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

FORM 10-K

(mark one)

☒ **Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended September 30, 2014

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 000-26285

CNS RESPONSE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**87-0419387**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

85 Enterprise, Suite 410
Aliso Viejo, California 92656
(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:

None

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

Common Stock, $0.001 par value

(Title of Class)

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

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if smaller reporting company) Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.)

Yes ☐ No ☒

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant on March 31, 2014, the last business day of the registrant's most recently completed second fiscal quarter was $28,787,500 (calculated based on the price at which the registrant's common stock was last sold on that date).

As of December 29, 2014, the registrant had 101,667,409 shares of Common Stock, $0.001 par value, issued and outstanding.

CNS RESPONSE, INC.

2014 FORM 10-K ANNUAL REPORT

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PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the fiscal year ended September 30, 2014, including the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," contain "forward-looking statements" 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 at, 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 working capital deficit;
- our history of operating losses;
- our inability to gain widespread acceptance of our PEER Reports;
- our inability to recommence enrolling patients in the Walter Reed PEER Trial;
- 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 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 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 pending 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 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 under "Risk Factors" contained in this Annual Report.

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.

ITEM 1. Business

With respect to this discussion, the terms "we," "us," "our," "CNS" and the "Company" refer to CNS Response, Inc., a Delaware corporation and its wholly-owned subsidiary CNS Response, Inc., a California corporation ("CNS California").

Introduction

CNS Response, Inc. is a cloud-based predictive analytics company that provides objective clinical decision support to mental healthcare providers for the treatment of behavioral disorders, including depression, anxiety, bipolar disorder and post-traumatic stress disorder ("PTSD"). 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 certain medications for the treatment of behavioral disorders. In April 2013, the Company commenced a reimbursed clinical trial at Walter Reed National Military Medical Center ("Walter Reed") and Fort Belvoir Community Hospital ("Fort Belvoir") (collectively, the "Walter Reed PEER Trial") using its neurometric platform to provide PEER Reports to military psychiatrists treating patients primarily for depression with various comorbidities, including PTSD and mild traumatic brain injury ("mTBI"). In April 2014, based on an interim analysis of less than 10% of the planned clinical trial enrollees, statistically significant results were achieved for ten of the twelve endpoints of the Walter Reed PEER Trial. We are awaiting further data to determine achievement of our primary endpoint. In May 2014, following the interim analysis, the Walter Reed Institutional Review Board (the "Walter Reed IRB") suspended enrollment of new patients in order to conduct an internal review. We expect to recommence enrollment of the Walter Reed PEER Trial in February 2015 to achieve the remaining two endpoints and provide additional information to demonstrate the clinical and economic utility of our neurometric platform.

The Challenge and the Opportunity

Psychotropic medications have become the dominant treatment for mild to severe behavioral disorders with greater than 400% growth in the prescription of antidepressant medications over the last two decades. However, recently, research has emerged that challenges the efficacy of psychotropic medications for the treatment of mild to severe behavioral disorders, finding that these medications often do not work or lose their efficacy over time. There are over 17 million Americans who are considered to be "treatment-resistant," having failed two or more courses of psychotropic medication treatment for their behavioral disorder. For these treatment-resistant patients, the conventional "trial and error" method of prescribing psychotropic medications has resulted in low efficacy, multiple side-effects and high relapse rates leading to treatment discontinuation, prolonged patient suffering and billions of dollars in additional healthcare costs to payers.

Currently, due to the lack of objective neurophysiological data available to physicians, there is no objective test to guide the prescribing of psychotropic medications. Physicians regularly make prescribing decisions based on incomplete symptomatic factors. Consequently, the underlying pathology and physiology of behavioral disorders are often not analyzed effectively by treating physicians and treatment for an individual is often ineffective, costly and may require multiple different courses of treatment before an effective medication is identified, if at all. To address this unmet medical need, we use our PEER Online technology to analyze an individual's digital Quantitative EEG ("QEEG") and to produce a PEER Report that predicts the likelihood of response to certain medication classes and individual medications. The use of QEEG data as a predictor of medication outcomes has been well established in over 98 published studies involving more than 6,000 patients. PEER Reports have been used as adjunctive information by physicians for over a decade on more than 11,000 patients suffering from a variety of behavioral disorders including depression, anxiety disorders including obsessive-compulsive disorder ("OCD"), bipolar disorder, PTSD, addiction and eating disorders, including anorexia.

Our PEER Online technology correlates medication outcomes in our database with an individual's QEEG data to predict the efficacy of psychotropic medications by class and individual medication. Our founders developed this process in an effort to improve pharmacotherapy outcomes by replacing the low efficacy of the "trial and error" method of prescribing with objective, individualized data, known as "personalized medicine," to better inform a physician's prescribing decisions. We believe our PEER Online technology is instrumental in providing personalized medicine to patients suffering from behavioral disorders, especially those who are "treatment resistant." Addressing the unmet clinical need for effective prescribing is crucial in overcoming the low efficacy, side-effects and high relapse rates which lead to treatment discontinuation, prolonged patient suffering and billions of dollars of additional healthcare costs to payers for patients with behavioral disorders.

Walter Reed PEER Trial

The Company's path to clinical adoption will be the successful conclusion of a 1,600 subject clinical trial, led by Walter Reed, designed to generate real-world, generalizable evidence with a significant statistical sample. The performance of pharmacotherapy in military mental healthcare has been the focus of significant media and legislative debate. As military healthcare organizations have fully adopted electronic medical records, are transparent and are committed at the highest levels to improving pharmacotherapy outcomes, we believe they are the perfect demonstration market for PEER technology.

The Walter Reed PEER Trial is designed as a randomized, double-blind, multi-site controlled clinical trial for military patients with a primary diagnosis of depression, and comorbid diagnoses such as PTSD, mTBI and other behavioral disorders. Walter Reed is acting as the lead site and Principal Investigator, with additional sites including Fort Belvoir, which is actively participating in the study. Its primary prospective endpoint will be a change from baseline using the Quick Inventory of Depression Symptomology Self Report (QIDS-SR) scale in the study group when compared with the control group. Additional endpoints include suicidality conducted on the Concise Health Risk Tracking scale (CHRT), the PTSD Checklist (PCL-C), achievement of Maximum Medical Improvement (MMI) and psychiatric adverse events. A post-hoc analysis will be performed to evaluate the predictiveness of the database for the full population, including the control subjects (i.e. did the physicians, in both the study and control groups, whose prescriptions matched medications rated highly in the PEER Reports do better than physicians whose prescriptions did not match up with the medications rated highly by the reports).

The Walter Reed PEER Trial is designed to produce reportable results at several points during its course. Interim results will be announced when the study is 10%, 25%, and 50% complete, and at such times as there are other statistically significant findings which are likely to be published. Accordingly, a series of military-related announcements relative to the clinical trial are expected as the clinical trial progresses; these announcements should increase awareness and interest in the PEER technology. The Company intends to translate such interest into accelerated military recruiting for the current trial, and increased referrals to the PEER Network for non-military patients.

Based on its six-month long review of the protocol in 2012, the United States Food and Drug Administration ("FDA") Center for Devices concluded the trial to be a Non-Significant Risk trial that does not require an Investigational Device Exemption ("IDE") review.

Our Strategy

Trial and error pharmacotherapy is inherently wasteful, time-consuming, and results in untold human suffering. Our goal is to reduce trial and error prescribing by providing objective PEER data to physicians and patients.

The key elements of our strategy are to:

· *Facilitate military adoption.* Over one million soldiers and family members are estimated to need care in the military for depression, PTSD, and mTBI following the conflicts in Iraq and Afghanistan. The cost of treatment failure in mental health threatens both the military budget and force strength metrics. As a demonstration of the clinical utility, efficacy, and risk reduction qualities of PEER evidenced in previous trials, we believe the ongoing Walter Reed PEER Trial may support broad adoption within the active military and veteran populations.

· *Expand and clarify payer reimbursement profile.* Given its large enrollment and its randomized, controlled design, clear outcomes from the Walter Reed PEER Trial could fulfill evidence requirements for this technology for all healthcare payers. The Company has already received approval as an Emerging Technology from United Healthcare, which stipulated that one more successful, significant controlled study could result in full reimbursement approval. We expect a successful clinical finding in our current trial to result in broad adoption by standard payers.

· *Improve media and consumer visibility.* Consumers are transforming healthcare markets through their greater involvement in the process of treatment selection and demand for better outcomes. CNS Response will leverage the consumer through:

- Expanded media coverage of PEER technology's impact on military and veteran healthcare
- Direct to consumer media that builds on current users' enthusiasm for sharing positive experiences.
- Expanded use of rich marketing automation to both find and convert consumers, as well as optimize and speed consumer adoption.

· *Provide evidence for expanded applications of PEER.* Virtually all clinical trials of PEER and related technologies have focused on improvement in medication efficacy for physicians utilizing PEER Reports. However, based on significant findings from more recent trials, we will seek to add several additional endpoints or subgroups which, if successful, could lead to expanded applications for PEER including:

- Risk reduction - as a result of reduced trial and error pharmacotherapy, some studies have indicated corresponding reductions in severe adverse events including suicidality;
- Treatment-naive patients will be included in the Walter Reed PEER Trial, which could demonstrate the utility of PEER Reports to support first-line treatments in primary care settings; and
- PTSD and mTBI are both included as comorbid diagnoses in the trial, which could demonstrate potential clinical utility for PEER Reports in an area with few approved treatments and significant trial and error pharmacotherapy.

· *Expand CNS Response's voice in legislative demands for evidence-based treatments for active duty military and veterans.* Preventable medical error in military hospitals, waiting lists for treatment in the Veterans Affairs Hospitals or other treatment facilities, and other challenges to military mental healthcare became major issues in the news during the past year, leading to unprecedented demands from Congress for transparency and accountability.

- CNS Response has had an active voice in driving adoption of evidence-based treatments that can have a measurable impact on soldiers, veterans and their families today.
- Through active involvement with the top five veteran service organizations, US House testimony, US Senate NDAA language, AdvaMed Capitol Hill presentation and issue advocacy, CNS Response will seek to harness this bipartisan support to drive more rapid recognition of PEER technology:
- Advocacy groups: We will seek to expand the role of third party recommendations through inclusion of the CNS Response message in communications by veteran service organizations to their members.
- Congressional Pressure: Continued support for House and Senate bills that call for evidence based medicine.
- Key Opinion Leaders: Continued work with key opinion leaders whose objective align with better mental health care and cost savings.

