 per share and accompanying Public Warrant, for a total offering size of \$8,793,750. The Public Warrants were immediately exercisable for one share of Common Stock at an exercise price of \$5.25 per share, subject to adjustments, and will expire five years after the issuance date. In connection with the offering, the Company granted the representative of the underwriters a 45-day option to purchase up to 251,250 additional shares of Common Stock and/or Warrants to cover over-allotments, if any. On August 24, 2017 the underwriters exercised their option and purchased 213,800 common stock warrants for \$0.01 per warrant. The warrants were immediately exercisable for one share of common stock at an exercise price of \$5.25 per share, subject to adjustments, and will expire five years after the issuance date.

As part of the underwritten public offering on July 19, 2017, the Company issued 134,000 common stock warrants to the underwriters as part of the services performed by them in connection with the underwritten public offering.

On August 23, 2017, the Company issued 213,800 common stock warrants to underwriters as part of the overallotment attributed to the July 2017 underwritten public offering. Gross proceeds amounted to \$2,100 for the purchase of the common stock warrants.

Stock-Option Plans and Stock-Based Compensation

2006 Stock Incentive Plan

On August 3, 2006, CNS California adopted the CNS California 2006 Stock Incentive Plan (the "2006 Plan"). The 2006 Plan provides for the issuance of awards in the form of restricted shares, stock options (which may constitute incentive stock options (ISO) or non-statutory stock options (NSO), stock appreciation rights and stock unit grants to eligible employees, directors and consultants and is administered by the Board. A total of 3,339 shares of stock were ultimately reserved for issuance under the 2006 Plan. As of March 31, 2018, zero options were exercised and there were 1,513 option shares outstanding under the amended 2006 Plan. The outstanding options have exercise prices to purchase shares of Common Stock ranging from \$2,400 to \$5,760 per share.

2012 Omnibus Incentive Compensation Plan

On March 22, 2012, our Board approved the MYnd Analytics, Inc. 2012 Omnibus Incentive Compensation Plan (the “2012 Plan”), reserved 1,667 shares of stock for issuance and on December 10, 2012, the Board approved the amendment of the 2012 Plan to increase the shares authorized for issuance from 1,667 shares to 27,500 shares. On March 26, 2013, the Board further approved the amendment of the 2012 Plan to increase the shares authorized for issuance from 27,500 shares to 75,000 shares. The 2012 Plan, as amended, was approved by our stockholders at the 2013 annual meeting held on May 23, 2013.

On April 5, 2016, the Board approved a further amendment of the 2012 Plan to increase the Common Stock authorized for issuance from 75,000 shares to 200,000 shares.

On September 22, 2016 the Board amended the 2012 Plan to: (i) increase the total number of shares of Common Stock available for grant under the 2012 Plan from 200,000 shares to an aggregate of 500,000 shares, (ii) add an “evergreen” provision which, on January 1st of each year through 2022, automatically increases the number of shares subject to the 2012 Plan by the lesser of: (a) a number equal to 10% of the shares of Common Stock authorized under the 2012 Plan as of the preceding December 31st, or (b) an amount, or no amount, as determined by the Board, but in no event may the number of shares of Common Stock authorized under the 2012 Plan exceed 885,781 and (iii) increase the annual individual award limits under the 2012 Plan to 100,000 shares of Common Stock, subject to adjustment in accordance with the 2012 Plan. Per the above mentioned “evergreen” provision, an additional 50,000 shares were automatically allocated for distribution under the 2012 Plan as of January 1, 2017.

At the 2017 Annual Meeting of Stockholders of the Company, held on August 21, 2017 (the “2017 Annual Meeting”), the holders of the Company’s common stock voted to amend the Company’s 2012 Plan to increase: (i) the total number of shares of common stock, par value \$0.001 per share (“Common Stock”), available for grant under the 2012 Plan (subject to the overall limits described in clause (ii) below) from 550,000 shares to an aggregate of 975,000 shares; (ii) the aggregate limitation on authorized shares available for grant under the 2012 Plan, following any increases pursuant to the evergreen provision, from 885,781 shares to 1,570,248 shares and (iii) the annual individual award limits under the 2012 Plan to 150,000 shares of Common Stock (subject to adjustment in accordance with the 2012 Plan);

At the 2018 Annual Meeting of Stockholders of the Company, held on April 4, 2018 (the “2018 Annual Meeting”), the holders of the Company’s common stock voted to amend the 2012 Plan to increase (i) the total number of shares of Common Stock available for grant under the 2012 Plan (subject to the overall limited described in clause (ii) below) from 1,072,500 shares to an aggregate of 1,500,000 shares and (ii) the aggregate limitation on the authorization shares available for grant under the 2012 Plan, following any increases pursuant to the evergreen provision, from 1,570,248 shares to 2,200,000 shares.

On March 31, 2017, the Compensation Committee of the Board granted options to our Chief Financial Officer Mr. D’Ambrosio to purchase 18,000 shares of the Company’s common stock at an exercise price of \$5.90 per share, which was the closing price on the OTC-QB of the Company’s Common Stock on the date of grant, with: (i) the option to purchase 15,000 shares vesting in equal monthly installments over 36 months from March 31, 2017, and (ii) the option to purchase 3,000 shares which vested upon the Company’s successful listing of its common stock on a national securities exchange.

On May 30, 2017, the Compensation Committee of the Board granted options to purchase 10,000 shares of the Company’s Common Stock under the 2012 Plan to a staff member. These options vest based on certain milestones being met. Exercise price of the options was the closing price on the OTC-QB of the Company’s Common Stock on the date of grant which was \$6.00 per share, as of September 30, 2017, 2,000 options are fully vested.

On July 14, 2017, the Company entered into a Chairman Services Agreement (the “Agreement”) with Robin L. Smith, M.D., the Chairman of the Company’s board of directors (the “Board”). Pursuant to the Agreement, Dr. Smith is also entitled to receive the following equity awards: (a) on the Effective Date, a grant of 25,000 shares of restricted stock (vesting immediately) under the 2012 Plan; (b) on the Effective Date, options to purchase 75,000 shares of Common Stock under the Plan; and (c) on the date of the Company’s 2017 annual meeting of stockholders, an award of options to purchase 50,000 shares of Common Stock (the “2017 Option Award”) was granted. In addition, at each annual meeting of stockholders of the Company thereafter beginning in 2018 during the Term, Dr. Smith will be entitled to receive a grant of 25,000 shares of restricted stock (vesting immediately) under the Plan and options to purchase 75,000 shares of Common Stock under the Plan. Other than the 2017 Option Award, all options granted under the Agreement will vest 1/3 on the date of grant, 1/3 on the six month anniversary of the date of grant and 1/3 on the twelve month anniversary of the date of grant. The 2017 Option Award will vest on December 1, 2018. Pursuant to the Agreement, all options owned by Dr. Smith will remain exercisable for a period of 10 years from the date of grant, even if Dr. Smith is no longer with the Company.

On July 26, 2017, the Compensation Committee of the Board granted options to purchase 5,000 shares of the Company's Common Stock under the 2012 Plan to a staff member. These options vest based on certain milestones being met. The exercise price of the options was the closing price on the OTC-QB of the Company's Common Stock on the date of grant which was \$4.15 per share.

On July 27, 2017, the Compensation Committee of the Board granted options to purchase 5,000 shares of the Company's Common Stock under the 2012 Plan to a staff member. These options vest based on certain milestones being met. The exercise price of the options was the closing price on the OTC-QB of the Company's Common Stock on the date of grant which was \$7.25 per share.

On July 31, 2017, the Compensation Committee of the Board granted options to purchase 10,000 shares of the Company's Common Stock under the 2012 Plan to a staff member. These options vest based on certain milestones being met. Exercise price of the options was the closing price on the OTC-QB of the Company's Common Stock on the date of grant which was \$3.81 per share.

On August 21, 2017, the award was granted, and approved by the board of directors of the Registrant, subject to stockholder approval of an amendment to a provision of the Registrant's Plan, pursuant to the Agreement. The Registrant's stockholders approved the amendment to the provision of the Plan granted options to purchase 50,000 shares of Common Stock under the 2012 Plan at an exercise price of \$4.16 per share to Robin L. Smith, M.D., the Chairman of the Company's board.

On August 22, 2017, the Compensation Committee of the Board granted options to purchase 5,000 shares of the Company's Common Stock under the 2012 Plan to a staff member. These options vest based on certain milestones being met. Exercise price of the options was the closing price on the OTC-QB of the Company's Common Stock on the date of grant which was \$4.10 per share.

On September 19, 2017, the Board granted (i) 12,000 shares of restricted common stock under the 2012 Plan to each of Messrs. Pappajohn, Unanue and Votruba, and (ii) 18,000 shares of restricted common stock under the 2012 Plan to Mr. Harris, who serves as the Audit Committee chairperson. Mr. Votruba's shares of restricted common stock are assigned to RSJ.

On September 19, 2017, the Board granted (i) options to purchase 12,000 shares of common stock under the 2012 Plan to each of Messrs. Pappajohn, Unanue and Votruba, and (ii) options to purchase 18,000 shares of common stock under the 2012 Plan to Mr. Harris, who serves as the Audit Committee chairperson. All such options have an exercise price of \$3.60, which was the closing price on the date of grant of our common stock on the Nasdaq Capital Market. Mr. Votruba's options are assigned to RSJ.

On November 5, 2017, the Board granted options to purchase 20,000 shares of common stock under the 2012 Plan to David Nash, with an exercise price of \$3.88, and will vest quarterly over the following year.

On November 13, 2017, the Board granted options to purchase 35,000 shares of common stock under the 2012 Plan to Robert Plotkin, with an exercise price of \$3.96, for which 11,667 shares vest immediately, 11,667 shares vest on November 13, 2019, and rest 11,666 shares will vest on the date Arcadian Services achieves aggregate revenues of at least \$2.5 million from and after November 13, 2017.

On December 18, 2017, the Board granted options to purchase 5,000 shares of common stock under the 2012 Plan to each of the three staff members, with an exercise price of \$3.74. These options vest based on certain milestones being met.

On January 2, 2018, the Board granted options to purchase 5,000 shares of common stock under the 2012 Plan to one staff member, with an exercise price of \$3.37. These options vest based on certain milestones being met.

As of March 31, 2018, options to purchase 552,546 shares of Common Stock were outstanding under the 2012 Plan with exercise prices ranging from \$3.60 to \$600.00 per share, with a weighted average exercise price of \$6.77 per share. Additionally, 280,250 restricted shares of Common Stock have been granted under the 2012 Plan, leaving 239,704 shares of Common Stock available to be awarded.

Stock-based compensation expenses are generally recognized over the employees' or service provider's requisite service period, generally the vesting period of the award. Stock-based compensation expense included in the accompanying unaudited condensed consolidated statements of operations for the six months ended March 31, 2018 and 2017 is as follows:

| | Six Months Ended March 31 | |
|--|----------------------------------|-------------------|
| | 2018 | 2017 |
| Stock-based compensation expense by type of award: | | |
| Stock options | \$ 303,100 | \$ 562,000 |
| Restricted stock | 289,900 | 426,900 |
| Total stock-based compensation expenses | <u>\$ 593,000</u> | <u>\$ 988,900</u> |
| Stock-based compensation expense by line item: | | |
| Research | \$ — | \$ 8,700 |
| Product development | 100 | 190,400 |
| Sales and marketing | 100 | 46,900 |
| General and administrative | 592,800 | 742,900 |
| Total | <u>\$ 593,000</u> | <u>\$ 988,900</u> |

Total unrecognized stock compensation expense as of March 31, 2018 amounted to \$822,000.

The following table sets forth the Company's unrecognized stock-based compensation expense, net of estimated forfeitures, by type of award and the weighted-average period over which that expense is expected to be recognized:

| | March 31 | | | |
|------------------|---|---|---|---|
| | 2018 | | 2017 | |
| Type of Award: | Unrecognized Expense, net of estimated forfeitures | Weighted average Recognition Period (in years) | Unrecognized Expense, net of estimated forfeitures | Weighted average Recognition Period (in years) |
| Stock Options | \$ 682,900 | .53 | \$ 466,200 | 6.91 |
| Restricted Stock | \$ 139,100 | 0.48 | \$ 438,300 | .50 |
| Total | <u>\$ 822,000</u> | <u>.52</u> | <u>\$ 904,500</u> | <u>3.84</u> |

A summary of stock option activity is as follows:

| | Number of Shares | Weighted Average Exercise Price | Weighted- Average Remaining Contractual Term (in years) | Intrinsic Value |
|-----------------------------------|---------------------|--|--|--------------------|
| Outstanding at September 30, 2017 | 554,083 | \$ 16.14 | 8.29 | \$ 11,340 |
| Granted | 75,000 | 3.82 | — | — |
| Exercised | — | — | — | — |
| Forfeited or expired | (75,024) | 6.73 | — | — |
| Outstanding at March 31, 2018 | 554,059 | \$ 15.75 | 8.17 | \$ — |

There are 389,511 options vested and 164,548 unvested as of March 31, 2018; there are 350,812 options vested and 203,271 options unvested as of September 30, 2017;

Following is a summary of the restricted stock activity for the six months ended March 31, 2018:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|-----------------------------------|---------------------|---|
| Outstanding at September 30, 2017 | 222,750 | \$ 5.31 |
| Granted | 57,500 | 3.88 |
| Forfeited | — | — |
| Outstanding at March 31, 2018 | 280,250 | \$ 5.02 |

There are 237,834 shares of restricted stock vested and 42,416 unvested as of March 31, 2018; there are 167,708 shares of restricted stock vested and 55,042 unvested as of September 30, 2017;

Awards of Restricted Stock

On November 5, 2017, the Board granted 20,000 shares of restricted common stock under the 2012 Plan to David Nash.

On November 13, 2017 George C. Carpenter IV, President and Chief Executive Officer of the Company; Donald D'Ambrosio, Chief Financial Officer and the Chairman Robin L. Smith, were each granted 7,500 shares. In addition, the Company granted another 15,000 shares of restricted common stock to various employees as satisfaction of certain performance criteria.

The range of Black-Scholes option-pricing model assumption inputs for all the valuation dates are in the table below:

| | Three Months Ended March 31, 2018 | | Six Months Ended March 31, 2018 | |
|-------------------------|--------------------------------------|---------|------------------------------------|---------|
| | Low | High | Low | High |
| Annual dividend yield | —% | —% | —% | —% |
| Expected life (years) | 5 | 5 | 5 | 5 |
| Risk-free interest rate | 2.25% | 2.25% | 1.99% | 2.87% |
| Expected volatility | 209.84% | 209.84% | 209.77% | 210.39% |

Expected Dividend Yield. The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future.

Expected Life. The Company elected to utilize the “simplified” method for “plain vanilla” options to value stock option grants. Under this approach, the weighted-average expected life is presumed to be the average of the vesting term and the contractual term.

Expected Volatility. The expected volatility rate used to value stock option grants is based on the historical volatilities of the Company’s common stock.

Risk-free Interest Rate. The risk-free interest rate assumption was based on U.S. Treasury bill instruments that had terms consistent with the expected term of the Company’s stock option grants.

Warrants to Purchase Common Stock

There were 5,617,481 and 4,567,672 warrants outstanding with a weighted average exercise price of \$4.74 and \$5.30 as of March 31, 2018 and September 30, 2017, respectively.

Following is a summary of the status of warrants outstanding at March 31, 2018:

| Exercise Price | Number of Shares | Expiration Date | Weighted Average Exercise Price |
|-----------------------|-------------------------|------------------------|--|
| \$ 2.34 | 1,050,000 (1) | 03/2023 | \$ 2.34 |
| 5.25 | 2,539,061 (2) | 07/2022 | 5.25 |
| 5.25 | 1,675,000 (3) | 07/2022 | 5.25 |
| 5.25 | 213,800 (4) | 07/2022 | 5.25 |
| 6.04 | 134,000 (5) | 07/2022 | 6.04 |
| 10.00 | 4,000 (6) | 06/2021 | 10.00 |
| \$ 55.00 | 1,620 | 06/2018 – 03/2019 | 55.00 |
| Total | 5,617,481 | | \$ 4.74 |

- (1) On March 29, 2018, the Company sold an aggregate of 1,050,000 units for \$2.00 per Unit each consisting of one share of newly-designated Series A Preferred Stock, and one warrant in a private placement to three affiliates of the Company, for gross proceeds of \$2.1 million. The private placement closed on March 29, 2018. The closing price per share of the Common Stock on the Nasdaq Stock Market on March 29, 2018 was \$1.19 per share. *For more detail on the private placement, please refer to the “Private Placement of A Preferred Stock with Warrant” sections of Note 6. Stockholders’ Equity to the Condensed Consolidated Financial Statements.*
- (2) On July 13, 2017, the Company declared a special dividend of warrants to purchase shares of the Company’s common stock to record holders of Common Stock as of such date. Warrants to purchase 2,539,061 shares of Common Stock were distributed pro rata to all holders of common stock on the record date. These warrants will be exercisable (in accordance with their terms) to purchase one share of common stock, at an exercise price of \$5.25 per share. The warrants will become exercisable commencing not less than 12 months following their July 27, 2017 distribution date and will expire five years thereafter.
- (3) On July 19, 2017, the Company issued 1,675,000 shares of Common Stock and accompanying Warrants to purchase up to 1,675,000 shares of Common Stock in connection with an underwritten public offering.
- (4) On August 23, 2017, the Company issued 213,800 common stock warrants to underwriters as part of the overallotment attributed to the July 2017 underwritten public offering.