PEER Technology

Our technology offers an improvement over traditional methods for evaluating pharmacotherapy options in patients suffering from non-psychotic behavioral disorders, because it correlates the success of courses of medication with the neurophysiological characteristics of a particular patient. Our technology provides medical professionals with medication sensitivity data for a subject patient based upon the identification and correlation of treatment outcome information from other patients with similar neurophysiologic characteristics. This treatment outcome information is contained in what we believe to be the largest outcomes database for mental health care pharmacotherapy; there are now over 37,300 outcomes within the database from over 9,900 unique patients with behavioral disorders. We refer to this database as the PEER Online database (formerly known as the "CNS Database"). For each patient in the PEER Online database, we have compiled neurophysiology data from EEG scans, symptoms and outcomes often across multiple treatments from multiple psychiatrists and other physicians. This patented technology, called PEER Online ^{TM} (based on a technology known as "Referenced-EEG®" or "rEEG®"), represents an innovative approach to prescribing effective medications for patients suffering from debilitating behavioral disorders.

PEER Reports

Our technology allows us to create and provide concise reports ("PEER Reports") to medical professionals which summarize the historical treatment efficacy of specific medications for those patients with similar neurometric brain patterns.

PEER Reports provide neither a diagnosis nor a specific treatment, but like all lab results, provide objective, evidence-based information to help the prescriber in their decision-making. With PEER Reports, physicians order a digital EEG for a patient, which is then referenced to the PEER Online database. By providing this reference correlation, an attending physician can better establish a treatment strategy with the knowledge of how other patients with similar brain function have previously responded to a myriad of treatment alternatives. Analysis of this complete data set yielded a platform of neurometric variables that have shown utility in characterizing patient response to diverse medications. This platform then allows a new patient to be characterized based on these neurometric variables and the database to be queried to understand the statistical response of patients with similar brain patterns to the medications currently in the database.

The development of pathophysiological markers as the new method for identifying the correct patient population to research is being encouraged by both the National Institute of Mental Health ("NIMH") and the FDA.

The PEER On-line Process

In 2011, the Company introduced a fundamentally new approach to its product, publishing its physician outcome registry to the web and providing online access to methodology, raw data, and individual medication analyses – PEER Reports — for researchers and clinicians who use EEG in their practice. PEER Reports are offered as a neurometric service, in which QEEG readings are referenced to the Company's outcome registry database to identify patient-specific probabilities of response to different medications. EEG recording devices are widely available, inexpensive to lease and are available in most major cities by independent mobile EEG providers.

A second generation of PEER Online was released in June 2014, and rolled out to practitioners. This version of PEER Online has a superior user interface which increases the ease of use by a practitioner. It also enables the practitioner to track and upload a patient's outcomes to the Company. The service works as follows:

- patients are directed to a local PEER network provider, who performs a standard digital EEG;
- the EEG data file is uploaded via a secure web portal to our central analytic database;
- we analyze the data against the PEER Online database for patients with similar brain patterns, based on roughly 2,000 variables produced by FDA approved QEEG software;
- we provide a descriptive, statistical analysis describing the success of patients with similar neurophysiology on different pharmacotherapies (much like an antibiotic sensitivity report commonly used in medicine); and
- the analysis is sent back to the attending physician via a secure web portal, usually by the next business day.

We do not operate our own healthcare facilities, employ our own treating physician or provide medical advice or treatment for patients. Physicians who contract for our PEER Reports own their own facilities or professional licenses and control and are responsible for the clinical activities provided on their premises. Patients receive medical care in accordance with orders from their attending physicians or providers. Physicians who contract for PEER Reports are responsible for exercising their independent medical judgment in determining the specific application of the information contained in the PEER Reports and the appropriate course of care for each patient. Following the prescription of any medication, physicians are presumed to administer and provide continuing care treatment to the patient.

Referenced-EEG (rEEG®), the Company's original product, was developed by a pathologist and a psychiatrist who recognized that correlation of a patient's unique brain patterns to known long-term medication outcomes of similar patients might significantly improve therapeutic performance.

PEER Interactive

Commencing in May 2013, the U.S. military began a 2,000 subject clinical study of PEER Interactive, a significantly updated and automated version of PEER Online.

- PEER Interactive represents a significant expansion of the current database, based on receipt of hundreds of new patient outcomes from network physicians. With the addition of both military and physician outcomes during 2013 and beyond, the PEER Outcome database has the potential to significantly increase in size.

- The Company has also upgraded its normative QEEG database to improve the robustness and utility of its findings by converting to the Neuroguide database platform generated by Applied Neurosciences Inc. In addition to an improved normative dataset and additional variables for characterizing neurophysiology (10 times more than our original database), this platform offers the opportunity for improved pattern recognition and display of three-dimensional findings from QEEG through LORETA, a modeling capability which analyzes deeper structures within the brain.

- Finally, clinical utility and user interface has been improved in the PEER Interactive release. Military physicians are able to access the PEER database utilizing tablet computers (the Apple iPad) and are receiving same-day turnaround of PEER Reports.

In April 2014, based on an interim analysis of less than 10% of the planned clinical trial enrollees, statistically significant results were achieved for ten of the twelve endpoints of the Walter Reed PEER Trial. In May 2014, following the interim analysis, the Walter Reed Institutional Review Board (the "Walter Reed IRB") suspended enrollment of new patients into the study in order to conduct an internal review. In December 2014, the review was completed and the protocol, with minor amendments, was resubmitted by the interim Principal Investigator to the Walter Reed IRB for approval. We expect that enrollment into the Walter Reed PEER Trial to recommence once the amended protocol is approved by the IRB. We believe such approval will be given in the first quarter of 2015, although we cannot be assured of this. Communication with the leadership of Walter Reed and Fort Belvoir encompass the roles, responsibilities and lines of communication in conducting the Walter Reed PEER Trial. The leadership has expressed their interest in participating in the trial and, if clinical utility is demonstrated, the significant potential impact that the PEER Interactive technology can have in the treatment of depression. The leadership has also expressed its desire to devote time and attention to the trial to make it a successful endeavor.

PEER Evidence

The correlation of QEEG variables with individual medication outcomes has been researched substantially over the past two decades, as documented in over 98 studies involving over 6,000 subjects. The vast majority of this growing evidence base is the result of independent university and commercial research. Because PEER machine-learning algorithms aggregate important QEEG features from all sources, the Company believes that its research will contribute significantly to this evidence base.

Walter Reed PEER Trial: In April 2013, the Company commenced a clinical trial at Walter Reed and Fort Belvoir Community Hospital, focused on subjects with a primary diagnosis of depression with various comorbidities, including PTSD and mTBI. In April 2014, based on an interim analysis of less than 10% of the planned clinical trial enrollees, statistically significant results were achieved for ten of the twelve endpoints of the Walter Reed PEER Trial. We are awaiting further data to determine the statistical significance of our remaining endpoints, including our primary endpoint.

At the request of Congress, the Company and the Army Surgeon General have provided information regarding evidence for PEER, and specific performance of the Walter Reed PEER Trial. On July 10, 2014, the Company provided testimony to the House Veterans Affairs Committee on the subject of Suicide Prevention, and the potential contribution of technologies such as PEER Interactive. This testimony included the following:

- Treatment efficiency: previous studies have demonstrated a potential for a 40% improvement in treatment efficiency through the reduction of trial & error. Improved treatment efficiency has the potential of opening up more treatment slots, which is a critical need for VA facilities contending with long waiting lists.
- PEER can complement current VA suicide prevention programs: a prior published study demonstrated an 87% reduction in suicidal ideation for patients treated according to PEER recommendations (DeBattista, 2012). The use of QEEG features to predict suicidal ideation has been independently demonstrated in other studies (Iosifescu, 2008; Hunter, 2010), and has been included as a secondary endpoint in the Walter Reed PEER Trial.
- Outcome Metrics: the Institute of Medicine released a four-year study on PTSD research and treatment in June, 2014, finding that no consistent outcome metrics were collected within the VA or DoD healthcare systems, thereby rendering a $9.3 billion investment in PTSD research unmeasurable. By contrast, physicians using PEER capture and record medication outcomes with every patient visit under the current protocol.

On November 19, 2014, CNS Response, Inc. again provided a submission for the record to the House Committee on Veterans' Affairs, Subcommittee on Health, for a legislative hearing in consideration of H.R. 5059, the Clay Hunt Suicide Prevention for American Veterans Act. The submission for the record included the interim results based on the first 10% of trial enrollment of the Walter Reed PEER Trial. When physicians used predictive analytics in the form of PEER information to establish a treatment strategy they demonstrated the following statistically significant results:

- 75% greater improvement in Suicidality scores
- 144% greater improvement in Depression scores
- 139% greater improvement in Post-Traumatic Stress Disorder (PTSD) scores
- 43% more patients remained in treatment, with more than 50% improvement in treatment efficiency

***Depression Efficacy Study*:** Over the last few years, we have been primarily focused on demonstrating the efficacy of PEER Report-informed treatments through multiple clinical trials. The largest of these — the Depression Efficacy Trial — was a multi-center, randomized, parallel controlled trial completed in 2009 at 12 academic and commercial sites, including Harvard University, Stanford University, Cornell University, University of California Irvine, Rush University and other sites. The study began in late 2007 and was completed in September 2009. The study screened 465 potential subjects with Treatment-Resistant Depression and ultimately randomized 114 participants to a 12-week course of treatment utilizing PEER Reports in the experimental group and a modified STAR*D algorithm in the control group (STAR*D, or Sequenced Treatment Alternatives to Relieve Depression, was a large, seven-year study sponsored by the National Institute of Mental Health that was completed in 2006). Primary clinical outcome measures included the Quick Inventory of Depression Symptomology (QIDS-SR16) and the Quality of Life Enjoyment and Satisfaction Questionnaire (Q-LES-Q-SF). Top-line results were consistent with previous trials of PEER Reports:

- The study found that physicians using PEER Reports significantly outperformed the modified STAR*D treatment algorithm beginning at week 2. The difference, or separation, between PEER Reports and the STAR*D control group was 50 and 100 percent for the study's two primary endpoints. By contrast, separation between a new treatment and a control group often averages less than 10 percent in antidepressant studies. Separation was achieved early (in week 2) and was durable, continuing to grow through week 12.