- (5) As part of the underwritten public offering on July 19, 2017, the Company issued 134,000 common stock warrants to the underwriters as part of the services performed by them in connection with the underwritten public offering.
- (6) On June 10, 2016, we issued two warrants, pursuant to a Finder's Fee Agreement with Maxim Group LLC, to purchase in aggregate 4,000 shares of Common Stock following the introduction of an accredited investor who entered into a Second Amended Note and Warrant Purchase Agreement in the principal amount of \$200,000. Each warrant is exercisable, in whole or in part, during the period beginning on the date of its issuance, and ending on the earlier of (i) December 31, 2020 and (ii) the date that is forty-five (45) days following the date on which the daily closing price of shares of the Company's Common Stock quoted on the OTCQB Venture Marketplace (or other bulletin board or exchange on which the Company's Common Stock is traded or listed) exceeds \$50.00 for at least ten (10) consecutive trading days. In connection therewith, the Company will promptly notify the Note Warrant holders in the event that the daily closing price of the Company's shares of Common Stock exceeds \$50.00 for at least ten (10) consecutive trading days. Pursuant to the Finder's Fee Agreement, Maxim was also paid \$20,000 cash for their efforts.

7. CONVERTIBLE PREFERRED STOCK

On March 29, 2018, the Company sold an aggregate of 1,050,000 units for \$2.00 per Unit, each consisting of one share of newly-designated Series A Preferred Stock, par value \$0.001 per share and one Warrant to purchase one share of Common Stock, par value \$0.001 per share for \$2.34 per share in a private placement to three affiliates of the Company, for gross proceeds of \$2.1 million (the "Financing"). The closing price per share of the Common Stock on the Nasdaq Stock Market on March 29, 2018 was \$1.19 per share.

The Warrants will be exercisable for a period of five years for an exercise price of \$2.34. The exercise price is subject to adjustment for stock splits, stock dividends, combinations or similar events. The Warrants may not be exercised on a cashless basis.

John Pappajohn and Peter Unanue, directors of the Company, purchased \$1,000,000 and \$100,000 of the Units, respectively. Mary Pappajohn, the spouse of John Pappajohn, purchased \$1,000,000 of the Units.

Dividends.

Shares of the Series A Preferred Stock will be entitled to receive cash dividends at the rate of five percent (5.00%) of the Original Series A Issue Price per annum, payable out of funds legally available therefor. Such dividends shall (i) accrue on shares of Series A Preferred Stock from the date of issuance of such shares, (ii) be cumulative, and (iii) be payable only (A) when, as and if declared by the Board of Directors, (B) upon the occurrence of a Liquidation Event or a Deemed Liquidation Event (whether or not such dividends have been declared) and (C) "in kind" upon a conversion of the Series A Preferred Stock. The value of Common Stock for purposes of determining shares issuable upon a payment in kind shall not be less than the original issue price of the Series A Preferred Stock.

Voting Rights.

Each holder of a share of Series A Preferred Stock shall have the right to one vote for each share of Common Stock into which such Series A Preferred Stock could then be converted (with any fractional share determined on an aggregate conversion basis being rounded down to the nearest whole share). The holders shall be entitled to vote as a class on certain significant or corporate actions.

Rank.

With respect to distributions upon a Liquidation Event (as defined below), the Series A Preferred Stock shall rank senior to the Common Stock and to each other class of the Company's capital stock existing now or hereafter created that are not specifically designated as ranking senior to the Series A Preferred Stock.

Liquidation Preference.

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company or such subsidiaries the assets of which constitute all or substantially all of the assets of the business of the Company and its subsidiaries, taken as a whole (“Liquidation Event”), the holders of shares of Series A Preferred Stock shall be entitled to receive, prior and in preference to any distribution in such Liquidation Event to the holders of any junior securities, including the Common Stock, by reason of their ownership thereof, an amount per share equal to the Series A Liquidation Preference for each outstanding share of Series A Preferred Stock then held by them. After the payment or setting apart of payment of the full preferential amounts required to be paid to the holders of shares of Series A Preferred Stock, the remaining assets and funds legally available for distribution to the Company’s stockholders shall be distributed among the holders of the shares of Common Stock ratably on a per-share basis.

Consolidation; Merger.

A (i) consolidation or merger of the Company with or into any other entity in which the stockholders of the Company immediately prior to such transaction do not own a majority of the voting capital stock of the surviving entity, (ii) sale, lease, transfer, exclusive license, conveyance or disposition of all or substantially all of the assets of the Company, or (iii) the effectuation by the Company of a transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of (each of (i), (ii) and (iii), a “Deemed Liquidation Event”), will each be deemed to be a Liquidation Event within the meaning of the Certificate of Designation, unless elected otherwise by vote of the Required Holders. Any securities to be delivered to the stockholders pursuant to a Deemed Liquidation Event will be valued at fair market value.

Conversion.

Each Holder of shares of Series A Preferred Stock shall have the right (the “Conversion Right”), at any time and from time to time, at such holder’s option, to convert all or any portion of such holder’s shares of Series A Preferred Stock into fully paid and non-assessable shares of Common Stock. Upon a holder’s election to exercise its Conversion Right, each share of Series A Preferred Stock for which the Conversion Right is exercised shall be converted into such number of shares of Common Stock as is determined by dividing the Original Purchase Price by the conversion price for the Series A Preferred Stock at the time in effect.

In connection with the Financing, the Company also entered into a registration rights agreement (the “Registration Rights Agreement”) with the investors, requiring the Company to register the resale of the shares of Common Stock underlying the preferred stock and the Warrants. Under the Registration Rights Agreement, holders of a majority of the registrable securities then outstanding (the “Majority Holders”) may by a written Demand Notice to the Company (a “Demand Notice”) commencing six (6) months from the closing date, request the Company to effect the registration of all or part of the registrable securities owned by such Majority Holders and their respective affiliates on a Registration Statement on Form S-3. The Company has agreed to use its reasonable best efforts to cause such registration and/or qualification to be complete as soon as practicable, but in no event later than sixty (60) days, after receipt of the Demand Notice.

The shares of Series A Preferred Stock were offered and sold in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), set forth under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act, relating to sales by an issuer not involving any public offering and in reliance on similar exemptions under applicable state laws. Each purchaser represented that it is an accredited investor and that it acquired the Series A Preferred Stock and Warrants for investment purposes only and not with a view to any resale, distribution or other disposition of such securities in violation of the United States federal securities laws.

On April 30, 2018, the Company entered into the First Amended Subscription Agreement for Shares of Series A Preferred Stock and Common Stock Purchase Warrants (the “Amended Agreement”) with John Pappajohn and Mary Pappajohn (each an “Investor”, and collectively the “Investors”), which provides for the issuance, as of the date of the Original Agreement, of an aggregate of 500,000 Shares of Series A-1 Convertible Preferred Stock, par value \$0.001 per share (“Series A-1 Convertible Preferred Stock”), in lieu of the same number of Shares of Series A Convertible Preferred Stock that the Company had originally agreed to issue to the Investors. The Series A-1 Convertible Preferred Stock will have substantially the same rights and preferences as the Shares of Series A Preferred Stock, except that the Shares of Series A-1 Convertible Preferred Stock are non-voting and cannot be converted into Common Stock by an Investor if, as a result of such conversion, such Investor would beneficially own greater than 19.9% of the outstanding shares of Common Stock. Additionally, the Warrants were amended to provide that they would not be exercisable by an Investor if, following any such exercise, such Investor would beneficially own greater than 19.9% of the outstanding shares of Common Stock.

8. INCOME TAXES

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

As a result of the implementation of certain provisions of ASC 740, *Income Taxes*, which clarifies the accounting and disclosure for uncertainty in tax positions, the Company has analyzed filing positions in each of the federal and state jurisdictions where required to file income tax returns, as well as all open tax years in these jurisdictions. We have identified U.S. Federal and California as our major tax jurisdictions. Generally, we remain subject to Internal Revenue Service examination of our 2014 through 2016 U.S. federal income tax returns, and remain subject to California Franchise Tax Board examination of our 2013 through 2016 California Franchise Tax Returns. We have certain tax attribute carryforwards which will remain subject to review and adjustment by the relevant tax authorities until the statute of limitations closes with respect to the year in which such attributes are utilized.

We believe that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to our financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740. Our policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. The Act reduces the US Federal corporate tax rate from 35% to 21%. The Company's Federal net deferred tax assets currently are in a full valuation allowance position and will continue to be in a full valuation allowance position, therefore the rate reduction does not affect the net deferred Federal tax asset balance. Additionally, for the Company's state net deferred tax asset balance, the state deferred rate has been determined at the full amount without a reduction for the Federal benefit (no benefit recognized in a full valuation allowance), and therefore the state deferred rate and net deferred tax asset balances would not change with the reduction in the Federal tax rate.

Deferred taxes have been recorded on a net basis in the accompanying balance sheet. The Act reduces the U.S. statutory tax rate from 35% to 21%, effective January 1, 2018. During the three months ended March 31, 2018, the Company recorded a \$6.2 million tax expense representing the detriment of remeasuring its U.S. deferred tax assets at the lower 21% statutory tax rate, as well as a corresponding full valuation allowance for the same amount resulting in no impact to our Statement of Operations. As of March 31, 2018, the Company had gross Federal net operating loss carryforwards of approximately \$51.4 million or \$10.8 million tax effected and State gross net operating loss carryforwards of approximately \$33.5 million or \$2.0 million tax effected, both tax effected. Both the Federal and State net operating loss carryforwards will begin to expire in 2022 and 2018 respectively. Our ability to utilize net operating loss carryforwards may be limited in the event that a change in ownership, as defined in the Internal Revenue Code, occurs in the future.

The Company has placed a valuation allowance against the deferred tax assets in excess of deferred tax liabilities due to the uncertainty surrounding the realization of such excess tax assets. Management periodically evaluates the recoverability of the deferred tax assets and the level of the valuation allowance. At such time as it is determined that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be reduced accordingly.

9. RELATED PARTY TRANSACTIONS

DCA Agreement

On September 25, 2013, the Board approved a consulting agreement effective May 1, 2013, for marketing services provided by Decision Calculus Associates, an entity operated by Mr. Carpenter's spouse, Jill Carpenter. Effective August 2015, DCA was engaged at a fee of \$10,000 per month. From August 2015 through February 2017, DCA has been paid \$170,000. The Decision Calculus Associates ("DCA") contract was renewed at \$3,000 a month effective March 1, 2017. The Company incurred fees of \$9,000 and \$3,000 for the three months ended March 31, 2018 and 2017, respectively. The Company incurred fees of \$18,000 and \$33,000 for the six months ended March 31, 2018 and 2017, respectively.

Hooper Holmes Agreement

In 2016, we entered into an agreement with Hooper Holmes Inc, in which Dr. Smith, our Chairman of the Board, became an advisory member of its board as of March 16, 2017, and in which Mr. Pappajohn, our director, has participated in equity raises to become the beneficial owner of a greater than 10% interest. Hooper Holmes performs EEGs nationwide to patients who wish to obtain a PEER report. The Company incurred \$54,300 and \$0 for these services during the three months ended March 31, 2018 and 2017, respectively. The Company incurred \$90,700 and \$0 for these services during the six months ended March 31, 2018 and 2017, respectively. See "*Note 6- Stockholders' Equity*".

10. LOSS PER SHARE

In accordance with ASC 260-10, basic net income (loss) per share is computed by dividing the net income (loss) to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and dilutive common equivalent shares outstanding during the period. For the three and six-month periods ended March 31, 2018 and 2017, the Company has excluded all common equivalent shares from the calculation of diluted net loss per share as such securities are anti-dilutive.

A summary of the net income (loss) and shares used to compute net income (loss) per share for the three and six-month periods ended March 31, 2018 and 2017 is as follows:

| | Three Months Ended March 31, | |
|--|-------------------------------------|----------------|
| | 2018 | 2017 |
| Net loss for computation of basic and diluted net loss per share: | | |
| Net loss | \$ (2,659,600) | \$ (1,452,000) |
| Basic and diluted net loss per share: | | |
| Basic and diluted net loss per share | \$ (0.61) | \$ (0.61) |
| Basic and diluted weighted average shares outstanding | 4,362,564 | 2,372,394 |
| Anti-dilutive common equivalent shares not included in the computation of dilutive net loss per share: | | |
| Warrants | 5,617,481 | 7,032 |
| Restricted common stock | 280,250 | 143,750 |
| Options | 554,059 | 334,428 |
| Total warrants and options | 6,451,790 | 485,210 |
| | | |
| | Six Months Ended March 31, | |
| | 2018 | 2017 |
| Net loss for computation of basic and diluted net loss per share: | | |
| Net loss | \$ (5,429,000) | \$ (2,892,200) |
| Basic and diluted net loss per share: | | |
| Basic and diluted net loss per share | \$ (1.25) | \$ (1.29) |
| Basic and diluted weighted average shares outstanding | 4,347,745 | 2,236,728 |
| Anti-dilutive common equivalent shares not included in the computation of dilutive net loss per share: | | |
| Warrants | 5,617,481 | 7,093 |
| Restricted common stock | 280,250 | 143,750 |
| Options | 554,059 | 329,766 |
| Total warrants and options | 6,451,790 | 480,609 |

11. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

The Company is not currently party to any legal proceedings, the adverse outcome of which, in the Company's management's opinion, individually or in the aggregate, would have a material adverse effect on the Company's results of operations or financial position.

Lease Commitments

The Company's policy is to account for the lease expense on the straight-line method.

The Company's Headquarters and Neurometric Services business is located at 26522 La Alameda, Suite 290, Mission Viejo, CA 92691, which is 2,290 square feet in size. The lease period commenced on February 1, 2016 and terminated on January 31, 2018. The rent for the first four months was \$2,290 per month, which was abated by 50%; for months 5 through 12 the rent increased to \$4,580 per month and for the final 12 months the rent increased by 5% to \$4,809 per month. On October 31, 2017 we signed a First Amendment to our initial lease, lease period commenced on February 1, 2018 and terminates on January 31, 2019. The rent for the twelve month period is \$5,267 per month.

On February 2, 2016, we signed a 23.5 months lease for 1,092 square feet of office space to house our EEG testing center. The premises are located at 25201 Paseo De Alicia, Laguna Hills, CA 92653. The lease period commenced on February 15, 2016 and terminated on January 31, 2018. The rent for first half month of February was prorated at \$928; for the next 11 months the rent was \$1,856 per month, and for the remaining twelve months the rent increased by 3% to \$1,911 per month. On November 10, 2017 we signed a First Amendment to our initial lease, lease period commenced on February 1, 2018 and terminates on January 31, 2019. The rent for the twelve-month period is \$2,129 per month. Additionally, we expanded into premises which are located at 25231 Paseo De Alicia, Laguna Hills, CA 92653. The lease period commenced on December 1, 2017 and terminates on January 31, 2019. The rent for the fourteen-month period is \$3,270 per month.

On August 1, 2017, we signed a four-month lease for two offices to be used for EEG testing in the New York area. The premises are located at 420 Lexington Avenue, Suite 350, New York, New York 10170. The lease period commenced on August 1, 2017 and terminated on December 31, 2017. The rent was \$4,500 per month, with a first and last month lease fee of \$9,000 which was due upon signing. On December 27, 2017 we signed a month to month for two offices to be used for EEG testing in the New York area. The premises are located at 420 Lexington Avenue, Suite 300, New York, New York 10170. The rent will be \$4,995 per month, with security deposit including first month due on signing of \$13,483.

On September 14, 2017, we signed a three-year lease for 1,180 square feet. The premises are located at 8000 Westpark Drive, Suite 125, Tysons, Virginia 22102. The lease period commenced on September 15, 2017 and terminates on September 30, 2020. The rent for September 15, 2017 through September 30, 2018 is prorated at \$2,508, the next 12 months the rent is prorated at \$2,576; and for the remaining twelve months the rent prorated at \$2,647, the landlord abated one hundred percent of the base rent for the first two full calendar months of the term, October and November 2017.

On November 13, 2017, Arcadian Services assumed a sublease for a three year term for 2250 square feet. The premises are located at 7241 Hollywood Road, Fort Washington, Pennsylvania 19034. The lease terminated on December 31, 2017 and the rent is \$2,500 a month. On January 2, 2018, Arcadian Services was granted a two month extension until February 28, 2018 with a monthly rent rate of \$2,500. This lease expired on February 28, 2018.

On January 29, 2018, Arcadian Services signed a two year lease for 2,338 square feet. The premises are located at 1300 Virginia Drive, Suite 110, Fort Washington, PA 19034. The lease period commences on March 1, 2018 and terminates on February 28, 2020. The rent for the first twelve months of the lease is \$3,312 and for the last twelve months of the lease the rent is \$3,410. Arcadian Services paid a security deposit of \$3,312 upon signing.

The Company incurred rent expense of \$60,000 and \$18,200 for the three months ended March 31, 2018 and 2017, respectively. The Company incurred rent expense of \$104,800 and \$36,500 for the six months ended March 31, 2018 and 2017, respectively.

12. SUBSEQUENT EVENTS

The Aspire Capital Equity Line of Credit

Subsequent to March 31, 2018, the Company has issued purchase notices to Aspire Capital to purchase 1,180,000 shares of common stock, at a per share price of \$2.00, resulting in gross cash proceeds of approximately \$2.4 million. The Company has issued purchase notices under the Equity Line of Credit to Aspire Capital for the total number of shares subject to the current registration statement covering the resale of shares thereunder. Accordingly, the Company is considering the most efficient and beneficial course of action to continue access to capital financing, including but not limited to an Aspire Equity Line of Credit.

Amendment to Chairman's Agreement

On April 20 2018, the Company reported that, the Company and Robin L. Smith MD, the Chairman of the Board of Directors agreed to amend the Chairman Services Agreement, dated as of July 14, 2017 (the "Chairman Amendment"). On April 24, 2018, Dr. Smith and the Company agreed to a correction to the Chairman Amendment by a second amendment to provide that Dr. Smith's annual cash fee for the 2018 calendar year be reduced from \$300,000 to \$250,000. This change is retroactive to January 1, 2018. Further, pursuant to the Chairman Amendment, Dr. Smith was granted an option on April 16, 2018 to purchase 50,000 shares of common stock (rather than 150,000 shares) under the Company's 2012 Plan, which will not be terminated if Dr. Smith is no longer affiliated with the Company. The options granted under the Chairman Amendment will vest on the date of the grant.

Amendment to Chief Executive Officer's Agreement

On April 19, 2018, the Company and George C. Carpenter, IV, the Chief Executive Officer of the Company, entered into an amendment to his Employment Agreement, dated as of September 7, 2007 (the "CEO Amendment"), pursuant to which Mr. Carpenter's annual salary will be reduced from \$270,000 to \$206,250. This change is retroactive to April 13, 2018. Further, pursuant to the CEO Amendment, Mr. Carpenter was granted 34,380 restricted shares of common stock under the 2012 Plan. The shares granted under the CEO Amendment will vest quarterly. If the employee's relationship with the Company is terminated, the above grant will be prorated. The modification will be reviewed by the parties on or before December 31, 2018.

Agreement with Maxim Group LLC

On April 2, 2018, the Company entered into an Advisory Agreement with Maxim Group LLC ("Maxim") for general financial advisory and investment banking services. Maxim's compensation under the agreement shall be 100,000 shares of the Company's Common Stock, payable in one payment of 50,000 shares of Common Stock and five payments of 10,000 shares of Common Stock. The shares of Common Stock will have unlimited piggyback registration rights and the same rights afforded other holders of the Company's Common Stock.

Convertible Preferred Stock

On April 30, 2018, the Company entered into the First Amended Subscription Agreement for Shares of Series A Preferred Stock and Common Stock Purchase Warrants (the "Amended Agreement") with John Pappajohn and Mary Pappajohn (each an "Investor", and collectively the "Investors"), which provides for the issuance, as of the date of the Original Agreement, of an aggregate of 500,000 Shares of Series A-1 Convertible Preferred Stock, par value \$0.001 per share ("Series A-1 Convertible Preferred Stock"), in lieu of the same number of Shares of Series A Convertible Preferred Stock that the Company had originally agreed to issue to the Investors. The Series A-1 Convertible Preferred Stock will have substantially the same rights and preferences as the Shares of Series A Preferred Stock, except that the Shares of Series A-1 Convertible Preferred Stock are non-voting and cannot be converted into Common Stock by an Investor if, as a result of such conversion, such Investor would beneficially own greater than 19.9% of the outstanding shares of Common Stock. Additionally, the Warrants were amended to provide that they would not be exercisable by an Investor if, following any such exercise, such Investor would beneficially own greater than 19.9% of the outstanding shares of Common Stock.

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

The following discussion and analysis of our financial condition and results of operation should be read in conjunction with our unaudited condensed consolidated financial statements as of, and for, the three and six months ended March 31, 2018 and 2017, and our Annual Report on Form 10-K for the year ended September 30, 2017, filed with the U.S. Securities and Exchange Commission on December 29, 2017.

Forward-Looking Statements

This discussion summarizes the significant factors affecting the unaudited condensed consolidated operating results, financial condition and liquidity and cash flows of MYnd Analytics, Inc. (“we,” “us,” “our,” or the “Company”) for the six month periods ended March 31, 2018 and 2017. Except for historical information, the matters discussed in this management’s discussion and analysis or plan of operation and elsewhere in this Quarterly Report on Form 10-Q are “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, that include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new products or services; our statements concerning litigation or other matters; statements concerning projections, predictions, expectations, estimates or forecasts for our business, financial and operating results and future economic performance; statements of management’s goals and objectives; trends affecting our financial condition, results of operations or future prospects; our financing plans or growth strategies; and other similar expressions concerning matters that are not historical facts. Words such as “may,” “will,” “should,” “could,” “would,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes” and “estimates,” and similar expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times, or by which, that performance or those results will be achieved. Forward-looking statements are based on information available at the time they are made and/or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause these differences include, but are not limited to:

- *our need for immediate additional funding to support our operations and capital expenditures;*
- *our ability to successfully maintain listing of our shares of common stock on the Nasdaq Capital Market, particularity given recent notice that our stockholder equity is below the required level;*
- *our history of operating losses;*
- *our inability to gain widespread acceptance of our PEER Reports;*
- *our inability to prevail in convincing the United States Food and Drug Administration (the “FDA”), that our rEEG or PEER Online service does not constitute a medical device and should, therefore, not be subject to regulations;*
- *the possible imposition of fines or penalties by the FDA for alleged violations of its rules and regulations;*
- *our new subsidiary in telebehavioral health may be harmed by evolving governmental regulation;*

- *our new subsidiary's business model requires work with affiliated professional entities not owned by the Company;*
- *our new subsidiary may require an expanded and maintained network of certified professionals;*
- *our revenue and prospects for profitability may be harmed;*
- *our business may be subject to additional regulations in the future that could increase our compliance costs;*
- *our operating results may fluctuate significantly and our stock price could decline or fluctuate if our results do not meet the expectation of analysts or investors;*
- *our intellectual property position;*
- *our inability to achieve greater and broader market acceptance of our products and services in existing and new market segments;*
- *any negative or unfavorable media coverage;*
- *our inability to generate and commercialize additional products and services;*
- *our inability to comply with the substantial and evolving regulation by state and federal authorities, which could hinder, delay or prevent us from commercializing our products and services;*
- *our inability to successfully compete against existing and future competitors;*
- *delays or failure in clinical trials;*
- *any losses we may incur as a result of litigation;*
- *our inability to manage and maintain the growth of our business;*
- *our inability to protect our intellectual property rights;*
- *employee relations;*
- *possible security breaches;*
- *possible medical liability claims;*
- *our ability to sell common stock to Aspire Capital Fund LLC under our current common stock purchase agreement;*
- *possible personal injury claims in the future; and*
- *our limited trading volume.*

Additional risks, uncertainties and other factors that may cause our actual results, performance or achievements to be different from those expressed or implied in our written or oral forward-looking statements may be found and in our Annual Report on Form 10-K for the year ended September 30, 2017 under the headings "Risk Factors" and "Business," as updated in this Quarterly Report on Form 10-Q.

Forward-looking statements speak only as of the date they are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Overview

MYnd Analytics, Inc. (the "Company" or "MYnd") employs a clinically validated scalable technology platform to support personalized care for mental health patients. The Company utilizes its patented machine learning, artificial intelligence, data analytics platform for the delivery of telebehavioral health services and its PEER predictive analytics product offering. On November 13, 2017, the Company acquired Arcadian Telepsychiatry Services LLC ("Arcadian Services"), which manages the delivery of telepsychiatry and telebehavioral health services through a nationwide network of licensed and credentialed psychiatrists, psychologists and master's-level therapists. The Company is commercializing its PEER predictive analytics tool to help physicians reduce trial and error treatment in mental health. MYnd's patented, clinically validated technology platform ("PEER Online") utilizes complex algorithms to analyze electroencephalograms ("EEGs") to generate Psychiatric EEG Evaluation Registry ("PEER") Reports to predict individual responses to a range of medications prescribed for the treatment of behavioral disorders including depression, anxiety, bipolar disorder, post-traumatic stress disorder ("PTSD") and other non-psychotic disorders.

Working Capital

Since our inception, we have never been profitable and we have generated significant net losses. As of March 31, 2018, we had an accumulated deficit of \$81.1 million, compared to accumulated deficit of \$75.6 million as of September 30, 2017. We incurred operating losses of \$5.4 million and \$2.9 million for the six months ended March 31, 2018 and 2017, respectively, and incurred net losses of \$5.4 million and \$2.9 million for those respective periods.

We anticipate that a substantial portion of our capital resources and efforts would be focused on conducting our clinical trials, the scale-up of our commercial sales organization, further research, product development and other general corporate purposes, including accrued but unpaid expenses. We also anticipate that some future research and development projects would be funded by grants or third-party sponsorship, along with funding by the Company.

As of March 31, 2018, our current assets of \$2.8 million exceeded our current liabilities of \$2.0 million by \$0.8 million.

On December 6, 2016, the Company, entered into a common stock purchase agreement (the "Purchase Agreement") with Aspire Capital Fund, LLC, an Illinois limited liability company ("Aspire Capital") which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of \$10.0 million of shares of the Company's common stock over the 30-month term of the Purchase Agreement. For details of the Purchase Agreement financing see "*Private Placement Transactions—The Aspire Capital Equity Line*" below.

On February 23, 2017, pursuant to a purchase notice issued by the Company to Aspire Capital pursuant to the Aspire Purchase Agreement, Aspire Capital purchased 20,000 shares of its Common Stock, at a per share price of \$7.25, resulting in gross cash proceeds to the Company of \$145,000.

In July 2017, the Company completed an underwritten public offering of its Common Stock and warrants, raising gross proceeds of \$8.79 million.

In November 2017, the Company guaranteed the \$700,000 principle loan to Arcadian from BFTP as part of the acquisition of Arcadian Services.

(1) *For more detail on the exercise prices and expiration dates of the options and warrants please refer to the "Stock Option Plans" and "Warrants to Purchase Common Stock" sections of Note 6. Stockholders' Equity to the Condensed Consolidated Financial Statements.*

We will need additional funding to conduct the planned clinical trials and to conduct a marketing campaign to significantly increase the demand for our PEER Online services. We are actively exploring additional sources of capital. However, we cannot offer assurances that additional funding will be available on acceptable terms, or at all. Even if we were to raise additional funds, any additional equity funding may result in significant dilution to existing stockholders, and, if we incur additional debt financing, a substantial additional portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting the funds available for our business activities. If adequate funds are not available, it will likely force us to cease operations or would otherwise have a material adverse effect on our business, financial condition and/or results of operations.

Convertible Preferred Stock

On March 29, 2018, the Company sold an aggregate of 1,050,000 units for \$2.00 per Unit, each consisting of one share of newly-designated Series A Preferred Stock, par value \$0.001 per share and one Warrant to purchase one share of Common Stock, par value \$0.001 per share for \$2.34 per share in a private placement to three affiliates of the Company, for gross proceeds of \$2.1 million. The private placement closed on March 29, 2018. The closing price per share of the Common Stock on the Nasdaq Stock Market on March 29, 2018 was \$1.19 per share.

Shares of the Company's Series A Preferred Stock will be entitled to receive cash dividends at the rate of five percent (5.00%) of the Original Series A Issue Price per annum, payable out of funds legally available therefor. Dividends will only payavle when and if declared or upon certain events.

The Warrants will be exercisable for a period of five years for an exercise price of \$2.34. The exercise price is subject to adjustment for stock splits, stock dividends, combinations or similar events. The Warrants may not be exercised on a cashless basis.

The Company expects to use the proceeds of the Financing for general corporate purposes.

(1) For more details, please refer to section of Note 7. "Convertible Preferred Stock with Warrant" to the Condensed Consolidated Financial Statements.

Compliance with Nasdaq Continued Listing Requirement

On February 23, 2018, the Company received a letter from The Nasdaq Stock Market ("Nasdaq") indicating that the Company was not compliant with the minimum stockholders' equity requirement under Nasdaq Listing Rule 5550(b)(1) for continued listing on The Nasdaq Capital Market because the Company's stockholders' equity, as reported in the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2017, was below the required minimum of \$2.5 million. Further, as of February 22, 2018, the Company did not meet the alternative compliance standards relating to the market value of listed securities or net income from continuing operations. This notice of noncompliance has had no immediate impact on the continued listing or trading of the Company's common stock on The Nasdaq Capital Market.

On May 9, 2018, the Company received a letter from Nasdaq granting the Company an extension through August 22, 2018 to regain compliance with Listing Rule 5550(b). No assurance can be given that the Company will be able to regain compliance prior to such date.

Financial Operations Overview

Revenues

Our neurometric services revenues are derived from the sale of PEER Reports to physicians. Physicians are generally billed upon delivery of a PEER Report. The list price of our PEER Reports to physicians is \$400 per report which excludes the cost of conducting the EEG. The Company also derives revenue from its subsidiary Arcadian Services who manages the delivery of telepsychiatry and telebehavioral health services which are delivered directly to patients.

Cost of Revenues

Cost of revenues are for services and represent the cost of direct labor, the costs associated with external processing, analysis and consulting services necessary to generate the revenues.

Research and Product Development

Research and Product development expenses are associated with our neurometric and telepsychiatry services and primarily represent costs incurred to design and conduct clinical studies, to recruit patients into the studies, to add data to our database, to improve analytical techniques and advance application of the methodology. We charge all research and development expenses to operations as they are incurred.

Sales and Marketing

For our neurometric and telepsychiatry services, our selling and marketing expenses consist primarily of personnel, media, support and travel costs to inform user organizations and consumers of our products and services. Additional marketing expenses are the costs of advertising, educating physicians, laboratory personnel, other healthcare professionals regarding our products and services.

General and Administrative

Our general and administrative expenses consist primarily of personnel, occupancy, legal, audit, consulting and administrative support costs.

Critical Accounting Policies and Significant Judgments and Estimates

This management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting periods. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could therefore differ materially from those estimates under different assumptions or conditions.

There have been no changes to our critical accounting policies as compared to the critical accounting policies disclosed in the Annual Report 10-K filed with the SEC on December 29, 2017.

Revenue Recognition

We have generated limited revenues since our inception. Revenues for our Neurometric Service product are recognized when a PEER Report is delivered to a Client-Physician. The Company also recognizes revenue from its subsidiary, Arcadian Services who manages the delivery of telepsychiatry and telebehavioral health services. Revenue is recognized when the doctor or clinician performs the services.

Results of Operations for Three Months Ended March 31, 2018 and 2017

MYnd Analytics is focused on research and the commercialization of its PEER Reports through its Neurometric Services, as well as providing telehealth service through scheduling and videoconferencing that being accessible through a secure portal.

The following table presents consolidated statement of operations data for each of the periods:

Revenues

| | Three months ended March 31, | | Change |
|-------------------------|-------------------------------------|------------------|-------------------|
| | 2018 | 2017 | |
| Neurometric Services | \$ 79,800 | \$ 31,900 | \$ 47,900 |
| Telepsychiatry Services | 380,100 | — | 380,100 |
| Total Revenues | \$ 459,900 | \$ 31,900 | \$ 428,000 |

The increase was primarily due to increased sales of PEER reports, as well as sales generated from Arcadian Services during the three months ended March 31, 2018.

Cost of Revenues

| | Three months ended March 31, | | Change |
|------------------|-------------------------------------|-------------|---------------|
| | 2018 | 2017 | |
| Cost of Revenues | \$ 298,300 | \$ 3,800 | \$ 294,500 |

Cost of revenues increased during the three months ended March 31, 2018, primarily due to our acquisition of Arcadian Services and labor cost to service our Telepsychiatry revenue.