- Statistical significance ($p < .05$) was achieved on all primary and most secondary endpoints.

Commercial Payer Analysis: During 2011, a retrospective analysis was conducted of physician reports and health records of patients who were members of several of the Nation's largest managed care networks. The results were published in Neuropsychiatric Disease and Treatment - the journal of the International Neuropsychiatric Association (INA). The paper, "Measuring Severe Adverse Events and Medication Selection Using A 'PEER Report' for Non-Psychotic Patients: A Retrospective Chart Review," was authored by Daniel Hoffman M.D., of the Neuro-Therapy Clinic, Charles DeBattista M.D., of the Stanford University School of Medicine, Rob Valuck, Ph.D., from the University of Colorado Health Sciences Center and Dan Iosifescu, M.D., of the Mood and Anxiety Disorders Program, Mount Sinai School of Medicine and Harvard University Faculty. The analysis of 257 evaluable patient records for the period starting in 2003 through mid-2011 represents cases in which the prescribers utilized PEER Reports for these patients. The analysis found that prescribers using the PEER Reports reported reduced trial-and-error pharmacotherapy through the following findings:

- 27 patients (11%) actually required no medications at all after the PEER Report.
- Of the remaining patients who required medications:
  - 87% of the patients achieved "much improved" or "very much improved" on the Clinical Global Improvement standardized outcomes measurement and 71% showed significant improvement using the Quality of Life Enjoyment and Satisfaction Questionnaire.
  - 69% of the patients achieved Maximum Medical Improvement (MMI) in an average of four visits.
  - Out of 68 (26%) patients who had reported suicidality preceding their PEER Report, nine (4%) reported suicidality during the average two year follow-up period.
  - Out of 33 patients who had experienced a severe adverse event on their previous medications, 18 (55%) had PEER Reports which indicated poor outcomes for those medications in patients with similar EEG findings, suggesting caution in using those drugs.

Medco Analysis: In 2011, the Company signed an agreement with Medco Health Services Inc. to analyze historical PEER Report outcome results in terms of Medco drug and healthcare claims datasets. Approximately 2,200 matching records were analyzed, yielding about 211 patients for whom 365 days of continuous claim data were available before and after the test. Based on these data, the Company's consultants assessed the performance of physicians before and after testing. Findings include:

- significant changes in physician prescribing behavior: approximately 92% of physicians receiving PEER Reports changed pharmacotherapy strategies post-test, with over half changing every single medication; and
- increased proportion of generic prescribing: (generic utilization increased 32% after receipt of PEER Reports).

Medco Research performed an analysis of the tested group against a control cohort of patients in its database matched by age, sex, disease-chronicity and prescription profile.

- The primary endpoint of the analysis was to measure impact on healthcare utilization, with a 25% reduction in health care costs experienced for those in the PEER group compared to those in the control cohort. However, because the claim sample size was small (only 29 health care records), the reduction did not reach statistical significance.
- Drug mix: a significantly higher proportion of older medications were utilized by physicians in the tested group, with generally fewer SSRIs (Selective Serotonin Reuptake Inhibitors) and Atypical Antipsychotics, and categorical increases in MAOI (Monoamine Oxidase Inhibitors) and Tricyclic class antidepressants, and certain stimulants.

Eating Disorders Study: In November 2011, we published in Neuropsychiatric Disease and Treatment - the journal of the INA, a paper entitled "Retrospective Chart Review of a Referenced EEG Database in Assisting Medication Selection for Treatment of Depression in Patients with Eating Disorders." The physicians reviewed two-year pre-treatment data and between two- to five-year follow-up data, and found that study patients experienced significantly decreased depressive symptoms and overall 53 percent fewer hospitalization days, which significantly reduced overall healthcare costs.

Polypharmacy Paper: We published an additional paper in Neuropsychiatric Disease and Treatment - the journal of the INA, entitled "Polypharmacy or Medication Washout: An Old Tool Revisited". The paper includes a comparison of the advantages and risks from using medication washout compared to polypharmacy with treatment-resistant patients. Polypharmacy is a common medical practice in which physicians prescribe additional psychiatric medications on top of previous medications already being used for a patient. This can result in patients being on too many drugs with the potential for harmful side effects. When done appropriately, washing medications out of select patients can be valuable in supporting better patient diagnosis and assessing medication needs, and can reduce the risks resulting from unknown drug interactions. While some patients will still need more than one medication as part of their treatment regimen, the ultimate goal is to determine which medications are necessary and effective for an individual patient. The paper highlights previous study findings and current data related to medication washout and polypharmacy.

The Market for PEER Reports

PEER is composed of two components: a standard Electroencephalogram (EEG) and the PEER Report. Payers now routinely reimburse EEGs, which are approximately $400 or one-half of the retail cost of a PEER Report under current procedure codes, as a result of, among other things, Mental Health Parity legislation (MHPEA) passed in 2008. Final regulations and enforcement rules for Mental Health Parity were published in November 2013, becoming fully effective in July 2014. The regulations reinforce the principle under MHPEA that health plans cannot refuse to pay for specific mental health treatments and services, or restrict access to such services through copays or selective provider networks, in any way that is different from the services they routinely pay for under the medical plan.

For the PEER Report (also $400), we believe there are strong prospects for reimbursement due to the fact that patients who have failed traditional pharmacotherapy are significant cost drivers for health plans, adding approximately $8,500 in medical costs per patient per year. Since passage of the Affordable Care Act, payers have shown greater interest in reimbursing selected procedures which can reduce preventable medical error and reduce their underwriting losses. Accordingly, there have been several promising developments in payer reimbursement for PEER technology:

- United Healthcare approval as an Emerging Technology - based on PEER evidence in 2011. With two subsequent studies (the Commercial Payer Analysis published in 2012 and the ongoing Walter Reed PEER Trial), the Company believes that there may be sufficient evidence to justify full reimbursement by United Healthcare and similar commercial payers.
- Similarly, genomic tests used for personalizing psychotropic therapies are now routinely reimbursed for up to half of billed charges.
- Health plans that initially deny coverage for the PEER Report will be required to provide the evidence and criteria for any denials, and affirmatively demonstrate that these criteria are consistent with those used for medical-surgical procedures.
- During the current quarter, the first PEER report was reimbursed by a commercial payer.

It is the Company's intention to submit both clinical and pharmaco-economic results from the Walter Reed PEER Trial to the Centers for Medicare and Medicaid Services, as well as commercial payers, to seek full reimbursement for PEER Reports.

The National Institute of Mental Health (NIMH) estimates that only 12.7% of patients receive minimally effective treatment, with over 17 million Americans now classified as "treatment-resistant", meaning that they have failed to find relief after trying two or more medications. Assuming a $600 average selling price (ASP) and an addressable market of 25% of treatment-resistant patients, we estimate a U.S. commercial market size of approximately $2.7 billion annually.

We see four distinct but complementary market segments in the United States for PEER Reports.

Military: military mental healthcare combines patient, provider, and payer in a single enterprise. Because of its visibility and capital efficiency, the military will be the first large-scale addressable market for PEER. It is the Company's intention to derive both clinical and pharmaco-economic data from the Walter Reed PEER Trial to drive expansion into TriCare, the VA, and the Department of Defense which support military-wide adoption of PEER Interactive.

Payer**:** the traditional challenge for any new medical technology is the achievement of sustained reimbursement. As a result of Mental Health Parity legislation passed in 2008, EEG tests are now being regularly reimbursed by most U.S. healthcare payers. Final regulations and enforcement rules for Mental Health Parity and Addiction Equity Act ("MHPEA") were published in November 2013, becoming fully effective in July 2014. The regulations reinforce the principle under MHPEA that health plans cannot refuse to pay for specific mental health treatments and services, or restrict access to such services through copays or selective provider networks, in any way that is different from the services they pay for under the medical plan. Practically, this means that reimbursement for EEG services is probable, as EEG testing is currently paid for under medical plans for Neurological indications. Likewise, for the PEER Report, health plans will be required to provide evidence for any claim denials and affirmatively demonstrate that such denials use the same criteria in mental health as in physical health. Accordingly, we believe these final rules will be a significant benefit for physicians and consumers, as fully one-half of the retail cost of a PEER Report (approximately $400) is now covered under most health insurance plans. Importantly, patients who have failed on two or more medications continue to be a significant cost driver for payers, adding approximately $8,500 in medical costs per patient per year. It is the Company's intention to submit both clinical and pharmaco-economic results from the Walter Reed PEER Trial to the Centers for Medicare and Medicaid Services, and commercial payers, to seek reimbursement for PEER Reports.

Subject to capital availability, the Company expects to provide turnkey support to its physician network in the performance and provisioning of EEG tests, by providing equipment, technical support, billing and reimbursement services to physician offices.

Consumer: The end client for all pharmacotherapies is the consumer, which is why pharmaceutical firms have spent approximately $5.5 billion annually to reach them through direct to consumer advertising. During 2013, the Company had several limited but successful instances of retelling its story to general media, including appearances on Fox News, Varney & Company, Bloomberg TV, BNN and CTV. Articles were also published in the Wall Street Journal, Military Times, Washington Post, Stars & Stripes, and the Associated Press. The Company also developed a significant social media presence through Twitter and Facebook. Overall, these appearances and social media initiatives generated significant incremental traffic to the Company's website and referrals to the PEER Network. Recently we have engaged in a targeted advertising campaign using Facebook which has shown great promise in generating leads.

We will seek to encourage media coverage of our trial at Walter Reed and other physician success stories, and we will use that growing awareness to channel inquiries to PEER Network physicians.

Global market opportunity: In the United States, it is estimated that approximately one quarter of adults are diagnosed in a given year for one or more mental disorders, and 16% of adults will experience major depressive disorder in their lifetime. These results are, in fact, common to most developed countries: a study published by the European College of Neuropsychopharmacology reported that 165 million (38%) of Europeans are plagued by mental and neurological disorders, which have become Europe's largest health challenge according to the study authors.