Research

| | Three months ended March 31, | | Change |
|-------------------|-------------------------------------|-------------|---------------|
| | 2018 | 2017 | |
| Services Research | \$ 73,400 | \$ 29,300 | \$ 44,100 |

Research expenses consist of payroll expenses, (including stock-based compensation), consulting fees, travel expenses, conference fees, and other miscellaneous costs listed as following:

| | Three months ended March 31, | | Change |
|--------------------------------|-------------------------------------|------------------|------------------|
| | 2018 | 2017 | |
| (1) Salaries and benefit costs | \$ — | \$ 2,200 | \$ (2,200) |
| (2) Consulting fees | 69,800 | 24,800 | 45,000 |
| (3) Other miscellaneous costs | 3,600 | 2,300 | 1,300 |
| Total Research | \$ 73,400 | \$ 29,300 | \$ 44,100 |

- (1) Salary and benefit costs, which are solely comprised of stock-based compensation, was zero for the three months ended March 31, 2018, primarily due to certain stock-based compensation fully vesting;
- (2) Consulting costs increased in the three months ended March 31, 2018 as a result of our Medical Officer assisting with the training of clinical trial investigators on the PEER Report allowing them to participate in trials, and consult with other physicians in the use and interpretation of the PEER Report; additionally on November 13, 2017 we entered into two consulting agreement for medical directors to provide consulting services for the telepsychiatry business; and
- (3) Other miscellaneous costs for the three months ended March 31, 2018 and 2017 were relatively unchanged.

Product Development

| | Three months ended March 31, | | Change |
|---------------------|-------------------------------------|-------------|---------------|
| | 2018 | 2017 | |
| Product Development | \$ 342,200 | \$ 292,800 | \$ 49,400 |

Product development expenses consist of payroll costs, (including stock-based compensation), consulting fees, system development costs, conference fee, travel expenses, and miscellaneous costs which were as follows:

| | Three months ended March 31, | | Change |
|--------------------------------|-------------------------------------|-------------|---------------|
| | 2018 | 2017 | |
| (1) Salaries and benefit costs | \$ 140,700 | \$ 204,700 | \$ (64,000) |
| (2) Consulting fees | 139,200 | 51,500 | 87,700 |
| (3) System development costs | 46,800 | 17,700 | 29,100 |
| (4) Conference & Travel | 3,700 | 7,800 | (4,100) |
| (5) Other miscellaneous costs | 11,800 | 11,100 | 700 |
| Total Product Development | \$ 342,200 | \$ 292,800 | \$ 49,400 |

- (1) Salaries and benefits decreased by \$64,000 for the three months ended March 31, 2018, primarily due to certain stock-based compensation fully vesting. The remainder was due to hiring additional sales staff;
- (2) Consulting fees increased by \$87,700 for the three months ended March 31, 2018, primarily due to services in relation to the upgrade of the Company's cloud based sales platform and for a data science project to improve the Company's algorithms for the production of an enhanced PEER report;
- (3) System development and maintenance costs increased by \$29,100 during the three months ended March 31, 2018, primarily due to increased time in our contract system programmers for work on quality management initiatives, research support, transitioning to file sharing, and media management;
- (4) Conference and travel costs decreased by \$4,100 during the three months March 31, 2018, primarily due to travel for the Canadian Armed Forces Trial; and
- (5) Other miscellaneous costs increased slightly by \$700 for the three months ended March 31, 2018.

Sales and marketing

| | Three months ended March 31, | | Change |
|---------------------|-------------------------------------|-------------|---------------|
| | 2018 | 2017 | |
| Sales and Marketing | \$ 638,000 | \$ 191,800 | \$ 446,200 |

Sales and marketing expense for the three months ended March 31, 2018 was \$638,000, compared to \$191,800 for the three months ended March 31, 2017.

Sales and marketing expenses consist of payroll and benefit costs, (including stock-based compensation), advertising and marketing expenses, consulting fees, and miscellaneous expenses.

Three months ended March 31,

| | 2018 | 2017 | Change |
|-------------------------------------|-------------------|-------------------|-------------------|
| (1) Salaries and benefit costs | \$ 342,300 | \$ 76,700 | \$ 265,600 |
| (2) Consulting fees | 95,100 | 91,300 | 3,800 |
| (3) Advertising and marketing costs | 97,500 | 4,500 | 93,000 |
| (4) Conferences and travel costs | 30,100 | 4,700 | 25,400 |
| (5) Other miscellaneous costs | 73,000 | 14,600 | 58,400 |
| Total Sales and marketing | <u>\$ 638,000</u> | <u>\$ 191,800</u> | <u>\$ 446,200</u> |

- (1) Salaries and benefits for the three months ended March 31, 2018 increased by \$265,600 from the 2017 period; primarily due to the hiring of new marketing sales staff which increased salaries and the remainder of was offset to stock-based compensation which all of the stock-based compensation expense had been recognized;
- (2) Consulting fees for the three months ended March 31, 2018 increased by \$3,800. This difference was primarily due to an increase from prior period of \$6,000 from renegotiating our contract with a consultant to \$3,000 per month; offset by net increases in the number of other additional marketing consultants;
- (3) Advertising and marketing expenses for the three months ended March 31, 2018 was \$93,000 directly related to Facebook advertising;
- (4) Conference and travel expenditures for the three months ended March 31, 2018 was \$25,400 directly related to travel expense for the sales staff; and
- (5) Miscellaneous expenditures for the three months ended March 31, 2018 period increased by \$58,400, primarily due to the Company opening PEER Centers in New York and Washington DC. Additional costs were incurred for rent and office supplies.

General and administrative**Three months ended March 31,**

| | 2018 | 2017 | Change |
|-------------------------------------|--------------|-------------|---------------|
| General and administrative expenses | \$ 1,740,900 | \$ 934,200 | \$ 806,700 |

General and administrative expenses consist of payroll and benefit costs, (including stock based compensation), legal fees, patent costs, other professional and consulting fees, general administrative and occupancy costs, dues and subscriptions, conference fees, and travel expenses.

Three months ended March 31,

| | 2018 | 2017 | Change |
|--|--------------|-------------|---------------|
| (1) Salaries and benefit costs | \$ 728,000 | \$ 455,100 | \$ 272,900 |
| (2) Consulting fees | 364,200 | 116,700 | 247,500 |
| (3) Legal fees | 44,300 | 142,600 | (98,300) |
| (4) Other professional fees | 246,200 | 23,500 | 222,700 |
| (5) Patent costs | 45,800 | 46,900 | (1,100) |
| (6) Marketing and investor relations costs | 46,500 | 2,500 | 44,000 |
| (7) Conference and travel costs | 26,100 | 62,100 | (36,000) |
| (8) Dues & subscriptions fees | 49,700 | 20,400 | 29,300 |
| (9) Computer & web services | 40,000 | — | 40,000 |
| (10) General admin and occupancy costs | 150,100 | 64,400 | 85,700 |
| Total General and administrative costs | \$ 1,740,900 | \$ 934,200 | \$ 806,700 |

- (1) Salaries and benefit expenses increased by \$272,900 for the three months ended March 31, 2018 period. This increase was primarily due to \$106,100 which was related to the acquisition of telepsychiatry management and staff; the remaining balance relates to new hiring general counsel and operations staff in the 2017 period, and offset with stock compensation which had become fully recognized;
- (2) Consulting fees increased by \$247,500 for the three months ended March 31, 2018 period, including \$31,500 as directors' fees, and \$216,000 was related to operational and related consulting fees;
- (3) Legal fees decreased by \$98,300 for the three months ended March 31, 2018 period. During the three months ended March 31, 2017, there was \$49,400 legal fees associated with fund raising activities, \$17,900 related to FDA Regulations and review and revisions to the Cooperative Research and Development Agreement with the providence of Ottawa ("CRADA"), and \$31,100 related to legal fees for the review of the Aspire Capital Equity Purchase Agreement;
- (4) Other professional fees increased by \$222,700 for the three months ended March 31, 2018 period. The majority of the increase was due to additional audit fees;
- (5) Patent costs decreased by \$1,100 due to the timing and volume of patent and trademark applications and maintenance costs;
- (6) Marketing and investor relations costs increased by a net \$44,000 for the three months ended March 31, 2018 period as we engaged public relations firms to enhance the Company's presence in the media;
- (7) Conference and travel costs decreased by \$36,000 for the three months ended March 31, 2018 period. The decrease related to the prior period of conferences attended, increased travel by our executive management for meetings with investors, healthcare payers and providers;
- (8) Dues and subscription costs increased by \$29,300 for the three months ended March 31, 2018 period was due to additional licenses for our Salesforce platform;
- (9) Computer and web services increased by \$40,000 for the three months ended March 31, 2018 period was due to CTO services related to our telepsychiatry business of \$27,100 and ERM service and Cloud Hosting fees of \$12,900; and
- (10) General administrative and occupancy costs increased by \$85,700 for the three months ended March 31, 2018 period. The increase was primarily due to depreciation of fixed assets and amortization of intangible asset purchased; the remainder increase relates to increased operating cost.

Other income (expense)

| | <u>Three months ended March 31,</u> | | <u>Change</u> |
|------------------|-------------------------------------|-------------|---------------|
| | <u>2018</u> | <u>2017</u> | |
| Interest expense | \$ (24,800) | \$ (1,400) | \$ (23,400) |

- Interest expense for the three months ended March 31, 2018 was \$24,800 compared to \$1,400 for the three months of March 31, 2017, the increase was due to interest expense on acquisition of the long term borrowing on telepsychiatry business;

Net Loss

| | <u>Three months ended March 31,</u> | | <u>Change</u> |
|-----------|-------------------------------------|----------------|----------------|
| | <u>2018</u> | <u>2017</u> | |
| Loss, net | \$ (2,659,600) | \$ (1,452,000) | \$ (1,207,600) |

Our net loss was \$2.7 million for the three months ended March 31, 2018, compared to approximately \$1.5 million for the same period ended March 31, 2017. Please refer to the analysis above.

Results of Operations for Six Months Ended March 31, 2018 and 2017

MYnd Analytics is focused on research and the commercialization of its PEER Reports through its Neurometric Services, as well as providing telehealth service through scheduling and videoconferencing that being accessible through a secure portal.

The following table presents consolidated statement of operations data for each of the periods:

Revenues

| | <u>Six months ended March 31,</u> | | <u>Change</u> |
|-------------------------|-----------------------------------|------------------|-------------------|
| | <u>2018</u> | <u>2017</u> | |
| Neurometric Services | \$ 133,100 | \$ 54,100 | \$ 79,000 |
| Telepsychiatry Services | 448,800 | — | 448,800 |
| Total Revenues | <u>\$ 581,900</u> | <u>\$ 54,100</u> | <u>\$ 527,800</u> |

The increase was primarily due to increased sales of PEER reports, as well as sales generated from Arcadian Services during the six months ended March 31, 2018.

Cost of Revenues

| | <u>Six months ended March 31,</u> | | <u>Change</u> |
|------------------|-----------------------------------|-------------|---------------|
| | <u>2018</u> | <u>2017</u> | |
| Cost of Revenues | \$ 383,200 | \$ 7,600 | \$ 375,600 |

Cost of revenues increased during the six months ended March 31, 2018, primarily due to increased revenue of services.

Research

| | <u>Six months ended March 31,</u> | | <u>Change</u> |
|-------------------|-----------------------------------|-------------|---------------|
| | <u>2018</u> | <u>2017</u> | |
| Services Research | \$ 154,900 | \$ 60,900 | \$ 94,000 |

Research expenses consist of payroll expenses, (including stock-based compensation), consulting fees, travel expenses, conference fees, and other miscellaneous costs listed as following:

| | <u>Six months ended March 31,</u> | | <u>Change</u> |
|--------------------------------|-----------------------------------|-------------|---------------|
| | <u>2018</u> | <u>2017</u> | |
| (1) Salaries and benefit costs | \$ — | \$ 8,800 | \$ (8,800) |
| (2) Consulting fees | 148,800 | 47,600 | 101,200 |
| (3) Other miscellaneous costs | 6,100 | 4,500 | 1,600 |
| Total Research | \$ 154,900 | \$ 60,900 | \$ 94,000 |

- (1) Salary and benefit costs, which are solely comprised of stock-based compensation, was zero for the six months ended March 31, 2018, primarily due to certain stock-based compensation fully vesting;
- (2) Consulting costs increased in the six months ended March 31, 2018 as a result of a new consulting agreement with our Medical Officer to assist with the training of clinical trial investigators on the PEER Report allowing them to participate in trials, and consult with other physicians in the use and interpretation of the PEER Report; additionally on November 13, 2017 we entered into two consulting agreement for medical directors to provide consulting services for the telepsychiatry business; and
- (3) Other miscellaneous costs for the six months ended March 31, 2018 and 2017 were relatively unchanged.

Product Development

| | <u>Six months ended March 31,</u> | | <u>Change</u> |
|---------------------|-----------------------------------|-------------|---------------|
| | <u>2018</u> | <u>2017</u> | |
| Product Development | \$ 611,400 | \$ 588,100 | \$ 23,300 |

Product development expenses consist of payroll costs, (including stock-based compensation), consulting fees, system development costs, conference fee, travel expenses, and miscellaneous costs which were as follows:

| | <u>Six months ended March 31,</u> | | <u>Change</u> |
|--------------------------------|-----------------------------------|-------------|---------------|
| | <u>2018</u> | <u>2017</u> | |
| (1) Salaries and benefit costs | \$ 265,100 | \$ 407,900 | \$ (142,800) |
| (2) Consulting fees | 211,700 | 103,200 | 108,500 |
| (3) System development costs | 82,800 | 33,200 | 49,600 |
| (4) Conference & Travel | 14,600 | 15,100 | (500) |
| (5) Other miscellaneous costs | 37,200 | 28,700 | 8,500 |
| Total Product Development | \$ 611,400 | \$ 588,100 | \$ 23,300 |

- (1) Salaries and benefits decreased by \$142,800 for the six months ended March 31, 2018, primarily due to certain stock-based compensation fully vesting. The remainder was offset by additional staff member in the third quarter of 2017;

- (2) Consulting fees increased by \$108,500 for the six months ended March 31, 2018, primarily due to services in relation to the upgrade of the Company's cloud based sales platform and for a data science project to improve the Company's algorithms for the production of an enhanced PEER report;
- (3) System development and maintenance costs increased by \$49,600 during the six months ended March 31, 2018, primarily due to increased time in our contract system programmers for work on quality management initiatives, research support, transitioning to file sharing, and media management;
- (4) Conference and travel costs decreased by \$500 during the six months March 31, 2018, primarily due to travel for the Canadian Armed Forces Trial; and
- (5) Other miscellaneous costs increased by \$8,500 for the six months ended March 31, 2018, primarily due to additional dues and subscription costs.

Sales and marketing

| | <u>Six months ended March 31,</u> | | <u>Change</u> |
|---------------------|-----------------------------------|-------------|---------------|
| | <u>2018</u> | <u>2017</u> | |
| Sales and Marketing | \$ 1,305,200 | \$ 297,500 | \$ 1,007,700 |

Sales and marketing expense for the six months ended March 31, 2018 was \$1,305,200, compared to \$297,500 for the same periods ended 2017.

Sales and marketing expenses consist of payroll and benefit costs, (including stock-based compensation), advertising and marketing expenses, consulting fees, and miscellaneous expenses.

| | <u>Six months ended March 31,</u> | | <u>Change</u> |
|-------------------------------------|-----------------------------------|-------------------|---------------------|
| | <u>2018</u> | <u>2017</u> | |
| (1) Salaries and benefit costs | \$ 589,400 | \$ 125,600 | \$ 463,800 |
| (2) Consulting fees | 270,000 | 136,600 | 133,400 |
| (3) Advertising and marketing costs | 248,600 | 4,500 | 244,100 |
| (4) Conferences and travel costs | 55,700 | 4,700 | 51,000 |
| (5) Other miscellaneous costs | 141,500 | 26,100 | 115,400 |
| Total Sales and marketing | <u>\$ 1,305,200</u> | <u>\$ 297,500</u> | <u>\$ 1,007,700</u> |

- (1) Salaries and benefits for the six months ended March 31, 2018 increased by \$463,800 from the 2017 period; primarily due to the hiring of new marketing sales staff which increased salaries and the remainder was offset by stock-based compensation which all of the stock-based compensation expense had been recognized;
- (2) Consulting fees for the six months ended March 31, 2018 increased by \$133,400. This difference was primarily due to the reduction of \$15,000 from renegotiating our contract with a consultant to \$3,000 per month; offset by net increases in the number of other additional marketing consultants.
- (3) Advertising and marketing expenses for the six months ended March 31, 2018 increased by \$244,100 directly related to Facebook advertising;
- (4) Conference and travel expenditures for the six months ended March 31, 2018 increased by \$51,000 directly related to travel expense for the sales staff; and

- (5) Miscellaneous expenditures for the six months ended March 31, 2018 period increased by \$115,400, primarily due to the Company opening PEER Centers in New York and Washington DC. Additional costs were incurred for rent and office supplies.

General and administrative

| | Six months ended March 31, | | |
|-------------------------------------|-----------------------------------|--------------|---------------|
| | 2018 | 2017 | Change |
| General and administrative expenses | \$ 3,515,800 | \$ 1,955,900 | \$ 1,559,900 |

General and administrative expenses consist of payroll and benefit costs, (including stock based compensation), legal fees, patent costs, other professional and consulting fees, general administrative and occupancy costs, dues and subscriptions, conference fees, and travel expenses.

| | Six months ended March 31, | | |
|--|-----------------------------------|---------------------|---------------------|
| | 2018 | 2017 | Change |
| (1) Salaries and benefit costs | \$ 1,430,800 | \$ 983,500 | \$ 447,300 |
| (2) Transaction fees | 438,600 | — | 438,600 |
| (3) Consulting fees | 562,300 | 169,600 | 392,700 |
| (4) Legal fees | 78,900 | 372,600 | (293,700) |
| (5) Other professional fees | 367,300 | 78,900 | 288,400 |
| (6) Patent costs | 55,300 | 60,900 | (5,600) |
| (7) Marketing and investor relations costs | 119,000 | 7,600 | 111,400 |
| (8) Conference and travel costs | 82,800 | 88,400 | (5,600) |
| (9) Dues & subscriptions fees | 95,000 | 47,800 | 47,200 |
| (10) Computer & web services | 40,000 | — | 40,000 |
| (11) General admin and occupancy costs | 245,800 | 146,600 | 99,200 |
| Total General and administrative costs | <u>\$ 3,515,800</u> | <u>\$ 1,955,900</u> | <u>\$ 1,559,900</u> |

- (1) Salaries and benefit expenses increased by \$447,300 for the six months ended March 31, 2018 period. This increase was primarily due to \$194,000 which were related to the acquisition of telepsychiatry management and staff; the remaining balance relates to new hiring general counsel and operations staff in the 2017 period, and offset with stock compensation which had become fully recognized;
- (2) Transaction fees in relation to Arcadian acquisition was \$438,600 for the six months ended March 31, 2018 period.
- (3) Consulting fees increased by \$392,700 for the six months ended March 31, 2018 period, including \$166,500 as directors' fees, and \$226,100 was related to operational and related consulting fees;
- (4) Legal fees decreased by \$293,700 for the six months ended March 31, 2018 period. The decrease was primarily due to during the six months ended March 31, 2017, there was a decrease from the prior period of \$137,700 legal fees associated with fund raising activities, a decrease from prior period of \$47,700 related to reverse stock split corporate action, a decrease from the prior period of \$67,400 related to legal fees for the review of the Aspire Capital Equity Purchase Agreement, and a decrease from the prior period of \$24,100 related to FDA Regulations and review and revisions to the CRADA, the remainder was related to a decrease in general legal costs;
- (5) Other professional fees increased by \$288,400 for the six months ended March 31, 2018 period. The majority of the increase was due to additional audit fees;
- (6) Patent costs decreased by \$5,600 due to the timing and volume of patent and trademark applications and maintenance costs;

- (7) Marketing and investor relations costs increased by \$111,400 for the six months ended March 31, 2018 period as we engaged public relations firms to enhance the Company's presence in the media;
- (8) Conference and travel costs decreased by \$5,600 for the six months ended March 31, 2018 period. The increase was primarily due to conferences attended, increased travel by our executive management for meetings with investors, healthcare payers and providers;
- (9) Dues and subscription costs increased by \$47,200 for the six months ended March 31, 2018 period was due to additional licenses for our Salesforce platform;
- (10) Computer and web services increased by \$40,000 for the six months ended March 31, 2018 period was due to CTO services related to our telepsychiatry business of \$27,100 and ERM service and Cloud Hosting fees of \$14,700; and
- (11) General administrative and occupancy costs increased by \$99,200 for the six months ended March 31, 2018 period. The increase was primarily due to depreciation of fixed assets and amortization of intangible asset purchased; the remainder increase relates to increased operating cost.

Other income (expense)

| | <u>Six months ended March 31,</u> | | <u>Change</u> |
|------------------|-----------------------------------|-------------|---------------|
| | <u>2018</u> | <u>2017</u> | |
| Interest expense | \$ (38,500) | \$ (3,900) | \$ (34,600) |

- Interest expense for the six months ended March 31, 2018 was \$38,500 compared to \$3,900 for the three months of March 31, 2017, the increase was due to interest expense on acquisition of the long term borrowing on Arcadian Services;

Net Loss

| | <u>Six months ended March 31,</u> | | <u>Change</u> |
|-----------|-----------------------------------|----------------|----------------|
| | <u>2018</u> | <u>2017</u> | |
| Loss, net | \$ (5,429,000) | \$ (2,892,200) | \$ (2,536,800) |

Our net loss was \$5,429,000 for the six months ended March 31, 2018, compared to approximately \$2,892,200 for the same period ended March 31, 2017. Please refer to the analysis above.

Liquidity and Capital Resources

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"), which contemplate continuation of the Company as a going concern.

Since our inception, we have never been profitable and we have generated significant losses. The Company has a limited operating history and its operations are subject to certain problems, expenses, difficulties, delays, complications, risks and uncertainties frequently encountered in the operation of a business with a limited operating history. These risks include the ability to obtain adequate financing on a timely basis, if at all, the failure to develop or supply technology or services to meet the demands of the marketplace, the failure to attract and retain qualified personnel, competition within the industry, government regulation and the general strength of regional and national economies.

As of March 31, 2018, we had an accumulated deficit of approximately \$81.1 million compared to our accumulated deficit as of September 30, 2017, of approximately \$75.6 million. Our management expects that with our proposed clinical trials, sales and marketing and general and administrative costs, our expenditures will continue to grow and, as a result, we will need to generate significant product revenues to achieve profitability. The Company continues to explore additional sources of capital but there is substantial doubt as to whether any financing arrangement will be available in amounts and on terms acceptable to the Company to permit it to continue operations.

As of March 31, 2018, we had \$2.4 million in cash and cash equivalents and a working capital surplus of approximately \$0.8 million. This is compared to our cash position of \$5.4 million as of September 30, 2017 and working capital of \$4.1 million.

The Company has been funded through multiple rounds of private placements, primarily from members of our Board or our affiliates and one public offering of common stock.

On December 6, 2016, the Company, entered into a Common Stock Purchase Agreement with Aspire Capital which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of \$10.0 million of shares of the Company's common stock over the 30-month term of the Purchase Agreement.

Subsequent to March 31, 2018, the Company has issued purchase notices to Aspire Capital to purchase \$1,180,000 shares of common stock, at a per share price of \$2.00, resulting in gross cash proceeds of approximately \$2.4 million.

In July 2017, the Company completed an underwritten public offering of its Common Stock and warrants, raising gross proceeds of approximately \$8.79 million.

On March 29, 2018, the Company sold an aggregate of 1,050,000 units for \$2.00 per Unit, each consisting of one share of newly-designated Series A Preferred Stock, par value \$0.001 per share and one Warrant to purchase one share of Common Stock, par value \$0.001 per share for \$2.34 per share in a private placement to three affiliates of the Company, for gross proceeds of \$2.1 million. The private placement closed on March 29, 2018. The closing price per share of the Common Stock on the Nasdaq Stock Market on March 29, 2018 was \$1.19 per share.

During the quarter ended March 31, 2018 and subsequently thereafter, the Company completed one financing transaction and drew down on its Equity Line of Credit with Aspire, resulting in total cash proceeds of \$4.5 million. As a result of the receipt of additional capital, the Company significantly reduced its outstanding accounts payable. In addition, the Company took several steps to reduce its expenses, including but not limited to reducing certain personnel.

Working Capital, Going Concern, Operating Capital and Capital Expenditure Requirements

As of March 31, 2018, we had approximately \$2.4 million in cash and cash equivalents, compared to \$5.4 million of cash and cash equivalents as of September 30, 2017.

Our recurring net losses and negative cash flows from operations raise substantial doubt about our ability to continue as a going concern. Management's assessment of substantial doubt of going concern is based on current estimates and assumptions regarding our programs and business needs. Actual working capital requirements could differ materially from the above working capital projection. We may explore strategic opportunities including partnerships, licensing and acquisitions of other entities, assets or products. If we are unable to continue to identify sources of capital, we may be required to limit our activities, to terminate programs or terminate operations temporarily or permanently.

Our ability to successfully raise sufficient funds through the sale of equity securities, when needed, is subject to many risks and uncertainties and even if we are successful, future equity issuances would result in dilution to our existing stockholders. Our risk factors are described under the heading "Risk Factors" in Part I Item 1A and elsewhere in our Annual Report on Form 10-K and in other reports we file with the SEC.

The amount of capital we will need to conduct our operations and the time at which we will require such capital may vary significantly depending upon a number of factors, such as:

- the amount and timing of costs we incur in connection with our clinical trials and product development activities, including enhancements to our PEER Online database and costs we incur to further validate the efficacy of our technology;
- whether we can receive sufficient business revenues from Arcadian Services to adequately cover our costs;
- the amount and timing of costs we incur in connection with the expansion of our commercial operations, including our sales and marketing efforts;
- whether we incur additional consulting and legal fees in our efforts in conducting Non-Significant Risk trials within FDA requirements, which will enable us to obtain a 510(k) clearance from the FDA; and
- if we expand our business by acquiring or investing in complimentary businesses.

During the quarter ended March 31, 2018 and subsequently thereafter, the Company completed one financing transaction and drew down on its Equity Line of Credit with Aspire, resulting in total cash proceeds of \$4.4 million. As a result of the receipt of additional capital, the Company significantly reduced its outstanding accounts payable. In addition, the Company took several steps to reduce its expenses, including but not limited to reducing certain personnel.

Sources of Liquidity

Since our inception, substantially all of our operations have been financed from equity and debt financings.

The Aspire Capital Equity Line of Credit

On December 6, 2016, the Company, entered into a Common Stock Purchase Agreement with Aspire Capital which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of \$10.0 million of shares of the Company's common stock over the 30-month term of the Purchase Agreement. In consideration for entering into the Purchase Agreement, concurrently with the execution of the Purchase Agreement, the Company issued to Aspire Capital 80,000 shares of the Company's common stock.

On February 23, 2017, pursuant to a purchase notice issued by the Company to Aspire Capital pursuant to the Purchase Agreement, Aspire Capital purchased 20,000 shares of Common Stock, at a per share price of \$7.25, resulting in gross cash proceeds of \$145,000.

Subsequent to March 31, 2018, the Company has issued purchase notices to Aspire Capital to purchase 1,180,000 shares of common stock, at a per share price of \$2.00, resulting in gross cash proceeds of approximately \$2.4 million. The Company has issued purchase notices under the Equity Line of Credit to Aspire Capital for the total number of shares subject to the current registration statement covering the resale of shares thereunder. Accordingly, the Company is considering the most efficient and beneficial course of action to continue access to capital financing, including but not limited to an Aspire Equity Line of Credit.

Public Offering

In July 2017, the Company completed an underwritten public offering of its Common Stock and warrants, raising gross proceeds of approximately \$8.79 million. In the offering, the Company sold 1,675,000 shares of Common Stock and accompanying warrants to purchase up to 1,675,000 shares of Common Stock (the "Warrants"), at a combined public offering price of \$5.25 per share and accompanying Warrant, for a total offering size of \$8,793,750. The Warrants were immediately exercisable for one share of Common Stock at an exercise price of \$5.25 per share, and will expire five years after the issuance date. In connection with the offering, the Company granted the representative of the underwriters a 45-day option to purchase up to 251,250 additional shares of Common Stock and/or Warrants to cover over-allotments, if any. On August 24, 2017 the underwriters exercised their option and purchased 213,800 common stock warrants for \$0.01 per warrant. The warrants were immediately exercisable for one share of common stock at an exercise price of \$5.25 per share, subject to adjustments, and will expire five years after the issuance date.

Private Placement of Series A Preferred Stock with warrant

On March 29, 2018, the Company sold an aggregate of 1,050,000 units for \$2.00 per Unit, each consisting of one share of newly-designated Series A Preferred Stock, par value \$0.001 per share and one Warrant to purchase one share of Common Stock, par value \$0.001 per share for \$2.34 per share in a private placement to three affiliates of the Company, for gross proceeds of \$2.1 million. The private placement closed on March 29, 2018. The closing price per share of the Common Stock on the Nasdaq Stock Market on March 29, 2018 was \$1.19 per share.

Shares of the Company's Series A Preferred Stock will be entitled to receive cash dividends at the rate of five percent (5.00%) of the Original Series A Issue Price per annum, payable out of funds legally available therefor.

The Warrants will be exercisable for a period of five years for an exercise price of \$2.34. The exercise price is subject to adjustment for stock splits, stock dividends, combinations or similar events. The Warrants may not be exercised on a cashless basis.

(1) *For more details, please refer to the "Private Placement of A Preferred Stock with Warrant" section of Note 6. Stockholders' Equity to the Condensed Consolidated Financial Statements.*

Cash Flows

Net cash used in operating activities was \$4.7 million for the six months ended March 31, 2018, compared to \$1.6 million for the same period in 2017. The \$3.1 million net increase in cash used for operations was primarily due to an increase in net loss of \$2.5 million.

During the six months ended ended March 31, 2018, the Company used \$361,800 in investing activities, including \$55,200 for the purchase of office equipment and \$306,600 related to the acquisition of Arcadian Services.

Net Cash used in financing activities for the three months ended March 31, 2018 was \$2.1 million, and relate to payments on notes payable and capital leases. Financing activities for the quarter ended March 31, 2018, consisted of \$2.1 million of gross proceeds received from private placements of equity from 3 accredited investors, of which three are affiliated with the Company.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements or financing activities with special purpose entities.

Private Placement Transactions

The Aspire Capital Equity Line

On December 6, 2016, the Company, entered into the Purchase Agreement with Aspire Capital which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of \$10.0 million of shares of the Company's common stock over the 30-month term of the Purchase Agreement. In consideration for entering into the Purchase Agreement, concurrently with the execution of the Purchase Agreement, the Company issued to Aspire Capital 80,000 shares of the Company's common stock. See *Note 7. Stockholders' Equity*, Consolidated Financial Statements for additional detail.

Under the Purchase Agreement, after the SEC declared effective the registration statement referred to above, on any trading day selected by the Company on which the closing sale price of its Common Stock is equal or greater than \$0.50 per share, the Company has the right, in its sole discretion, to present Aspire Capital with a purchase notice, directing Aspire Capital (as principal) to purchase up to 50,000 shares of Common Stock per business day, up to \$10.0 million of the Company's common stock in the aggregate at a per share purchase price equal to the lesser of:

- 1) the lowest sale price of Common Stock on the purchase date; or
- 2) the arithmetic average of the three (3) lowest closing sale prices for Common Stock during the twelve (12) consecutive trading days ending on the trading day immediately preceding the purchase date.

The Company has the right, in its sole discretion, to present Aspire Capital with a volume-weighted average price purchase notice (each, a "VWAP Purchase Notice") directing Aspire Capital to purchase an amount of stock equal to up to 30% of the aggregate shares of Common Stock traded on its principal market on the next trading day (the "VWAP Purchase Date"), subject to a maximum number of shares the Company may determine. The purchase price per share pursuant to such VWAP Purchase Notice is generally 95% of the volume-weighted average price for Common Stock traded on its principal market on the VWAP Purchase Date.

The purchase price will be adjusted for any reorganization, recapitalization, non-cash dividend, stock split, or other similar transaction occurring during the period(s) used to compute the Purchase Price. The Company may deliver multiple Purchase Notices and VWAP Purchase Notices to Aspire Capital from time to time during the term of the Purchase Agreement, so long as the most recent purchase has been completed.

The Purchase Agreement provides that the Company and Aspire Capital will not effect any sales under the Purchase Agreement on any purchase day selected where the closing sale price of the Company's common stock is less than \$0.50. There are no trading volume requirements or restrictions under the Purchase Agreement, and the Company will control the timing and amount of sales of Common Stock to Aspire Capital. Aspire Capital has no right to require any sales by the Company, but is obligated to make purchases from the Company as directed by the Company in accordance with the Purchase Agreement. There are no limitations on use of proceeds, financial or business covenants, restrictions on future fundings, rights of first refusal, participation rights, penalties or liquidated damages in the Purchase Agreement. In consideration for entering into the Purchase Agreement, concurrently with the execution of the Purchase Agreement, the Company issued to Aspire Capital 80,000 shares of Common Stock (the "Commitment Shares"). The Purchase Agreement may be terminated by the Company at any time, at its discretion, without any cost to the Company. Aspire Capital has agreed that neither it nor any of its agents, representatives and affiliates shall engage in any direct or indirect short-selling or hedging of Common Stock during any time prior to the termination of the Purchase Agreement. Any proceeds from the Company received under the Purchase Agreement are expected to be used for working capital and general corporate purposes.

On February 23, 2017, pursuant to a purchase notice issued by the Company to Aspire Capital pursuant to the Purchase Agreement, Aspire Capital purchased 20,000 shares of Common Stock, at a per share price of \$7.25, resulting in gross cash proceeds of \$145,000.

The Company has issued purchase notices under the Equity Line of Credit to Aspire Capital for the total number of shares subject to the current registration statement covering the resale of shares thereunder. Accordingly, the Company is considering the most efficient and beneficial course of action to continue access to capital financing, including but not limited to an Aspire Equity Line of Credit.