We are currently exploring opportunities in Canada, Europe and Australia through partnerships which have not yet been established.

PEER Online Technology in Pharmaceutical Development

In addition to its utility in providing psychiatrists and other physicians/prescribers with medication sensitivity data, our PEER Online technology provides us with significant opportunities in the area of pharmaceutical development. Our PEER Online™ technology, in combination with the information contained in the PEER Online database, offers the potential to enable the identification of novel uses for neuropsychiatric medications currently on the market and in late stages of clinical development, as well as in aiding the identification of neurophysiologic characteristics of clinical subjects that may be successfully treated with neuropsychiatric medications in the clinical testing stage. We will explore opportunities with established drug and biotechnology companies to further explore these opportunities, although we have not entered into any arrangements or agreements to date and no relationships are currently contemplated.

Research & Development

We plan to continue to enhance, refine and improve the accuracy of our PEER Online database and PEER Reports through expansion of the number of medications covered by our PEER Reports, expansion of our neurometrics, refinement of our report generating system, and by reducing the time to turnaround a report to the physician. Research and Product Development expenses during the fiscal years ended September 30, 2014 and 2013 were $1.45 million and $1.29 million respectively.

Intellectual Property

PEER Online Patent

We have twenty-two issued patents, of which nine are in the U.S., which cover the process involved in our PEER Online service. Our patents are valid until between September 2017 and July 2022. In addition, we believe these patents cover the analytical methodology we use with any form of neurophysiology measurement including SPECT (Single Photon Emission Computed Tomography), fMRI (Functional Magnetic Resonance Imaging), PET (Positron Emission Tomography), CAT (Computerized Axial Tomography), and MEG (Magnetoencephalography). We do not currently have data on the use of such alternate measurements, but we believe they may, in the future, prove to be useful to guide therapy in a manner similar to referenced-EEG. We have been issued patents in the following countries and regions: Canada (three patents), Europe (two patents), Australia (three patents), Mexico (two patents), Japan (two patents) and Israel (one patent). We also have filed multiple additional patent applications for our technology in the U.S., Europe and Canada.

One of our recent US patent approvals was for a distinctly new patent estate, covering internet transmission of neurometric information. This new allowance under its basic methods patent portfolio, file number CNSR-09318, covers remote or web-based transmission of neurometric data. In the event that use of neurometric data or algorithms becomes widespread, this patent could make it necessary for major equipment manufacturers to license rights from the Company in order to transmit such information for use in medication response prediction.

During 2009 and 2011, we were awarded additional process patents for use of PEER Online technology in drug discovery, including clinical trial and drug efficacy studies. In addition, we successfully defended our patents by requesting reexamination of a patent issued to Aspect Medical (acquired by Covidien, plc.), resulting in a reduction and narrowing of claims awarded under the previously issued Aspect Medical patents.

Transcranial Magnetic Stimulation

CNS Response has filed patent applications in the U.S. and Canada related to the company's acquisition of patient responsivity data for Transcranial Magnetic Stimulation ("TMS"). This would be the Company's first application for a neurometric predictor of a non-drug therapy. The Company anticipates using this methodology to help physicians better understand which patients may positively respond to TMS for treating depression. The U.S. and Canadian patent applications are entitled "Method for Assessing the Susceptibility of a Human Individual Suffering from a Psychiatric or Neurological Disorder to Neuromodulation Treatment."

TMS is a non-invasive outpatient procedure that uses magnetic fields to stimulate areas of the brain thought to control mood. TMS, which is approved by the U.S. Food and Drug Administration and offered by approximately 300 psychiatrists nationwide, is sometimes used as an alternative treatment for patients who have failed one or more antidepressants for the treatment of depression. While treatment periods vary by patient, a typical treatment regimen generally involves 20 to 30 treatments over a four to six week period.

TMS responsivity data, which is based on QEEG, helps physicians learn how patients with similar EEG patterns responded to TMS, thereby enabling them to more effectively guide patients most likely to benefit from this treatment and reduce expenditures on patients for whom TMS is not likely to be an effective solution for their depression.

TMS Response Study: In February 2012, results from a study of EEG prediction of TMS responsivity were published by Dr. Martijn Arns in the peer-reviewed journal Brain Stimulation. "Neurophysiological predictors of non-response to rTMS in depression" presents results of a multi-site clinical trial (n=90) in the Netherlands using several CNSO variables (iAPF, Theta and P300 amplitude) associated with non-response to TMS therapy. Use of these combined neurometrics in a discriminant analysis resulted in a reliable identification of non-responders with low false positive rates. Replication studies are currently being planned in both the Netherlands and the United States.

Trademarks

"Referenced-EEG" and "rEEG" are registered trademarks of CNS California in the United States. We will continue to expand our brand names and our proprietary trademarks worldwide as our operations expand. We have trademarked PEER Online and PEER Reports and expect that they will be registered in due course by the United States Patent and Office.

PEER Online Database

The PEER Online database consists of over 37,300 clinical outcomes for over 9,800 unique patients with psychiatric or addictive problems. The PEER Online database is maintained in two parts:

1. The QEEG Database

The QEEG Database includes EEG recordings and neurometric data derived from analysis of these recordings. QEEG is a standard measure that adds cloud-based computerized statistical analyses to traditional EEG studies. We utilize two separate QEEG databases which provide statistical and normative information in the generation of a PEER Report.

2. The PEER Outcomes Database

The PEER Outcomes Database consists of physician provided assessments of the clinical long-term outcomes of patients and their associated medications. The clinical outcomes of patients are recorded using an industry-standard outcome rating scale, the Clinical Global Impression-Improvement scale ("CGI-I"). The CGI-I allows a clinician to rate how much the patient's illness has improved or worsened relative to a baseline state. A patient's illness is compared to change over time and rated as: very much improved, much improved, minimally improved, no change, minimally worse, much worse, or very much worse.

The format of the data is standardized and that standard is enforced at the time of capture by a software application. Outcome data is input into the database by the treating physician or their office staff. Each physician has access to their patient data through the software tool that captures the clinical outcome data.

We consider the information contained in the PEER Online database to be a valuable trade secret and are diligent about protecting such information. The PEER Online database is stored on a secure server to which only a limited number of employees have access.

Competition

Although we are not aware of any company that offers a service directly comparable to PEER Online services, the following companies might be noted as pursuing similar strategies:

- BRAIN RESOURCE COMPANY is an Australian Clinical Research Organization (CRO) and neurosciences company focused on personalized medicine solutions for patients, clinicians, pharmaceutical trials and discovery research. Its iSpot clinical trial, and list of genomic and neurocognitive tools, some of which include QEEG, appears to focus on the same growing market that is targeted by CNS Response.

- ASSURE Rx, GENOMIND and ALTHEADX are three companies focused on a genomic lab-based test for medication response based on a patient's unique metabolism of medications. All three have achieved varying levels of reimbursement for their tests from insurors. We consider such tests to be related and complementary. AssureRx recently reported the approval of its test for use and reimbursement by the Veterans Administration.

- IBM Corporation entered the field of clinical decision support with the launch of its Watson product, a natural language artificial intelligence system. According to IBM, the supercomputer-based software can scan information in 1 million books or about 200 million pages of data, analyze it and respond with answers in less than three seconds. Watson will sort through large amounts of electronic health records and unstructured medical data providing recommendations to doctors and nurses on treatment plans.

- MICROSOFT CORPORATION and GENERAL ELECTRIC announced in late 2011 the combination of their respective health information technology product lines into a new, jointly-owned company to be called Caradigm. The venture is purported to bring Microsoft's deep expertise in building platforms and ecosystems, and GE Healthcare's experience in clinical and administrative workflows.

- ASPECT MEDICAL SYSTEMS, INC. (now part of Covidien plc.) was developing a specific EEG measurement system that indicates a patient's likely response to several antidepressant medications. It is not currently known if the intellectual assets of Aspect Medical will be used in a future commercial product.

- NEUROVIGIL, based in La Jolla, California, is a company focused on developing an inexpensive, single channel EEG unit which can be used in sleep research and clinical trials to obtain brain function data.

Government Regulation

In 2008, the FDA informed us that it believes our rEEG service, and its successor, now called PEER Online, constitutes a medical device which is subject to regulation by the FDA, requiring pre-market approval or 510(k) clearance by the FDA pursuant to the Federal Food, Drug and Cosmetic Act (the "Act") before our service can be marketed or sold.

In early 2010, based upon written guidance from the FDA's Center for Devices and Radiological Health ("Center"), we submitted an application to obtain 510(k) clearance for our rEEG service, without waiving our right to continue to take the position that our services do not constitute a medical device. We sought review of our rEEG service, based upon its equivalence to predicate devices that already have FDA clearance, which appeared to represent a sound mechanism in order to reduce regulatory risks.

On July 27, 2010, we received a letter (the "NSE Letter") from the FDA stating that they determined that our rEEG service was Not Substantially Equivalent ("NSE") to the predicate devices that had previously been granted 510(k) clearance and that among other options we could be required to file a premarket approval application (PMA) and obtain approval before our rEEG service can be marketed legally, unless it is otherwise reclassified. The Company has filed an appeal for reconsideration of this finding based on material product modifications and additional evidence. For example, the Company received in June 2011, a response to its outstanding Freedom of Information Act request for original copies of the predicate filings, which the Company believes confirms its position that the predicate devices were cleared for the same intended use as the rEEG service.

In December 2010, and again in September 2011, the Company met with Center officials to determine whether the FDA had or would soon be developing a regulatory pathway for clinical decision support services such as PEER. In the latter meeting, the Company provided a detailed outline of its PEER Outcome registry, a published, transparent repository of individual medication response reports which reference known electrophysiology variables. Application of these published data can be performed manually, much like tables in medical journals, and do not meet the traditional definition of a regulated medical device.

Following its September, 2011, meeting with Center officials, the Company successfully registered its PEER Outcome database as a Class I Exempt Device within the category of Medical Device Data System, Section 860.6310. Recently, the Company completed registration in California of its Class I MDDS, and as part of the approval process, hosted an on-site audit of its quality management systems and software validation processes. The State of California Department of Public Health, Food and Drug Branch, Device Manufacturing License was issued and received by the Company on December 23, 2013.