Private Placement of Series A Preferred Stock with Warrant

On March 29, 2018, the Company sold an aggregate of 1,050,000 units for \$2.00 per Unit, each consisting of one share of newly-designated Series A Preferred Stock, par value \$0.001 per share and one Warrant to purchase one share of Common Stock, par value \$0.001 per share for \$2.34 per share in a private placement to three affiliates of the Company, for gross proceeds of \$2.1 million (“the Financing”). The private placement closed on March 29, 2018. The closing price per share of the Common Stock on the Nasdaq Stock Market on March 29, 2018 was \$1.19 per share.

Shares of the Company’s Series A Preferred Stock will be entitled to receive cash dividends at the rate of five percent (5.00%) of the Original Series A Issue Price per annum, payable out of funds legally available therefor.

The Warrants will be exercisable for a period of five years for an exercise price of \$2.34. The exercise price is subject to adjustment for stock splits, stock dividends, combinations or similar events. The Warrants may not be exercised on a cashless basis.

In connection with the Financing, the Company also entered into the Registration Rights Agreement with the investors, requiring the Company to register the resale of the shares of Common Stock underlying the preferred stock and the Warrants. Under the Registration Rights Agreement, the Majority Holders may by a written Demand Notice to the Company commencing six (6) months from the closing date, request the Company to effect the registration of all or part of the registrable securities owned by such Majority Holders and their respective affiliates on a Registration Statement on Form S-3. The Company has agreed to use its reasonable best efforts to cause such registration and/or qualification to be complete as soon as practicable, but in no event later than sixty (60) days, after receipt of the Demand Notice.

The shares of Series A Preferred Stock were offered and sold in reliance upon the exemption from the registration requirements of the Securities Act, set forth under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act, relating to sales by an issuer not involving any public offering and in reliance on similar exemptions under applicable state laws. Each purchaser represented that it is an accredited investor and that it acquired the Series A Preferred Stock and Warrants for investment purposes only and not with a view to any resale, distribution or other disposition of such securities in violation of the United States federal securities laws.

The Company expects to use the proceeds of the Financing for general corporate purposes.

These private placements were made pursuant to an exemption from registration afforded by Section 4(a)(2) of the Securities Act, and Regulation D thereunder.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

In connection with the preparation of this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial and Accounting Officer, of the effectiveness of our disclosure controls and procedures, as of March 31, 2018, in accordance with Rules 13a-15(b) and 15d-15(b) of the Exchange Act.

Based on that evaluation, our Chief Executive Officer and Principal Financial and Accounting Officer have concluded that our disclosure controls and procedures were not effective as of March 31, 2018.

We have identified a material weaknesses in our disclosure controls and procedures. The Company did not maintain effective controls over certain aspects of the financial reporting process because we lacked a sufficient complement of personnel with a level of accounting expertise that is commensurate with our financial reporting requirements. We do not have adequate review and supervision procedures for financial reporting functions. The review and supervision function of internal control relates to the accuracy of financial information reported. The failure to adequately review and supervise could allow the reporting of inaccurate or incomplete financial information. Due to our size and nature, review and supervision may not always be possible or economically feasible.

Based on the foregoing material weaknesses, we have determined that, as of March 31, 2018, our internal controls over our financial reporting are not effective. We are developing a remediation plan outlining the steps and resources necessary to address each material weakness. Additionally, we continue to add employees and consultants to address these issues and we will continue to broaden the scope of our accounting and realign responsibilities in our financial and accounting review functions. The Company does not believe that the material weakness has resulted in any material inaccuracies in the financial statements included in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, or any prior periods.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable and not absolute assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of certain events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting during the three-month period ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not currently party to any legal proceedings, the adverse outcome of which, in the Company's management's opinion, individually or in the aggregate, would have a material adverse effect on the Company's results of operations or financial position.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors included in the Risk Factors section in our Annual Report on Form 10-K for the year ended September 30, 2017.

The risk factor captioned “*If we cannot continue to satisfy NASDAQ’s continuing listing criteria, NASDAQ may subsequently delist our Common Stock, particularly given recent notice that our stockholder equity is below the required level*” is hereby amended as follows:

NASDAQ requires us to meet certain financial, public float, bid price and liquidity standards on an ongoing basis in order to continue the listing of our Common Stock. Generally, we must maintain a minimum amount of stockholders equity (generally \$2.5 million) and a minimum number of holders of our securities (generally 300 round lot holders). If we fail to meet any of the continuing listing requirements, our Common Stock may be subject to delisting. As March 31, 2018, we had stockholders’ equity of approximately \$1.8 million, and we are no longer in compliance with such continue listing requirement. If our Common Stock is delisted and we are not able to list our Common Stock on another national securities exchange, we expect our securities would be quoted on an over-the-counter market. If this were to occur, our stockholders could face significant material adverse consequences, including limited availability of market quotations for our Common Stock and reduced liquidity for the trading of our securities. In addition, we could experience a decreased ability to issue additional securities and obtain additional financing in the future. There can be no assurance that an active trading market for our Common Stock will develop or be sustained. We may choose to raise additional capital in order to increase our stockholders’ equity in order to meet the NASDAQ continued listing standards. Any additional equity financings may be financially dilutive to, and will be dilutive from an ownership perspective to our stockholders, and such dilution may be significant based upon the size of such financing. Additionally, we cannot assure that such funding will be available on a timely basis, in needed quantities, or on terms favorable to us, if at all.

On February 23, 2018, the Company received a letter from The Nasdaq Stock Market ("Nasdaq") indicating that the Company was not compliant with the minimum stockholders' equity requirement under Nasdaq Listing Rule 5550(b)(1) for continued listing on The Nasdaq Capital Market because the Company's stockholders' equity, as reported in the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2017, was below the required minimum of \$2.5 million. Further, as of February 22, 2018, the Company did not meet the alternative compliance standards relating to the market value of listed securities or net income from continuing operations. This notice of noncompliance has had no immediate impact on the continued listing or trading of the Company’s common stock on The Nasdaq Capital Market.

On May 9, 2018, the Company received a letter from Nasdaq granting the Company an extension through August 22, 2018 to regain compliance with Listing Rule 5550(b). No assurance can be given that the Company will be able to regain compliance prior to such date.

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

Private Placement of Series A Preferred Stock with Warrant

On March 29, 2018, the Company sold an aggregate of 1,050,000 units for \$2.00 per Unit, each consisting of one share of newly-designated Series A Preferred Stock, par value \$0.001 per share and one Warrant to purchase one share of Common Stock, par value \$0.001 per share for \$2.34 per share in a private placement to three affiliates of the Company, for gross proceeds of \$2.1 million (“the Financing”). The private placement closed on March 29, 2018. The closing price per share of the Common Stock on the Nasdaq Stock Market on March 29, 2018 was \$1.19 per share.

Shares of the Company’s Series A Preferred Stock will be entitled to receive cash dividends at the rate of five percent (5.00%) of the Original Series A Issue Price per annum, payable out of funds legally available therefor.

The Warrants will be exercisable for a period of five years for an exercise price of \$2.34. The exercise price is subject to adjustment for stock splits, stock dividends, combinations or similar events. The Warrants may not be exercised on a cashless basis.

In connection with the Financing, the Company also entered into the Registration Rights Agreement with the investors, requiring the Company to register the resale of the shares of Common Stock underlying the preferred stock and the Warrants. Under the Registration Rights Agreement, the Majority Holders may by a written Demand Notice to the Company commencing six (6) months from the closing date, request the Company to effect the registration of all or part of the registrable securities owned by such Majority Holders and their respective affiliates on a Registration Statement on Form S-3. The Company has agreed to use its reasonable best efforts to cause such registration and/or qualification to be complete as soon as practicable, but in no event later than sixty (60) days, after receipt of the Demand Notice.

The shares of Series A Preferred Stock were offered and sold in reliance upon the exemption from the registration requirements of the Securities Act, set forth under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act, relating to sales by an issuer not involving any public offering and in reliance on similar exemptions under applicable state laws. Each purchaser represented that it is an accredited investor and that it acquired the Series A Preferred Stock and Warrants for investment purposes only and not with a view to any resale, distribution or other disposition of such securities in violation of the United States federal securities laws.

The Company expects to use the proceeds of the Financing for general corporate purposes.

These private placements were made pursuant to an exemption from registration afforded by Section 4(a)(2) of the Securities Act, and Regulation D thereunder.

Item 5. Other Information

None

Item 6. Exhibits

The following exhibits are filed as part of this report or incorporated by reference herein:

| Exhibit Number | Exhibit Title |
|-----------------------------|--|
| <u>3.1</u> | <u>Form of Certificate of Designation of Preferences, Rights of the Series A Preferred Stock. (Incorporated by reference to Exhibit No. 3.1 to the Registrant's Current Report on Form 8-K filed on April 3, 2018 (File No. 001-35527).)</u> |
| <u>3.2</u> | <u>Form of Certificate of Designation of Preferences, Rights of Series A-1 Preferred Stock</u> |
| <u>10.1</u> | <u>Form of Registration Rights Agreement. (Incorporated by reference to Exhibit No. 10.1 to the Registrant's Current Report on Form 8-K filed on April 3, 2018 (File No. 001-35527).)</u> |
| <u>10.2</u> | <u>Form of Warrant. (Incorporated by reference to Exhibit No. 10.2 to the Registrant's Current Report on Form 8-K filed on April 3, 2018 (File No. 001-35527).)</u> |
| <u>10.3</u> | <u>Subscription Agreement</u> |
| <u>10.4</u> | <u>Amendment to Subscription Agreement</u> |
| <u>10.5</u> | <u>Amendment to Chairman Agreement dated April 16, 2018</u> |
| <u>10.6</u> | <u>Corrected Amendment to Chairman Agreement dated April 24, 2018</u> |
| <u>10.7</u> | <u>Amendment to Chief Executive Officer Agreement dated April 19, 2018</u> |
| <u>31.1</u> | <u>Certification of Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>31.2</u> | <u>Certification of Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>32.1</u> | <u>Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| 101.INS | XBRL Instance Document |
| 101.INS | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

SIGNATURES

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

MYnd Analytics, Inc.

Date: May 14, 2018

/s/ George C. Carpenter IV
By: **George C. Carpenter IV**
Its: **Chief Executive Officer (Principal Executive Officer)**

/s/ Donald D'Ambrosio
By: **Donald D'Ambrosio**
Its: **Chief Financial Officer (Principal Financial Officer)**

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS
OF SERIES A-1 PREFERRED STOCK

OF

MYND ANALYTICS, INC.

MYnd Analytics, Inc., a Delaware corporation (the "Corporation"), pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, does hereby make this Certificate of Designation under the corporate seal of the Corporation and does hereby state and certify that pursuant to the authority expressly vested in the Board of Directors of the Corporation by its Certificate of Incorporation, as amended ("Certificate of Incorporation"), the Board of Directors has duly adopted the following resolutions:

RESOLVED, that, pursuant to Article IV of the Certificate of Incorporation (which authorizes 15,000,000 shares of undesignated preferred stock, \$0.001 par value per share ("Preferred Stock")), the Board of Directors hereby fixes the designations and preferences and relative, participating, optional and other special rights and qualifications, limitations and restrictions of a series of Preferred Stock consisting of 500,000 shares to be designated as Series A-1 Preferred Stock (the "Series A-1 Preferred Stock").

Series A-1 Preferred Stock

RESOLVED, that the holders of the Series A-1 Preferred Stock, except as otherwise provided by law, shall have and possess the following rights and preferences, subject to the following qualifications, limitations and restrictions. Except as otherwise provided in this Certificate of Designation or as otherwise required by applicable law, all shares of Series A-1 Preferred Stock shall be identical in all respects and shall entitle the holders thereof to the same rights and privileges, subject to the same qualifications, limitations and restrictions.

1. Designation; Number of Shares. This series of Preferred Stock shall be designated as the Series A-1 Preferred Stock, and the number of shares which shall constitute such series shall be 500,000. The par value of the Series A-1 Preferred Stock shall be \$0.001 per share.
 2. Definitions. As used herein, the following terms shall have the following definitions:
 - (a) "Bylaws" shall mean the Bylaws of the Corporation.
 - (b) "Common Stock" means the Common Stock, par value \$0.001 per share, of the Corporation.
 - (c) "Common Stock Equivalents" shall have the meaning set forth in Section 5(b)(i) hereof.
-

- (d) "Conversion Price" shall have the meaning set forth in Section 5(a) hereof.
- (e) "Conversion Rate" shall have the meaning set forth in Section 5(a) hereof.
- (f) "Conversion Rights" shall have the meaning set forth in Section 5 hereof.
- (g) "Convertible Securities" means any indebtedness or other security convertible into or exchangeable for Common Stock.
- (h) "Deemed Liquidation Event" shall have the meaning set forth in Section 4(b).
- (i) "Fair Market Value" shall have the meaning set forth in Section 4(b)(i) hereof.
- (j) "Junior Stock" shall have the meaning set forth in Section 3(a) hereof.
- (k) "Original Series A-1 Issue Price" means \$1.875 per share of Series A-1 Preferred Stock (appropriately adjusted for stock splits, reverse stock splits and similar type transactions or occurrences with respect to the Series A-1 Preferred Stock).
- (l) "Required Holders" shall mean, at any time, the holders of a majority of the then outstanding shares of Series A-1 Preferred Stock.
- (m) "Series A-1 Issuance Date" means the date on which the first share of Series A-1 Preferred Stock is issued.
- (n) "Series A-1 Liquidation Preference" means, as to each share of Series A-1 Preferred Stock, the greater of (i) one times the Original Series A-1 Issue Price, plus all accrued or declared but unpaid dividends thereon, if any, as adjusted for stock splits, reverse stock splits and similar type transactions or occurrences with respect to the Series A-1 Preferred Stock or (ii) the amount that the holders of the Series A-1 Preferred Stock would receive per share of Common Stock if all shares of Series A-1 Preferred Stock were converted to Common Stock immediately prior to a Liquidation Event (as defined below).
- (o) "Series A Preferred Stock" means the Series A Preferred Stock, par value \$0.001 per share, of the Corporation.
- (p) "Series A-1 Preferred Stock" means the Series A-1 Preferred Stock, par value \$0.001 per share, of the Corporation.

3. Dividend Provisions.

(a) Dividend Preference. The holders of the Series A-1 Preferred Stock, in preference to the holders of Common Stock and any other stock of the Corporation that is not expressly designated as senior to or on parity with the Series A-1 Preferred Stock (collectively, the “Junior Stock”), shall be entitled to receive cash dividends at the rate of five percent (5.00%) of the Original Series A-1 Issue Price per annum, payable out of funds legally available therefor. Such dividends shall (i) accrue on shares of Series A-1 Preferred Stock from the date of issuance of such shares, (ii) be cumulative, and (iii) be payable only (A) when, as and if declared by the Board of Directors (and the Board of Directors shall be under no obligation to declare or pay such dividends), (B) upon the occurrence of a Liquidation Event or a Deemed Liquidation Event (whether or not such dividends have been declared) and (C) “in kind” upon a conversion of the Series A-1 Preferred Stock pursuant to the terms of Section 5 hereof. For purposes hereof, upon a conversion, the Company shall have the option to award the holders of Series A-1 Preferred Stock such number of shares of Common Stock equal to the total dollar amount of accrued and unpaid dividends valued at the greater of (i) Fair Market Value or (ii) the Conversion Price. Except as set forth in the preceding sentence, no right shall accrue to holders of shares of Series A-1 Preferred Stock by reason of the fact that dividends on said shares are not declared in any prior year, nor shall any undeclared or unpaid dividend bear or accrue any interest.

(b) Priority of Dividends. For so long as any shares of Series A-1 Preferred Stock remain outstanding, no dividends, whether in cash or property (other than those payable solely in Common Stock of the Corporation), shall be declared or paid, nor shall any other distribution be made, on any Junior Stock, nor shall any shares of any Junior Stock be purchased, redeemed or otherwise acquired for value by the Corporation (except for acquisitions of Common Stock by the Corporation pursuant to agreements that permit the Corporation to repurchase such shares upon termination of services to, or employment with, the Corporation), until all dividends on the Series A Preferred Stock and Series A-1 Preferred Stock at the rate set forth in the preceding paragraph (a) shall have been paid or declared and set apart. No dividend shall be paid on any share of Common Stock unless a dividend (including the amount of any dividends paid pursuant to the preceding paragraph (a)) is paid with respect to all outstanding shares of Series A Preferred Stock in an amount for each such share of Series A Preferred Stock and Series A-1 Preferred Stock equal to or greater than the aggregate amount of such dividends for all shares of Common Stock into which each such share of Series A Preferred Stock is then convertible.

(c) Other Distributions. In the event the Corporation shall declare a distribution (other than any distribution described in Section 4) payable in securities of other persons, evidences of indebtedness issued by the Corporation or other persons, assets (excluding cash dividends) or options or rights to purchase any such securities or evidences of indebtedness, then, in each such case, the holders of the Series A-1 Preferred Stock shall be entitled to a proportionate share of any such distribution as though the holders of the Series A-1 Preferred Stock were holders of the number of shares of Common Stock of the Corporation into which their respective shares of Series A-1 Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of the Corporation entitled to receive such distribution.

4. Liquidation Preference.

(a) Priority. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (each, a “Liquidation Event”), the assets of the Corporation legally available for distribution to its stockholders, shall be distributed in the following order of priority:

(i) The holders of shares of Series A-1 Preferred Stock shall be entitled to receive, prior and in preference to any distribution in such Liquidation Event to the holders of Junior Stock by reason of their ownership thereof, an amount per share equal to the Series A-1 Liquidation Preference for each outstanding share of Series A-1 Preferred Stock then held by them. If, upon the occurrence of any Liquidation Event, the assets of the Corporation thus distributed among the holders of shares of Series A-1 Preferred Stock and Series A Preferred Stock, taken together, shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire assets of the Corporation legally available for distribution shall be distributed on a pro rata basis among the holders of shares of Series A Preferred Stock and Series A-1 Preferred Stock (in proportion to the number of shares of Series A Preferred Stock and Series A-1 Preferred Stock held by each such holder).

(ii) After the payment or setting apart of payment of the full preferential amounts required to be paid to the holders of shares of Series A Preferred Stock and Series A-1 Preferred Stock in accordance with Sections 4(a)(i) above, the remaining assets and funds legally available for distribution to the Corporation's stockholders shall be distributed among the holders of the shares of Common Stock ratably on a per-share basis.

(b) Consolidation, Merger, Etc. A (i) consolidation or merger of the Corporation with or into any other entity in which the stockholders of the Corporation immediately prior to such transaction do not own a majority of the voting capital stock of the surviving entity, (ii) sale, lease, transfer, exclusive license, conveyance or disposition of all or substantially all of the assets of the Corporation, or (iii) the effectuation by the Corporation of a transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of (each of (i), (ii) and (iii), a "Deemed Liquidation Event"), shall each be deemed to be a Liquidation Event within the meaning of this Section 4, unless elected otherwise by vote of the Required Holders. Any securities to be delivered to the stockholders pursuant to such events shall be valued as follows:

(i) Securities not subject to investment letter or other similar restrictions on free marketability ("Fair Market Value"):

(A) If traded on a securities exchange or a national interdealer quotation system such as NASDAQ, the value shall be deemed to be the average of the closing prices of the securities on such exchange over the 30-day period ending three (3) days prior to the closing;

(B) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the 30-day period ending three (3) days prior to the closing; and

(C) If there is no active public market, the value shall be the fair market value thereof, as determined by the Board of Directors.

(ii) The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be to make an appropriate discount from the market value determined above in Section 4(b)(i)(A), (B) or (C) hereof to reflect the approximate fair market value thereof, as determined by the Board of Directors.

5. Conversion. The holders of shares of Series A-1 Preferred Stock shall have conversion rights as follows (the “Conversion Rights”):

(a) Right to Convert. Each share of Series A-1 Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for the Series A-1 Preferred stock, into such number of fully paid and nonassessable shares of Common Stock (the “Conversion Rate”) as is determined by dividing the Original Series A-1 Issue Price by the conversion price (the “Conversion Price”) for the Series A-1 Preferred Stock at the time in effect. The initial Conversion Price per share for shares of Series A-1 Preferred Stock shall be the Original Series A-1 Issue Price; provided, however, that the Conversion Price for the Series A-1 Preferred Stock shall be subject to adjustment as set forth in Sections 5(b)(i) and 5(c) hereof.

(b) Mechanics of Conversion. Before any holder of shares of Series A-1 Preferred Stock shall be entitled to convert any of such shares into shares of Common Stock, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Series A-1 Preferred Stock, and shall give written notice by mail, postage prepaid, or hand delivery, to the Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. The Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holders of shares of Series A-1 Preferred Stock, or to the nominee or nominees of such holders, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A-1 Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, as amended, the conversion may, at the option of any holder tendering the Series A-1 Preferred Stock for conversion, be conditioned upon the closing with the underwriter of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive Common Stock issuable upon such conversion of the Series A-1 Preferred Stock shall not be deemed to have converted such Series A-1 Preferred Stock until immediately prior to the closing of such sale of securities.

(i) Conversion on Split or Subdivision of Outstanding Shares. In the event the Corporation at any time or from time to time after the Series A-1 Issuance Date fixes a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of shares of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "Common Stock Equivalents") without payment of any consideration by such holder for the additional shares of Common Stock or Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend, distribution, split or subdivision if no record date is fixed), the Conversion Price of the Series A-1 Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of Series A-1 Preferred Stock shall be increased in proportion to such increase in the outstanding shares of Common Stock and in the aggregate number of shares issuable with respect to Common Stock Equivalents. If the number of shares of Common Stock outstanding at any time after the Series A-1 Issuance Date is decreased by a reverse split or a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Conversion Price for the Series A-1 Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of Series A-1 Preferred Stock shall be decreased in proportion to such decrease in the outstanding shares of Common Stock.

(c) Recapitalization. If at any time or from time to time there shall be a recapitalization of Common Stock (other than a subdivision, combination or Deemed Liquidation Event provided for in Section 4 hereof), provision shall be made so that each holder of shares of Series A Preferred Stock shall thereafter be entitled to receive, upon conversion of the Series A-1 Preferred Stock, the number of shares of stock or other securities or property of the Corporation or otherwise, receivable upon such recapitalization by a holder of the number of shares of Common Stock into which such shares of Series A-1 Preferred Stock could have been converted immediately prior to such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 5 with respect to the rights of the holders of shares of Series A-1 Preferred Stock after the recapitalization to the end that the provisions of this Section 5 (including adjustments of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series A Preferred Stock) shall be applicable after that event as nearly equivalent as may be practicable.

(d) No Impairment. The Corporation will not, by amendment of the Certificate of Incorporation or through any reorganization, recapitalization or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of shares of Series A-1 Preferred Stock against impairment.

(e) No Fractional Shares. No fractional shares shall be issued upon conversion of the Series A-1 Preferred Stock and the number of shares of Common Stock to be issued shall be rounded down to the nearest whole share. The Corporation shall pay in cash to each holder of shares of Series A-1 Preferred Stock the fair value of the fraction of a share lost by virtue of such rounding down. The fair value shall be equal to the fraction multiplied by the then effective Conversion Price. Whether or not fractional shares result from such conversion shall be determined on the basis of the total number of shares of Series A-1 Preferred Stock the holder is at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

(f) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price of the Series A-1 Preferred Stock pursuant to this Section 5, the Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of shares of Series A-1 Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of shares of Series A-1 Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustment and readjustment, (ii) the Conversion Price at the time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of Series A-1 Preferred Stock.

(g) Notices of Record Date. In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall mail to each holder of shares of Series A-1 Preferred Stock, at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

(h) Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of Series A-1 Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series A-1 Preferred Stock, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then-outstanding shares of Series A-1 Preferred Stock, then in addition to such other remedies as shall be available to the holder of such shares of Series A-1 Preferred Stock, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

(i) Notices. Any notice required by the provisions of this Section 5 to be given to the holders of shares of Series A-1 Preferred Stock shall be deemed given when received if delivered via courier or by facsimile (with confirmation of receipt), or when sent if delivered by United States mail, postage prepaid, and addressed to each holder of record at his, her or its address appearing on the books of the Corporation.

6. Status of Converted Stock. In the event any shares of Series A-1 Preferred Stock are converted pursuant to Section 5 hereof, the shares so converted shall be canceled, retired and eliminated and shall not be reissued by the Corporation.

7. Voting Rights. Except as required by applicable law or as set forth herein, the holders of shares of Series A-1 Preferred Stock will have no right to vote on any matters, questions or proceedings of this Corporation including, without limitation, the election of directors.

8. Amendments and Waivers. Any of the rights, powers, preferences or other terms of Series A-1 Preferred Stock set forth in this Certificate of Designation may be amended, terminated or waived on behalf of all holders of Series A-1 Preferred Stock by the affirmative written consent or vote of the Required Holders, voting as a single class on an as-converted to Common Stock basis. Any amendment or waiver effected in accordance with this Section 9 shall be binding upon the holders of the Series A-1 Preferred Stock and each transferee of the shares (or the Common Stock issuable upon conversion thereof), each future holder of all such securities, and the Corporation.

9. Beneficial Ownership Limitation. Notwithstanding anything herein to the contrary, the Corporation shall not effect any conversion of the Series A-1 Preferred Stock, and a holder shall not have the right to convert any portion of the Series A-1 Preferred Stock, to the extent that, after giving effect to an attempted conversion set forth on an applicable Notice of Conversion and any transactions relating thereto, such holder (together with and any other person whose beneficial ownership of Common Stock would be aggregated with the holder's for purposes of Section 13(d) of the Securities Exchange Act of 1934, as Amended (the "Exchange Act") and the applicable regulations of the Commission) would beneficially own a number of shares of Common Stock in excess of the Beneficial Ownership Limitation (as defined below). The "Beneficial Ownership Limitation" shall be 19.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock pursuant to such Notice of Conversion (to the extent permitted pursuant to this Section 9); provided, however, that by written notice to the Corporation, which will not be effective until the 61st day after such notice is delivered to the Corporation, the Holder may waive or amend the provisions of this Section 9 to change the Beneficial Ownership Limitation to any other number less than or equal to 19.99%, and the provisions of this Section 9 shall continue to apply. The Corporation shall be entitled to rely on representations made to it by the Holder in any Notice of Conversion regarding its Beneficial Ownership Limitation.

[Signature page follows]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation, Preferences and Rights of Series A-1 Preferred Stock to be duly executed by its Chief Financial Officer this 14th day of May, 2018.

MYND ANALYTICS, INC.

By: /s/ Don E. D'Ambrosio
Don E. D'Ambrosio,
Chief Financial Officer

**SUBSCRIPTION AGREEMENT FOR SHARES OF SERIES A PREFERRED STOCK AND COMMON STOCK PURCHASE
WARRANTS**

THIS SUBSCRIPTION AGREEMENT (this “**Agreement**”) is made as of March 29, 2018 by, and between MYnd Analytics, Inc., a Delaware corporation (the “**Company**”), and the investors listed on Schedule A hereto (each, an “**Investor**,” and collectively, the “**Investors**”).

WITNESSETH

In consideration for the mutual promises and covenants herein, the parties agree as follows:

WHEREAS, the Company is offering, in a private placement, of an aggregate of \$3,000,000 of Series A Preferred Stock (“**Series A Preferred Stock**”), par value \$0.001 per share (the “**Shares**”) and Warrants (“**Warrants**”) to purchase up to \$3,000,000 shares of Common Stock (“**Common Stock**”), par value \$0.001 per share in a private placement to accredited investors pursuant to a Confidential Offering Memorandum dated March 28, 2018 (the “**Offering**”); and

WHEREAS, the undersigned desires to subscribe for and purchase the number of Shares set forth on Schedule A hereto.

SECTION 1 – PURCHASE AND SALE OF SHARES

1.1 Purchase and Sale of Shares. The Company has authorized the issuance and sale, in accordance with the terms hereof, of shares of Preferred Stock and Warrants. On the terms and subject to the conditions set forth in this Agreement, at the Closing (as defined below), the Company agrees to issue to each Investor, and each Investor agrees to purchase from the Company, in the amount set forth on Schedule A. The Company will sell Shares and Warrants to more than one Investor, each of whom will sign a copy of this Subscription Agreement or a conformed copy hereof. Each Investor may purchase Warrants to purchase such number of shares of Common Stock equal to the number of Shares for which they subscribe. The purchase price for each Share shall not be less than the Closing Consolidated Bid Price for the Company’s Common Stock as reported by the Nasdaq Market on the business day prior to the Closing. The purchase price for the Warrants shall equal \$0.125 for every Share that an Investor is purchasing and the Warrants will have an exercise price equal to 125% of the purchase price for the Shares.

1.2 Closing.

(a) Closing. The purchase and sale of the Shares and Warrants shall take place at a closing (the “**Closing**”) which shall take place remotely via exchange of documents and signatures at 10:00 a.m. Eastern Time on the same business day as the execution and delivery of this Agreement, or at such other place and time as may be agreed to among the Company and the Investors. At the Closing, the Company shall deliver to each of the Investors purchasing Shares and Warrants for cash at such closing, a certificate representing such number of Shares and a Warrant as is set forth opposite such Investor’s name on Schedule A hereto against receipt of a check subject to collection or a wire transfer in immediately available funds of the purchase price, to an account designated by the Company.

(b) Conditions. The obligation of each Investor to purchase and pay cash for the Shares and Warrants to be delivered at a Closing is, unless waived by such Investor, subject to the condition that the Company's representations and warranties contained in Section 2 are true, complete and correct on and as of such Closing date. The obligation of the Company to sell and issue Shares and Warrants to be delivered at a Closing is, unless waived by the Company, subject to the condition that the relevant Investor's representations and warranties contained in Section 3 are true, complete and correct on and as of the Closing Date.

SECTION 2 - REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each Investor as follows:

2.1 Existence of Company. The Company is a duly organized Delaware corporation. The Company is validly existing in all jurisdictions where it conducts its business.

2.2 Authority to Execute. The execution, delivery and performance by the Company of this Agreement and the issuance of the Shares and Warrants are within the Company's corporate powers, have been duly authorized by all necessary corporate action, do not and will not conflict with any provision of law or organizational document of the Company (including its Certificate of Incorporation or Bylaws) or of any agreement or contractual restrictions binding upon or affecting the Company or any of its property and need no further stockholder or creditor consent.

2.3 No Stockholder Approval Required. No approval of the Company's stockholders is required for (i) the entry by the Company into this Agreement, or (ii) the issuance of the Shares and Warrants contemplated by this Agreement.

2.4 Series A Preferred Stock. The Shares will be issued pursuant to the Certificate of Designation, Preferences and Rights of Series A Preferred Stock ("**Certificate of Designation**") attached hereto as Schedule B, will conform in all respects to the terms thereof. The Certificate of Designation has been filed with the Secretary of State of the State of Delaware.

2.5 Warrants. The form of Warrant is attached hereto as Schedule C and will conform in all respects to the terms thereof.

2.6 Valid Issuance. The Shares will be, validly issued, fully paid and nonassessable and each of the Shares and the Warrants will be free of restrictions on transfer other than restrictions on transfer under, applicable state and federal securities laws and liens or encumbrances created by or imposed by the Investor. Assuming the accuracy of the representations of the Investor in Section 3 of this Agreement, the Shares and the Warrants will be issued in compliance with all applicable federal and state securities laws.

2 . 7 Binding Obligation. Each of this Agreement and the Warrants is, a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally and to general equitable principles.

2 . 8 Litigation. No litigation or governmental proceeding is pending or threatened against the Company which may have a materially adverse effect on the financial condition, operations or prospects of the Company, and to the knowledge of the Company, no basis therefore exists.

2.9 Intellectual Property. To the best of the Company's knowledge, the Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and other proprietary rights and processes necessary for its business as now conducted and as presently proposed to be conducted, without any known infringement of the rights of others. There are no outstanding options, licenses or agreements of any kind relating to the foregoing proprietary rights, nor is the Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and other proprietary rights and processes of any other person or entity other than such licenses or agreements arising from the purchase of "off the shelf" or standard products.

2.10 SEC Reports. The Company has filed all forms, reports, schedules, proxy statements, registration statements and other documents (including all exhibits thereto) required to be filed by it with the U.S Securities and Exchange Commission (the "SEC") pursuant to the federal securities laws and the SEC rules and regulations thereunder, together with all certifications required pursuant to the Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**") (as they have been amended since the time of their filing, including all exhibits thereto, the "**SEC Reports**"). Each of the SEC Reports complied in all material respects with the applicable requirements of the Securities Act of 1933, as amended (the "**Securities Act**") and the Securities Exchange Act of 1934, as amended, the Sarbanes-Oxley Act and the rules and regulations of the SEC under all of the foregoing. None of the SEC Reports contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 3 - REPRESENTATIONS AND WARRANTIES OF THE INVESTORS

Each Investor represents and warrants to the Company as follows:

3.1 Authorization; Binding Obligations; No Violation. The Investor has full power and authority to enter into this Agreement and this Agreement constitutes a valid and legally binding obligation of the Investor, enforceable against the Investor in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally and to general equitable principles. The execution and delivery by the Investor of this Agreement, the consummation of the transactions contemplated hereby and thereby, and the compliance by the Investor with the terms and provisions hereof and thereof, will not result in a default under (or give any other party the right, with the giving of notice or the passage of time, or both, to declare a default or accelerate any obligation under) or violate any charter or similar documents of the Investor, if other than a natural person, or any contract to which the Subscriber is a party or by which it or any of its properties or assets are bound, or violate any requirement of law applicable to the Investor.

3 . 2 Accredited Investor. The Investor is an “accredited investor” within the meaning of SEC Rule 501 of Regulation D promulgated under the Securities Act.