At the same time, the Company continued its engagement with Center staff over the potential for a regulatory pathway for PEER Online as a Class II medical device, based on the Center's recommendation that military use of PEER Online move forward under an Investigational Device Exemption ("IDE") in order to provide additional data to support a successful 510(k) filing. The Company submitted a protocol in November, 2011 for a multi-site clinical trial led by Walter Reed, to include several other sites, partnering with military physicians treating 2,000 patients diagnosed with mental health conditions such as depression, PTSD, mTBI and several other disorders.

In August 2012, the FDA issued a determination that the Walter Reed PEER Trial was considered a Non-Significant Risk ("NSR") clinical trial and did not require an IDE application.

On November 30, 2012, Walter Reed's Institutional Review Board ("IRB") approved the protocol for research to be conducted at Walter Reed and Fort Belvoir. On January 23, 2013, the Company received a memorandum from the Commander of Walter Reed, which officially confirmed the approval of the protocol and permission to conduct the clinical trial. The project title of the clinical trial is "Use of PEER Interactive to inform the prescription of psychotropic medications to patients with behavioral disorders." Subsequently, the same protocol was also approved by the IRB at Fort Belvoir.

In April 2014, based on an interim analysis of less than 10% of the planned clinical trial enrollees, statistically significant results were achieved for ten of the twelve endpoints of the Walter Reed PEER Trial. In May 2014, following the interim analysis, the Walter Reed Institutional Review Board (the "Walter Reed IRB") suspended enrollment of new patients into the study in order to conduct an internal review. In December 2014, the review was completed and the protocol, with minor amendments, was resubmitted by the interim Principal Investigator to the Walter Reed IRB for approval. We expect that enrollment into the Walter Reed PEER Trial to recommence once the amended protocol is approved by the IRB. We believe such approval will be given in the first quarter of 2015, although we cannot be assured of this. Communication with the leadership of Walter Reed and Fort Belvoir encompass the roles, responsibilities and lines of communication in conducting the Walter Reed PEER Trial. The leadership has expressed their interest in participating in the trial and, if clinical utility is demonstrated, the significant potential impact that the PEER Interactive technology can have in the treatment of depression. The leadership has also expressed its desire to devote time and attention to the trial to make it a successful endeavor.

We currently intend to continue marketing as a cloud-based neurometric information service branded as PEER Online, under our Class I registration, while we continue to pursue the military trial and consider submission of a Class II device premarket application. If we continue to market PEER Online and the FDA determines that we should be subject to further FDA regulation, it could seek enforcement action against us based upon its position that our PEER Online product represents a Class II medical device, as a result of which we could be forced to cease our marketing activities and pay fines and penalties, which would have a material adverse impact on us.

In addition to the foregoing, federal and state laws and regulations relating to the sale of our neurometric services are subject to future changes, as are administrative interpretations of regulatory agencies. In the event that federal and state laws and regulations change, we may need to incur additional costs to seek government approvals for the sale of our neurometric services.

In the future, we may seek approval for medications or combinations of medications for new indications, either with corporate partners, or potentially, on our own. The development and commercialization of medications for new indications is subject to extensive regulation by the U.S. Federal government, principally through the FDA and other federal, state and governmental authorities elsewhere. Prior to marketing any central nervous system medication, and in many cases prior to being able to successfully partner a central nervous system medication, we will have to conduct extensive clinical trials at our own expense to determine safety and efficacy of the indication that we are pursuing.

Environmental Compliance

The Company's operations are cloud-based, involve software algorithms and are administrative in nature. Therefore, the Company believes that there are no compliance issues associated with applicable environmental laws and regulations that would have a material adverse effect on the Company.

Employees

As of September 30, 2014, our Neurometric Services operation had six full-time and four part-time independent contractors. We believe that our relations with our employees are good. None of our employees belong to a union.

Corporate Background

The Company was incorporated in Delaware on March 20, 1987, under the name Age Research, Inc. Prior to January 16, 2007, the Company (then called Strativation, Inc.) existed as a "shell company" with nominal assets whose sole business was to identify, evaluate and investigate various companies to acquire or with which to merge. On January 16, 2007, we entered into an Agreement and Plan of Merger with CNS Response, Inc., a California corporation formed on January 11, 2000 ("CNS California"), and CNS Merger Corporation, a California corporation and our wholly-owned subsidiary ("MergerCo") pursuant to which we agreed to acquire CNS California in a merger transaction wherein MergerCo would merge with and into CNS California, with CNS California being the surviving corporation (the "Merger"). On March 7, 2007, the Merger closed, CNS California became our wholly-owned subsidiary, and on the same date we changed our corporate name from Strativation, Inc. to CNS Response, Inc. The Company actively operates its businesses through CNS Response, Inc. (California) and, until September 30, 2012, also operated the Neuro-Therapy Clinic, Inc. ("NTC"), which was acquired in January 2008.

In January 2008, we acquired NTC which was our largest customer at that time. Upon the completion of the transaction, NTC became a wholly-owned subsidiary of the Company. We discontinued the operations of NTC effective September 30, 2012, as the Company chose to focus its limited cash resources on the clinical trial at Walter Reed. Consequently, NTC is accounted for as a discontinued operation.

Our address is 85 Enterprise, Suite 410, Aliso Viejo, California 92656, our telephone number is (949) 420-4400 and we maintain a website at www.CNSResponse.com. The reference to our web address does not constitute incorporation by reference of the information contained at this site.

ITEM 1A. Risk Factors

INVESTING IN CNS RESPONSE, INC. INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS AND ALL OTHER INFORMATION CONTAINED IN THIS REPORT BEFORE PURCHASING OUR COMMON STOCK. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES FACING US. ADDITIONAL RISKS AND UNCERTAINTIES THAT WE ARE UNAWARE OF, OR THAT WE CURRENTLY DEEM IMMATERIAL, ALSO MAY BECOME IMPORTANT FACTORS THAT AFFECT US. IF ANY OF THE FOLLOWING RISKS OCCUR, OUR BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATIONS COULD BE MATERIALLY AND ADVERSELY AFFECTED. IN THAT CASE, THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE, AND YOU MAY LOSE SOME OR ALL OF THE MONEY YOU PAID TO PURCHASE OUR COMMON STOCK.

Risks Related to Our Company

We need immediate additional funding to support our operations and capital expenditures, which may not be available to us. This lack of availability could have a material adverse effect on our business. Our continued operating losses and limited capital raise substantial doubt about our ability to continue as a going concern.

We have not generated significant revenues or become profitable, may never do so and may not generate sufficient working capital to cover costs of operations. Our continued operating losses and limited capital raise substantial doubt about our ability to continue as a going concern. We are unable to pay other obligations as they become due and are in arrears on paying certain of our larger creditors. We are insolvent and need additional funds immediately to continue our operations. Until we can generate a sufficient amount of revenues to finance our operations and capital expenditures, we are required to finance our cash needs primarily through public or private equity offerings, debt financings, borrowings or strategic collaborations. As of September 30, 2014 we had approximately $1.24 million in cash and cash equivalents at hand. As of December 15, 2014 we had approximately $589,000 in cash and cash equivalents on hand. We will therefore need additional funds to continue our operations and will need substantial additional funds before we can increase demand for our PEER Online services. We are currently exploring additional sources of capital; however, we do not know whether additional funding will be available on acceptable terms, or at all, especially given the economic conditions that currently prevail. Furthermore, any additional equity funding may result in significant dilution to existing stockholders, and, if we incur additional debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available for our business activities. If adequate funds are not available, it would have a material adverse effect on our business, financial condition and/or results of operations and could cause us to be required to cease operations. Our financial statements include an opinion of our auditors that our continued operating losses and limited capital raise substantial doubt about our ability to continue as an ongoing concern.

Our liabilities exceed our assets; we have a working capital deficit; all of our assets are subject to a security interest covering our indebtedness.

As of September 30, 2014, we had liabilities of $3.10 million and assets of only $1.34 million. We had a working capital deficiency of $0.31 million. Furthermore, as a result of our $2.5 million secured convertible debt financing dated September 22, 2014, of which $1.65 million has been raised, all our intellectual property is encumbered as security for the debt financing. As a result, if we are unable to repay our debt when it becomes due, our lenders may claim all of our assets and our equity will have no value.

We have a history of operating losses.

We are a Company with a limited operating history. Since our inception, we have incurred significant operating losses. As of September 30, 2014, our accumulated deficit was approximately $59.21 million. Our future capital requirements will depend on many factors, such as the risk factors described in this section, including our ability to maintain our existing cost structure and to execute our business and strategic plans as currently conceived. Even if we achieve profitability, we may be unable to maintain or increase profitability on a quarterly or annual basis.

Our secured convertible notes, which are payable during 2016, are secured by substantially all of our assets.

As of December 26, 2014, we have outstanding convertible notes in an aggregate principal amount of $1.65 million that mature on March 21, 2016 (subject to earlier conversion or prepayment) and earn interest at a rate of 5% per annum with interest payable at maturity. The convertible notes are secured by substantially all of the assets of the Company. We currently have no resources to repay such convertible notes and we will be required either to raise additional funds or seek conversion of these notes to avoid a default. If we default on our convertible notes, the holders of the convertible notes will be entitled to execute on their security interest in substantially all of the assets of the Company in satisfaction of the obligation we have to them, thereby leaving no value for the holders of common stock. The convertible notes are convertible into shares of Common Stock (i) automatically upon the closing of a qualified offering of no less than $5 million at a conversion price equal to the lesser of $0.25 or 70% of the lowest price per share of Common Stock offered by the Company, but in no event less than $0.10 per share or (ii) voluntarily within 15 days of maturity at the lesser of a conversion price equal to $0.25 or the lowest price per share of Common Stock offered by the Company, but in no event less than $0.10 per share. The conversion of the convertible notes could cause a decrease in the market price of our common stock. The outstanding convertible notes, the security interest securing such notes and the other terms of the notes could make it more difficult for us to raise funds through future offerings of common stock.

If our PEER Reports do not gain widespread market acceptance, we will not sell adequate services to maintain our operations.

We have developed a methodology that aids psychiatrists and other physicians in selecting appropriate and effective medications for patients with certain behavioral or addictive disorders based on physiological traits of the patient's brain and information contained in a proprietary database that has been developed over the last twenty-five years. We began selling reports, referred to as rEEG Reports, based on our methodology in 2000; these reports have since been rebranded as PEER Reports. To date, we have not received widespread market acceptance of the usefulness of our PEER Reports in helping psychiatrists and other physicians inform their treatment strategies for patients suffering from behavioral and/or addictive disorders and we currently rely on a limited number of employees to market and promote our PEER Reports. To grow our business, we will need to develop and introduce new sales and marketing programs and clinical education programs to promote the use of our PEER Reports by psychiatrists and other physicians and hire additional employees for this purpose. If we do not implement these new sales and marketing and education programs in a timely and successful manner, we may not be able to achieve the level of market awareness and sales required to expand our business, which could also negatively impact our stock price.

The Walter Reed IRB suspended enrollment of new patients into the study in order to conduct an internal review and we cannot predict or assure when, or if, re-enrollment of new patients will recommence. The continuation of the study is dependent on the Walter Reed IRB's approval of an amended study protocol which cannot be guaranteed. The Company's success is substantially dependent upon the successful recommencement of the Walter Reed Trial.

In April 2013, the Company commenced a reimbursed clinical trial at Walter Reed and Fort Belvoir using its neurometric platform to provide PEER Reports to military psychiatrists treating patients primarily for depression with various comorbidities, including PTSD and mTBI. In April 2014, based on an interim analysis of less than 10% of the planned clinical trial enrollees, statistically significant results were achieved for ten of the twelve endpoints of the Walter Reed PEER Trial. In May 2014, following the interim analysis, the Walter IRB suspended enrollment of new patients into the study in order to conduct an internal review. In December 2014, an amended study protocol was submitted to the Walter Reed IRB for approval. In correspondence to us, however, Walter Reed and Fort Belvoir expressed certain concerns and as a condition of continuing the trial, their leadership established clear guidelines for conduct of the trial, including with respect to roles and responsibilities of our personnel and lines of communication. In addition, they have required that all study data will need to be revalidated by Walter Reed personnel prior to its use for publication, have imposed limitations on access and use of data by us and implemented controls relating to the enrollment of patients. Walter Reed and Fort Belvoir leadership reaffirmed their interest in participating in the trial. The leadership has also expressed its desire to devote time and attention to the trial to make it a successful endeavor. We cannot assure final approval, nor predict the timing of approval, of the Walter Reed IRB of the amended study protocol or the approval of the interim results data for publication, if ever. Therefore, we cannot guarantee that new patient enrollment into the Walter Reed PEER Trial will recommence or if it recommences, when it will do so. We need to recommence new patient enrollment into the Walter Reed PEER Trial in order to achieve the last two endpoints of the study (one of which is the primary endpoint of the study) and continue to derive revenues from the provision of PEER Reports for the study. Even if enrollment of new patients into the Walter Reed PEER Trial does recommence, we may never achieve statistical significance for the remaining endpoints in the trial, including the primary endpoint. We have invested substantially all of our resources in the successful completion of the Walter Reed Trial. If we are unable to complete the Walter Reed PEER Trial or if the results of the trial do not support continued development of our business model, we will likely be unable to raise additional funds to support our business and we would therefore be unable to continue our operations.

Our PEER Reports may not be as effective as we believe them to be, which could limit or prevent us from growing our revenues. If the results of our Walter Reed PEER Trial are not significant, we may not be able to continue to fund our development efforts.

Our belief in the efficacy of our PEER Online technology is based on a limited number of studies. Such results may not be statistically significant and may not be indicative of the long-term future efficacy of the information we provide. Controlled scientific studies, including those that have already been announced and that are planned for the future, may yield results that are unfavorable or demonstrate that our services, including our PEER Reports, are not clinically useful. While we have not experienced such problems to date, if the initially indicated results cannot be successfully replicated or maintained over time, utilization of services based on our PEER Online technology, including the delivery of our PEER Reports, may not increase as we anticipate, which would harm our operating results and stock price. In addition, if we fail to upgrade our PEER Online database to account for new medications that are now available on the market, psychiatrists and other physicians may be less inclined to utilize our services if they believe that our reports only provide information about older treatment options, which would further harm our operating results and stock price. We have recently begun enrolling patients in our Walter Reed PEER Trial. The trial is designed as a double-blind trial for military patients with a primary diagnosis of depression, among other things. We have preliminary data from the trial and expect to publish the results in the near future, we do not know whether the ultimate results of the trial will be successful. There are many factors beyond our control that could affect the success of the Walter Reed trial, including difficulty in registering more subjects, failures of investigators to follow the proper protocol, external factors affecting patient health, among others. If we fail to receive significant positive results, doctors would likely not be willing to use our services and our ability to generate revenue and to continue the PEER Online program could be limited.

The FDA believes that rEEG and, potentially, our PEER Online service, constitute a medical device, which is subject to regulation by the FDA. As we continue to market our PEER Online service, there is risk that the FDA will commence an enforcement action against us. The FDA has informed us that our marketing of our rEEG services without prior approval or re-classification by the FDA constitutes a violation of the Federal Food, Drug and Cosmetic Act.

Since April of 2008, we have been engaged in discussions with the FDA regarding its position that our rEEG service and its successor, now called PEER Online, constitutes a medical device which is subject to regulation by the FDA. On April 10, 2008, we received correspondence from the FDA in which the FDA indicated it believed, based in part on the combination of certain marketing statements it read on our website, together with the delivery of our rEEG Reports, that we were selling a software product to aid in diagnosis, which constituted a "medical device" requiring pre-market approval or 510(k) clearance by the FDA pursuant to the Federal Food, Drug and Cosmetic Act (the "Act"). We responded to the FDA on April 24, 2008, indicating that we believed it had incorrectly understood our product offering and further clarified that our rEEG services are not diagnostic and thus, for this as well as other reasons, do not constitute a medical device. On December 14, 2008, the FDA again made contact with us and indicated that, based upon its review of our description of our intended use of the rEEG Reports on our website, it continued to maintain that our rEEG service met its definition of a medical device. In response to the FDA communications, we made a number of changes to our website and other marketing documents to reflect that rEEG is a service to aid in medication selection and is not an aid to diagnosis. On September 4, 2009, through our regulatory counsel, we responded to the December 14, 2008 FDA letter explaining our position in more detail.

During the intervening period of time, based upon written guidance from the FDA's Center for Devices and Radiological Health ("Center"), we chose to submit an application to obtain 510(k) clearance for our rEEG service, without waiving our right to continue to take the position that our services do not constitute a medical device. We sought review of our rEEG service based upon its equivalence to predicate devices that already have FDA clearance which appeared to represent a sound mechanism to reduce regulatory risks.

On July 27, 2010, we received a NSE Letter from the FDA stating that they determined that our rEEG service was not substantially equivalent to the predicate devices that had previously been granted 510(k) clearance and that among other options we could be required to file an approved premarket approval application (PMA) before it can be marketed legally, unless it is otherwise reclassified. The company has filed an appeal for reconsideration of this finding based on material product modifications and additional evidence. For example, the Company received in June 2011 a response to its outstanding Freedom of Information Act request for original copies of the predicate filings, which the Company believes confirm its position that the predicate devices were cleared for the same intended use as the rEEG service.

In December 2010 and again in September 2011, the Company met with Center officials to determine whether FDA had or would soon be developing a coherent regulatory pathway for clinical decision support services such as PEER Reports. In 2011, the Company introduced its PEER Outcome database as a published, transparent repository of individual medication response reports which reference known electrophysiology variables. Following a meeting with the FDA, the Company successfully registered its PEER Outcome database as a Class I Exempt Device within the category of Medical Device Data System, Section 860.6310. The Company continued its engagement with Center staff over the potential for a regulatory pathway for PEER Online as a Class II medical device, based on the Center's recommendation that military use of PEER Online move forward under an Investigational Device Exemption ("IDE") in order to provide additional data to support a successful 510(k) filing. In March 2012, the FDA responded to our proposal for a clinical trial of an Investigational Device, PEER Interactive, designed to support physicians in identifying the best treatments for certain mental illnesses. In response to the comments provided by the FDA, we revised the protocol to partner with military physicians treating 2,000 patients diagnosed with mental health conditions such as depression, PTSD, mTBI and several other disorders. In August 2012, the FDA issued a determination that the Walter Reed PEER Trial was considered a Non-Significant Risk (NSR) clinical trial and did not require an IDE application. On November 30, 2012, the Walter Reed IRB approved the protocol for research to be conducted at Walter Reed and Fort Belvoir. On January 23, 2013, the Company received a memorandum from the Commander of Walter Reed, which officially confirmed the approval of the protocol and permission to conduct the clinical trial. The project title of the clinical trial is "Use of PEER Interactive to inform the prescription of psychotropic medications to patients with behavioral disorders." Subsequently, the same protocol was also approved by the IRB at Fort Belvoir. The clinical trial is currently in progress at both Walter Reed and Fort Belvoir. At this time we cannot predict the results or the success of any trial, if and once completed. We can offer no assurances that the FDA will not insist on pre-market approval in the future, or that the data, which will be included in our future submissions to the FDA, do not raise any important new issues that could materially affect safety or effectiveness of our rEEG service. The inability of Walter Reed and Fort Belvoir to enroll sufficient subjects or the receipt of inconclusive results from our clinical trial would have a material adverse effect on our ability to expand our operations. We currently intend to continue marketing as a non-device cloud-based neurometric service branded as PEER Reports, under our Class I registration, while we pursue the military clinical trial and consider submission of a Class II device premarket application in the future. If we continue to market our PEER Reports and the FDA determines that we should be subject to further FDA regulation as a Class II medical device, it could seek enforcement action against us based upon its position that our PEER Reports constitute a medical device as a result of which we could be forced to cease our marketing activities and pay fines and penalties, which would have a material adverse impact on us.

In addition to the foregoing, federal and state laws and regulations relating to the sale of our neurometric services are subject to future changes, as are administrative interpretations of regulatory agencies. In the event that federal and state laws and regulations change, we may need to incur additional costs to seek government approvals for the sale of our neurometric services.