3 . 3 Investment for Own Account. The Shares and the Warrants are being acquired for his, her or its own account, for investment and not with a view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act.

3.4 Knowledge and Experience. The Investor has such knowledge and experience in financial and business matters that (s)he is capable of evaluating the merits and risks of an investment in the Shares and of making an informed investment decision with respect thereto, has the ability and capacity to protect his/her interests and can bear the economic risk of the acceptance of the Shares, including a total loss of his/her investment.

3 . 5 Opportunity to Ask Questions. The Investor has had the opportunity to ask questions and receive answers from the Company or any authorized person acting on its behalf concerning the Company and its business and to obtain any additional information, to the extent possessed by the Company (or to the extent it could have been acquired by the Company without unreasonable effort or expense) necessary to verify the accuracy of the information received by the Investor. In connection therewith, the Investor acknowledges that (s)he has had the opportunity to discuss the Company’s business, management and financial affairs with the Company’s management or any authorized person acting on its behalf.

3.6. Receipt of Information. The Investor has received and reviewed all of the information concerning the Company and the Shares and the Warrants , both written and oral, that the Investor desires. Without limiting the generality of the foregoing, the Investor has been furnished with or has had the opportunity to acquire, and to review: all information, both written and oral, that the Investor desires with respect to the Company’s business, management, financial affairs and prospects. In determining whether to make this investment, the Investor has relied solely on his/her own knowledge and understanding of the Company and its business and prospects based upon the Investor’s own due diligence investigations and the Company’s filings with the SEC.

3 . 7 Disqualification. No “bad actor” disqualifying event described in Rule 506(d)(1)(i)-(viii) of the Securities Act (a “**Disqualification Event**”) is applicable to the Investor or, to the Investor’s knowledge, any Covered Person (as hereinafter defined), except for a Disqualification Event as to which Rule 506(d)(2)(ii–iv) or (d)(3), is applicable. “**Covered Person**” means, with respect to the Company as an “issuer” for purposes of Rule 506 promulgated under the Securities Act, any individual listed in the first paragraph of Rule 506(d)(1) of the Securities Act.

SECTION 4 - MISCELLANEOUS

4.1 No Waiver; Cumulative Remedies. No failure or delay on the part of any party to this Agreement in exercising any right or remedy under, or pursuant to, this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy or power preclude other or further exercise thereof, or the exercise of any other right, remedy or power. The remedies in this Agreement are cumulative and are not exclusive of any remedies provided by law.

4.2 Amendments and Waivers. Except as otherwise expressly set forth in this Agreement, any term of this Agreement may be amended (either retroactively or prospectively) with the written consent of the Company and Investors owning a majority of the Shares purchased in the Offering (“**Majority Holders**”). Any amendment effected in accordance with this Section 4.2 shall be binding upon each Investor, each future holder of Shares and the Company.

4.3 Notices, Etc. All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person; sent by facsimile transmission; sent by electronic mail; duly sent by first class registered or certified mail, return receipt requested, postage prepaid; or duly sent by overnight delivery service (e.g., Federal Express) addressed to such party (i) if to the Company, at the address, fax number or electronic mail address, as applicable, set forth on the signature page hereof or (ii) if to an Investor, at the address, fax number or electronic mail address, as applicable, set forth on Schedule A hereto, or at such other address, fax number or electronic mail address as may hereafter be designated in writing by the addressee to the sender. All such notices, advises and communications shall be deemed to have been received: (a) in the case of personal delivery, on the date of such delivery; (b) in the case of facsimile or electronic mail transmission, on the date of transmission; and (c) in the case of mailing or delivery by service, on the date of delivery as shown on the return receipt or delivery service statement.

4.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law provisions of the State of Delaware or of any other state. The Company and each Investor consent to personal jurisdiction in New York County, New York.

4.5 Severability. If any term in this Agreement is held to be illegal or unenforceable, the remaining portions of this Agreement shall not be affected, and this Agreement shall be construed and enforced as if this Agreement did not contain the term held to be illegal or unenforceable.

4.6 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and each Investor and their respective successors and assigns.

4 . 7 Transfer of Shares and Warrants. Notwithstanding the legend required to be placed on the Shares and Warrants by applicable law, no registration statement or opinion of counsel shall be necessary: (a) for a transfer of Shares or Warrants to the respective estate of each Investor or for a transfer of Shares and Warrants by gift, will or intestate succession of each Investor to his or her spouse or to the siblings, lineal descendants or ancestors each Investor or his or her spouse, if the transferee agrees in writing to be subject to the terms hereof to the same extent as if he or she were the original Investor hereunder; or (b) for a transfer of Shares and Warrants pursuant to SEC Rule 144 or any successor rule, or for a transfer of Shares and Warrants pursuant to a registration statement declared effective by the SEC under the Securities Act relating to the Shares and Warrants.

4.8 Survival of Representations, Warranties and Covenants. The representations and warranties of the parties contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement indefinitely, and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of the other parties. The covenants of the parties contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement until such time as the Notes have been paid in full.

4 . 9 Entire Agreement. This Agreement, the Warrant and the Certificate of Designation constitute the full and entire understanding and agreement between the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties are expressly canceled.

4.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

4 . 1 1 California Commissioner of Corporations. THE SALE OF THE SHARES AND WARRANTS WHICH ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF THE SHARES AND WARRANTS OR PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION FOR SUCH SHARES AND WARRANTS PRIOR TO THE QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SHARES IS EXEMPT FROM QUALIFICATIONS BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON SUCH QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first written above.

MYND ANALYTICS, INC.

By: /s/ Donald E. D'Ambrosio
Name: Donald E. D'Ambrosio
Title: Chief Financial Officer

Address/Fax Number/E-mail Address for Notice:

26522 La Alameda
Mission Viejo, CA 92691
Fax: (866) 867 4446
ddambrosio@myndanalytics.com

INVESTOR:

By: /s/ John Pappajohn
Name: John Pappajohn
Director

By: /s/ Peter Unuane
Name: Peter Unuane
Director

By: /s/ Mary Pappajohn
Name: Mary Pappajohn

[SIGNATURE PAGE TO SUBSCRIPTION AGREEMENT]

SCHEDULE A

| <u>Name, Address, Fax Number, E-Mail Address and Tax ID Number of Investor</u> | <u>Aggregate Purchase Price</u> |
|---|--|
| Name: <u>John Pappajohn</u> Address: <u>1660 Walt Whitman Road, Suite 105</u> <u>Melville, NY 11747</u> | \$1,000,000.00 |
| Name: <u>Mary Pappajohn</u> Address: <u>1660 Walt Whitman Road, Suite 105</u> <u>Melville, NY 11747</u> | \$1,000,000.00 |
| Name: <u>Peter Unanue</u> Address: <u>26 Sunden Ct</u> <u>Old Tappan, NJ 07675</u> Email: <u>Peter.Unanue@goya.com</u> Tax ID: <u>###-##-####</u> | \$100,000.00 |
| TOTAL: | \$2,100,000.00 |

**AMENDMENT NO. 1 TO
SUBSCRIPTION AGREEMENT FOR SHARES OF SERIES A PREFERRED STOCK AND COMMON STOCK PURCHASE
WARRANTS**

THIS **AMENDMENT NO. 1** to the original Subscription Agreement for Shares of Series A Preferred Stock and Common Stock Purchase Warrants dated March 29, 2018 (the “**Agreement**”) is made as of March 29, 2018 by, and between MYnd Analytics, Inc., a Delaware corporation (the “**Company**”), and the investors listed on Schedule A hereto (each, an “**Investor**,” and collectively, the “**Investors**”).

WITNESSETH

In consideration for the mutual promises and covenants herein, the parties agree as follows:

WHEREAS, the Company entered into the Agreement whereby the Company sold, in a private placement, an aggregate of 1,050,000 shares of newly-designated Series A Preferred Stock (“**Series A Preferred Stock**”), par value \$0.001 per share (the “**Shares**”) and Warrants (the “**Warrants**”) to purchase an aggregate of 525,000 shares of Common Stock (“**Common Stock**”), par value \$0.001 per share to accredited investors pursuant to a Confidential Offering Memorandum dated March 28, 2018 (the “**Offering**”); and

WHEREAS, the undersigned desires to provide for an amendment (the “**Amendment**”) as follows:

SECTION 1 – EXCHANGE OF SHARES

1.1 Amendment. Each Investor hereby agrees that at the time of the Agreement, they should have been issued the number of Shares of Series A Preferred Stock and the number Shares of Series A-1 Preferred Stock (“**Series A-1 Preferred Stock**”), par value \$0.001 per share listed on Schedule A to this Amendment. The Series A-1 Preferred Stock will be issued pursuant to the Certificate of Designation, Preferences and Rights of Series A-1 Preferred Stock (“**Certificate of Designation**”), attached hereto as Schedule B. In addition, the Investors agree that the Company will issue upon exchange of the Warrants that were originally issued pursuant to the Agreement, the Warrants in the form attached hereto as Schedule C. The replacement of the Series A Preferred Stock and the Warrants shall occur simultaneously with the execution of this Amendment.

1.2 Agreement. All terms of the Agreement and all representations and warranties shall remain in full force and effect and shall be true and correct with respect to the Series A-1 Preferred Stock and Warrants as if they were the Series A Preferred Stock and original Warrants and as if made as of the date of this Amendment.

SECTION 2 - MISCELLANEOUS

4 . 1 Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law provisions of the State of Delaware or of any other state. The Company and each Investor consent to personal jurisdiction in New York County, New York.

4 . 2 Binding Effect. This Amendment shall be binding upon and inure to the benefit of the Company and each Investor and their respective successors and assigns.

4.3 Entire Agreement. This Amendment, the Agreement, the Warrant and the Certificate of Designation constitute the full and entire understanding and agreement between the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties are expressly canceled.

4.4 Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

4 . 5 California Commissioner of Corporations. THE SALE OF THE SHARES AND WARRANTS WHICH ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF THE SHARES AND WARRANTS OR PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION FOR SUCH SHARES AND WARRANTS PRIOR TO THE QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SHARES IS EXEMPT FROM QUALIFICATIONS BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON SUCH QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date first written above.

MYND ANALYTICS, INC.

By: /s/ Donald E. D'Ambrosio

Name: Donald E. D'Ambrosio

Title: Chief Financial Officer

Address/Fax Number/E-mail Address for Notice:

26522 La Alameda
Mission Viejo, CA 92691
Fax: (866) 867 4446
ddambrosio@myndanalytics.com

INVESTOR:

By: /s/ John Pappajohn

Name: John Pappajohn

By: /s/ Mary Pappajohn

Name: Mary Pappajohn

[SIGNATURE PAGE TO AMENDMENT OF SUBSCRIPTION AGREEMENT]

SCHEDULE A

| <u>Name, Address, Fax Number, E-Mail Address and Tax ID Number of Investor</u> | <u>Aggregate Purchase Price</u> |
|---|--|
| Name: _____ <u>John Pappajohn</u> _____ Address: _____ _____ | 250,000 Shares of Series A Preferred Stock 250,000 Shares of Series A-1 Preferred Stock |
| Name: _____ <u>Mary Pappajohn</u> _____ Address: _____ _____ | 250,000 Shares of Series A Preferred Stock 250,000 Shares of Series A-1 Preferred Stock |

AMENDMENT TO CHAIRMAN SERVICES AGREEMENT

This Amendment to Chairman Services Agreement (“Amendment”) is made by and between MYnd Analytics, Inc. (hereinafter “MYnd”) and Robin Smith MD MBA (hereinafter “Advisor”) is effective as of the last date set forth below (the “Effective Date”).

On or about July 14, 2017, Advisor and Mynd entered into the above Chairman Services Agreement for services.

The parties agree that the Agreement will be amended as follows: Advisor’s annual cash fee for the 2018 calendar year will be reduced from \$300,000 to \$150,000. This change is retroactive to January 1, 2018. Further, upon the effective date of this Amendment, Dr. Smith is granted an option to purchase 150,000 shares of common stock under the Company’s Amended and Restated 2012 Omnibus Incentive Compensation Plan (the “2012 Plan”), which will continue to vest and not be terminated if Dr. Smith is no longer affiliated with the Company. The grant will continue for the full term of 10 years even if Dr. Smith is no longer affiliated with the Company. The options granted under the Chairman Amendment will vest according to the following schedule: 1/3 will vest on the date of grant, 1/3 will vest on July 1, 2018, and 1/3 will vest on November 1, 2018.

Except as expressly modified by this Amendment, the Agreement shall be and remain in full force and effect in accordance with its terms and shall constitute the legal, valid, binding and enforceable obligations to the parties. This Amendment and the Agreement (including any written amendments thereto), collectively, are the complete agreement of the parties and supersede any prior agreements or representations, whether oral or written, with respect thereto.

Agreed and Accepted:

Date: April 16, 2018

Date: April 16, 2018

Advisor

Mynd Analytics, Inc.

By: /s/ Robin Smith
Robin Smith MD MBA

By: /s/ Don D’Ambrosio
Don D’Ambrosio, CFO

SECOND AMENDMENT TO CHAIRMAN SERVICES AGREEMENT

This Second Amendment to Chairman Services Agreement (“Amendment”) is made by and between MYnd Analytics, Inc. (hereinafter “MYnd”) and Robin Smith MD MBA (hereinafter “Advisor”) is effective as of April 24, 2018 (the “Effective Date”).

On or about July 14, 2017, Advisor and Mynd entered into the above Chairman Services Agreement for services.

The parties agree that the Agreement will be amended as follows: Advisor’s annual cash fee for the 2018 calendar year will be reduced from \$300,000 to \$250,000. This change is retroactive to January 1, 2018. Further, the grant of options on April 16, 2018 by the Board of Directors to purchase 150,000 shares of common stock under the Company’s Amended and Restated 2012 Omnibus Incentive Compensation Plan (the “2012 Plan”), shall be reduced to 50,000 shares, without any other change to the terms thereof.

Except as expressly modified by this Amendment, the Agreement shall be and remain in full force and effect in accordance with its terms and shall constitute the legal, valid, binding and enforceable obligations to the parties. This Second Amendment and the Agreement (including any written amendments thereto), collectively, are the complete agreement of the parties and supersede any prior agreements or representations, whether oral or written, with respect thereto.

Agreed and Accepted:

Date: Apr 24, 2018

Date:

Advisor

Mynd Analytics, Inc.

By: /s/ Robin Smith
Robin Smith MD MBA

By: /s/ Don D’Ambrosio
Don D’Ambrosio, CFO

AMENDMENT TO AGREEMENT

This Amendment to Agreement (“Amendment”) is made by and between MYnd Analytics, Inc. (hereinafter “MYnd”) and George C. Carpenter, IV (hereinafter “Employee”) is effective as of the last date set forth below (the “Effective Date”).

On or about September 7, 2007, Employee and Mynd entered into the above Agreement for at will employment.

The parties agree that the Agreement will be amended as follows: Mr. Carpenter’s annual salary will be reduced from \$270,000 to \$206,250. Further, upon the effective date of this Amendment, Mr. Carpenter is granted either 34,380 shares of common or an option to purchase 56,000 shares of common stock at the Employee’s option. The shares or options will vest quarterly. If the Employee’s relationship with the Company is terminated, the above grant will be pro-rated. The parties agree to review this modification on or before December 31, 2018.

Except as expressly modified by this Amendment, the Agreement shall be and remain in full force and effect in accordance with its terms and shall constitute the legal, valid, binding and enforceable obligations to the parties. This Amendment and the Agreement (including any written amendments thereto), collectively, are the complete agreement of the parties and supersede any prior agreements or representations, whether oral or written, with respect thereto.

Agreed and Accepted:

Date: April 13, 2018

Date: April 19, 2018

Employee

MYnd Analytics, Inc.

By: /s/ George Carpenter
George Carpenter

By: /s/ Don D’Ambrosio
Don D’Ambrosio, CFO

X 34,380 shares

 56,000 options of common stock

Certification of CEO Pursuant to
Securities Exchange Act Rules 13a-14 and 15d-14
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, George C. Carpenter IV, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MYnd Analytics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2018

/s/ George C. Carpenter IV

Name: George C. Carpenter IV

Title: Chief Executive Officer (Principal Executive Officer)

Certification of CFO Pursuant to
Securities Exchange Act Rules 13a-14 and 15d-14
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Donald D'Ambrosio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MYnd Analytics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2018

/s/ Donald D'Ambrosio

Name: **Donald D'Ambrosio**

Title: **Chief Financial Officer (Principal Financial Officer)**

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (the "Report") by MYnd Analytics, Inc. (the "Registrant"), the undersigned hereby certifies that to the best of his knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 14, 2018

/s/ George C. Carpenter IV
George C. Carpenter IV
Chief Executive Officer (Principal Executive Officer)

Date: May 14, 2018

/s/ Donald D'Ambrosio
Donald D'Ambrosio
Chief Financial Officer (Principal Financial Officer)