In the future, we may seek approval for medications or combinations of medications for new indications, either with corporate partners, or potentially, on our own. The development and commercialization of medications for new indications is subject to extensive regulation by the U.S. Federal government, principally through the FDA and other federal, state and governmental authorities elsewhere. Prior to marketing any central nervous system medication, and in many cases prior to being able to successfully partner a central nervous system medication, we will have to conduct extensive clinical trials at our own expense to determine safety and efficacy of the indication that we are pursuing.

If government and third-party payers fail to provide coverage and adequate payment rates for treatments that are guided by our PEER Reports, our revenue and prospects for profitability will be harmed.

Our future revenue growth will depend in part upon the availability of reimbursement from third-party payers for psychiatrists and other physicians who use our PEER Reports to guide the treatment of their patients. Such third-party payers include government health programs such as Medicare and Medicaid, managed care providers, private health insurers and other organizations. These third-party payers are increasingly attempting to contain healthcare costs by demanding price discounts or rebates and limiting both coverage on which procedures they will pay for and the amounts that they will pay for new procedures. As a result, they may not cover or provide adequate payment for treatments that are guided by our PEER Reports, which will discourage psychiatrists and other physicians from utilizing the information services we provide. We may need to conduct studies in addition to those we have already announced to demonstrate the cost-effectiveness of treatments that are guided by our products and services to such payers' satisfaction. Such studies might require us to commit a significant amount of management time and financial and other resources. Adequate third-party reimbursement might not be available to enable us to realize an appropriate return on investment in research and product development and the lack of such reimbursement could have a material adverse effect on our operations and could adversely affect our revenues and earnings.

Regulations are constantly changing and in the future, our business may be subject to additional regulations that will increase our compliance costs.

Federal, state and foreign laws and regulations relating to the sale of our PEER Reports are subject to future changes, as are administrative interpretations of regulatory agencies. If we fail to comply with applicable federal, state or foreign laws or regulations, we could be subject to enforcement actions, including injunctions that would prevent us from conducting our business, withdrawal of clearances or approvals and civil and criminal penalties. In the event that federal, state, and foreign laws and regulations change, we may need to incur additional costs to seek government approvals, in addition to the clearance from the FDA if we so chose, in order to sell or market our PEER Online service. There is no guarantee that we will be able to obtain such approvals in a timely manner or at all, and as a result, our business would be significantly harmed.

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.

Management expects that we will experience substantial variations in our operating results from quarter to quarter. We believe that the factors which influence this variability of quarterly results include, without limitation:

- the use of and demand for PEER Reports and other products and/or services that we may offer in the future that are based on our patented methodology;
- inconclusive or negative result from our Walter Reed trial;
- our inability to continue enrolling patients in the Walter Reed trial;

- the effectiveness of new marketing and sales programs;
- turnover among our employees;
- changes in management;
- the introduction of products or services that are viewed in the marketplace as substitutes for the services we provide;
- communications published by industry organizations or other professional entities in the psychiatric and physician community that are unfavorable to our business;
- the introduction of regulations which impose additional costs on or impede our business; and
- the timing and amount of our expenses, particularly expenses associated with the marketing and promotion of our services, the training of physicians and psychiatrists in the use of our PEER Reports and research and development.

As a result of fluctuations in our revenue and operating expenses that may occur, management believes that period-to-period comparisons of our results of operations are not a good indication of our future performance. It is possible that in some future quarter or quarters, our operating results will be below the expectations of securities analysts or investors. In that case, our common stock price could fluctuate significantly or decline.

If we do not maintain and expand our relationships in the psychiatric and physician community, our growth will be limited and our business could be harmed. If psychiatrists and other physicians do not recommend and endorse our products and services, we may be unable to increase our sales, and in such instances, our profitability would be harmed.

Our relationships with psychiatrists and other physicians are critical to the growth of our Neurometric Information Services business. We believe that these relationships are based on the quality and ease of use of our PEER Reports, our commitment to the behavioral health market, our marketing efforts and our presence at tradeshows. Any actual or perceived diminution in our reputation or the quality of our PEER Reports, or our failure or inability to maintain our commitment to the behavioral health market and our other marketing and product promotion efforts could damage our current relationships, or prevent us from forming new relationships, with psychiatrists and other physicians and cause our growth to be limited and our business to be harmed.

To sell our PEER Reports, psychiatric professionals must recommend and endorse them. We may not obtain the necessary recommendations or endorsements from this community. Acceptance of our PEER Reports depends on educating psychiatrists and other physicians as to the benefits, clinical efficacy, ease of use, revenue opportunity and cost-effectiveness of our PEER Reports and on training the medical community to properly understand and utilize our PEER Reports. If we are not successful in obtaining the recommendations or endorsements of psychiatrists and other physicians for our PEER Reports, we may be unable to increase our sales and profitability.

Negative publicity or unfavorable media coverage could damage our reputation and harm our operations.

In the event that the marketplace perceives our PEER Reports as not offering the benefits which we believe they offer, we may receive significant negative publicity. This publicity may result in litigation and increased regulation and governmental review. If we were to receive such negative publicity or unfavorable media attention, whether warranted or unwarranted, our ability to market our PEER Reports would be adversely affected, pharmaceutical companies may be reluctant to pursue strategic initiatives with us relating to the development of new products and services based on our PEER Online technology, we may be required to change our products and services and become subject to increased regulatory burdens and we may be required to pay large judgments or fines and incur significant legal expenses. Any combination of these factors could further increase our cost of doing business and adversely affect our financial position, results of operations and cash flows.

If we do not successfully generate additional products and services from our patented methodology and proprietary database, or if such products and services are developed but not successfully commercialized, then we could lose revenue opportunities.

Our primary business is the sale of PEER Reports to psychiatrists and other physicians based on our PEER Online methodology and proprietary database. In the future, we may utilize our patented methodology and proprietary database to produce pharmaceutical advancements and developments. For instance, we may use our patented methodology and proprietary database to identify new medications that are promising in the treatment of behavioral health disorders, identify new uses of medications which have been previously approved and identify new patient populations that are responsive to medications in clinical trials that have previously failed to show efficacy in FDA approved clinical trials. The development of new pharmaceutical applications that are based on our patented methodology and proprietary database will be costly, since we will be subject to additional regulations, including the need to conduct expensive and time-consuming clinical trials.

In addition, to successfully monetize our pharmaceutical opportunity, we will need to enter into strategic alliances with biotechnology or pharmaceutical companies that have the ability to bring to market a medication, an ability which we currently do not have. We maintain no pharmaceutical manufacturing, marketing or sales organization, nor do we plan to build one in the foreseeable future. Therefore, we are reliant upon approaching and successfully negotiating attractive terms with a partner who has these capabilities. No guarantee can be made that we can do this on attractive terms, or even at all. If we are unable to find strategic partners for our pharmaceutical opportunity, our revenues may not grow as quickly as we desire, which could lower our stock price.

Our industry is highly competitive and we may not be able to compete successfully, which could result in price reductions and decreased demand for our products.

The healthcare business, in general, and the behavioral health treatment business in particular, are highly competitive. In the event that we are unable to convince physicians, psychiatrists and patients of the efficacy of our products and services, individuals seeking treatment for behavioral health disorders may seek alternative treatment methods, which could negatively impact our sales and profitability.

In the event that we pursue our pharmaceutical opportunities, we or any development partners that we partner with will likely need to conduct clinical trials. If such clinical trials are delayed or unsuccessful, it could have an adverse effect on our business.

We have limited experience conducting clinical trials of psychiatric medications and in the event we conduct clinical trials, we will rely on outside parties, including academic investigators, outside consultants and will contract with research organizations to conduct these trials on our behalf. We will rely on these parties to assist in the recruitment of sites for participation in clinical trials, to maintain positive relations with these sites, and to ensure that these sites conduct the trials in accordance with the protocol and our instructions. If these parties renege on their obligations to us, our clinical trials may be delayed or unsuccessful.

In the event we conduct clinical trials, we cannot predict whether we will encounter problems that will cause us or regulatory authorities to delay or suspend our clinical trials or delay the analysis of data from our completed or ongoing clinical trials. In addition, we cannot assure that we will be successful in reaching the endpoints in these trials, or if we do, that the FDA or other regulatory agencies will accept the results.

Any of the following factors, among others, could delay the completion of clinical trials, or result in a failure of these trials to support our business, which would have an adverse effect on our business:

- delays or the inability to obtain required approvals from institutional review boards or other governing entities at clinical sites selected for participation in our clinical trials;
- delays in enrolling patients and volunteers into clinical trials;
- lower than anticipated retention rates of patients and volunteers in clinical trials;
- negative results from clinical trials for any of our potential products; and
- failure of our clinical trials to demonstrate the efficacy or clinical utility of our potential products.

If we determine that the costs associated with attaining regulatory approval of a product exceed the potential financial benefits or if the projected development timeline is inconsistent with our determination of when we need to get the product to market, we may choose to stop a clinical trial and/or development of a product.

We may fail to successfully manage and maintain the growth of our business, which could adversely affect our results of operations.

As we continue expanding our commercial operations, this expansion could place significant strain on our management, operational and financial resources. To manage future growth, we will need to continue to hire, train, and manage additional employees, particularly a specially-trained sales force to market our PEER Reports.

We may not be able to adequately protect our intellectual property, which is the core of our business.

We consider the protection of our intellectual property to be important to our business prospects. We currently have twenty-two issued patents in the United States, Australia, Canada, Europe, Israel, Japan and Mexico and we have also filed multiple additional patent applications in the United States and in multiple foreign jurisdictions.

In the future, if we fail to file patent applications in a timely manner, fail to pay applicable maintenance fees on issued patents, or in the event we elect not to file a patent application because of the costs associated with patent prosecution, we may lose patent protection that we may have otherwise obtained. The loss of any proprietary rights which are obtainable under patent laws may result in the loss of a competitive advantage over present or potential competitors, with a resulting decrease in revenues and profitability for us.

With respect to the applications we have filed, there is no guarantee that the applications will result in issued patents, and further, any patents that do issue may be too narrow in scope to adequately protect our intellectual property and provide us with a competitive advantage. Competitors and others may design around aspects of our technology, or alternatively, may independently develop similar or more advanced technologies that fall outside the scope of our claimed subject matter, but that can be used in the treatment of behavioral health disorders.

In addition, even if we are issued additional patents covering our products, we cannot predict with any degree of certainty, whether or not we will be able to enforce our proprietary rights and whether our patents will provide us with adequate protection against competitors. We may be forced to engage in costly and time-consuming litigation or reexamination proceedings to protect our intellectual property rights and our opponents in such proceedings may have and be willing to expend, substantially greater resources than we are able to expend. In addition, the results of such proceedings may result in our patents being invalidated or reduced in scope. These developments could cause a decrease in our operating income and reduce our available cash flow, which could harm our business and cause our stock price to decline.

We also utilize processes and technology that constitute trade secrets, such as our PEER Online database and we must implement appropriate levels of security for those trade secrets to secure the protection of applicable laws, which we may not do effectively. In addition, the laws of many foreign countries do not protect proprietary rights as fully as the laws of the United States.

While we have not had any significant issues to date, the loss of any of our trade secrets or proprietary rights, which may be protected under the foregoing intellectual property safeguards may result in the loss of our competitive advantage over present and potential competitors.

Confidentiality agreements with employees, licensees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

In order to protect our proprietary technology and processes, we rely in part on confidentiality provisions in our agreements with employees, licensees, treating physicians and psychiatrists and others. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Moreover, policing compliance with our confidentiality agreements and nondisclosure agreements and detecting unauthorized use of our technology is difficult and we may, therefore, be unable to determine whether piracy of our technology has actually occurred. In addition, others may independently discover our trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

We depend heavily upon secure access to, and secure transfer of, data via the internet in exchanging data with customers. Any security breaches could result in unauthorized access to sensitive patient data, our intellectual property and other confidential business information. We use third-party data centers and any damage to, or failure of, our central analytical database could adversely affect our ability to provide our services. For any of the foregoing or related reasons, customers may curtail or stop using our services and we may incur significant legal and financial exposure and liabilities.

We depend heavily on secure access to, and secure transfer of data via the internet in the generation of our PEER Reports and other data exchange with our customers. We rely on services provided by third parties to store, transmit and process data in our central neurometric database. Security breaches could expose us to a risk of losing data and result in litigation and possible liability. Security measures taken by us or by such third party service providers may be breached as a result of third party action, including intentional misconduct by computer hackers, employee error, malfeasance, fraud or otherwise, during transfer or processing of data or at any time and result in someone obtaining unauthorized access to sensitive patient information, our intellectual property, other confidential business information, or our information technology systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we or our third-party service providers may be unable to anticipate these techniques or to implement adequate preventative measures. Any security breach could result in a loss of confidence in the security of our service, damage to our reputation, disruption to our business, could lead to legal liability and severely curtail future revenue.

In addition, any damage to, or failure of, our central neurometric database and the server on which it resides could result in interruptions in our ability to provide PEER Reports. Interruptions in our service may reduce our revenue, cause PEER Network providers to terminate their relationship with us and adversely affect our ability to attract new physicians to the PEER Network. Our business will also be harmed if our customers and potential customers believe our service is unreliable.

Because our service is complex and cloud-based we rely on third-party data centers to store the data in our central neurometric database, our data and processes may be corrupted at some future time resulting in erroneous, defective or ineffective reports, which could result in unanticipated downtime in our service for PEER Network providers, resulting in harm to our reputation and our business. We do not control the operation of these facilities. While we take precautions (data redundancy, back-up and disaster recovery plans) to prevent service interruptions, our data centers are vulnerable to damage or interruption from human error, intentional bad acts, pandemics, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, communications failures and similar events. The occurrence of a natural disaster or an act of terrorism, vandalism or other misconduct, resulting in a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the availability of our central neurometric database. Since many physicians rely on our service to assist in treating their patients, any errors, defects, disruptions in service or other performance problems with our service could hurt our reputation and hurt the reputation of the physicians in our PEER Network. If that occurs, physicians could elect to terminate their relationship with us, or delay or withhold payment to us. We could lose future revenues or customers may make warranty or other claims against us, which could result in an increase in our provision for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation and a reduction in revenue.

Security breaches, damages or failures of the sort described above would adversely affect our ability to market our PEER Reports. In addition, pharmaceutical companies may be reluctant to pursue strategic initiatives with us relating to the development of new products and services based on our PEER Online technology, we may be required to change our products and services and become subject to increased regulatory burdens and we may be required to pay large judgments or fines and incur significant legal expenses.

The liability of our directors and officers is limited.

The applicable provisions of the Delaware General Corporation Law and our Certificate of Incorporation and By-laws limit the liability of our directors to us and our stockholders for monetary damages for breaches of their fiduciary duties, with certain exceptions, and for other specified acts or omissions of such persons. In addition, the applicable provisions of the Delaware General Corporation Law and of our Certificate of Incorporation and Bylaws, as well as indemnification agreements we have entered into with our directors, officers and certain other individuals, provide for indemnification of such persons under certain circumstances. In the event we are required to indemnify any of our directors or any other person, our financial strength may be harmed, which may in turn lower our stock price.

If we do not retain our senior management and other key employees, we may not be able to successfully implement our business strategy.

Our future success depends on the ability, experience and performance of our senior management and our key professional personnel. Our success therefore depends to a significant extent on retaining the services of George Carpenter, our Chief Executive Officer, our senior product development and clinical managers and others. Because of their ability and experience, if we lose one or more of the members of our senior management or other key employees, our ability to successfully implement our business strategy could be seriously harmed. While we believe our relationships with our executives are good and do not anticipate any of them leaving in the near future, the loss of the services of any of our senior management could have a material adverse effect on our ability to manage our business. We do not carry key-man life insurance on any of our key employees.

If we do not attract and retain skilled personnel, we may not be able to expand our business.

Our products and services are based on a complex database of information. Accordingly, we require skilled medical, scientific and administrative personnel to sell and support our products and services. Our future success will depend largely on our ability to continue to hire, train, retain and motivate additional skilled personnel, particularly sales representatives who are responsible for customer education and training and customer support. In the future, if we pursue our pharmaceutical opportunities, we will also likely need to hire personnel with experience in clinical testing and matters relating to obtaining regulatory approvals. If we are not able to attract and retain skilled personnel, we will not be able to continue our development and commercialization activities.

In the future we could be subject to personal injury claims, which could result in substantial liabilities that may exceed our insurance coverage.

All significant medical treatments and procedures, including treatment that is facilitated through the use of our PEER Reports, can involve the risk of serious adverse events up to and including death. While we have not been the subject of any personal injury claims for patients treated by providers using our PEER Reports, our business entails an inherent risk of claims for personal injuries, which are subject to the attendant risk of substantial damage awards. We cannot control whether individual physicians and psychiatrists will properly select patients, apply the appropriate standard of care, or conform to our procedures in determining how to treat their patients. A significant source of potential liability is negligence or alleged negligence by physicians treating patients with the aid of the PEER Reports that we provide. There can be no assurance that a future claim or claims will not be successful or, including the cost of legal defense, will not exceed the limits of available insurance coverage.

We currently have general liability and medical professional liability insurance coverage for up to $3 million per year for personal injury claims. We may not be able to maintain adequate liability insurance, in accordance with standard industry practice, with appropriate coverage based on the nature and risks of our business, at acceptable costs and on favorable terms. Insurance carriers are often reluctant to provide liability insurance for new healthcare services companies and products due to the limited claims history for such companies and products. In addition, based on current insurance markets, we expect that liability insurance will be more difficult to obtain and that premiums will increase over time and as the volume of patients treated by physicians that are guided by our PEER Reports increases. In the event of litigation, regardless of its merit or eventual outcome, or an award against us during a time when we have no available insurance or insufficient insurance, we may sustain significant losses of our operating capital which may substantially reduce stockholder equity in the company.

We are subject to evolving and expensive corporate governance regulations and requirements. Our failure to adequately adhere to these requirements or the failure or circumvention of our controls and procedures could seriously harm our business.

Because we are a publicly traded company we are subject to certain federal, state and other rules and regulations, including applicable requirements of the Sarbanes-Oxley Act of 2002. Compliance with these evolving regulations is costly and requires a significant diversion of management time and attention, particularly with regard to our disclosure controls and procedures and our internal control over financial reporting. Although we have reviewed our disclosure and internal controls and procedures in order to determine whether they are effective, our controls and procedures may not be able to prevent errors or frauds in the future. Faulty judgments, simple errors or mistakes, or the failure of our personnel to adhere to established controls and procedures may make it difficult for us to ensure that the objectives of the control system are met. A failure of our controls and procedures to detect other than inconsequential errors or fraud could seriously harm our business and results of operations.

Our senior management's limited recent experience managing a publicly traded company may divert management's attention from operations and harm our business.

Our management team has relatively limited recent experience managing a publicly traded company and complying with federal securities laws, including compliance with recently adopted disclosure requirements on a timely basis. Our management will be required to design and implement appropriate programs and policies in responding to increased legal, regulatory compliance and reporting requirements, and any failure to do so could lead to the imposition of fines and penalties and harm our business.

Risks Related To Our Industry

The healthcare industry in which we operate is subject to substantial regulation by state and federal authorities, which could hinder, delay or prevent us from commercializing our products and services.

Healthcare companies are subject to extensive and complex federal, state and local laws, regulations and judicial decisions governing various matters such as the licensing and certification of facilities and personnel, the conduct of operations, billing policies and practices, policies and practices with regard to patient privacy and confidentiality, and prohibitions on payments for the referral of business and self-referrals. There are federal and state laws, regulations and judicial decisions that govern patient referrals, physician financial relationships, submission of healthcare claims and inducement to beneficiaries of federal healthcare programs. Many states prohibit business corporations from practicing medicine, employing or maintaining control over physicians who practice medicine, or engaging in certain business practices, such as splitting fees with healthcare providers. Many healthcare laws and regulations applicable to our business are complex, applied broadly and subject to interpretation by courts and government agencies. Our failure, or the failure of physicians and psychiatrists to whom we sell our PEER Reports, to comply with these healthcare laws and regulations could create liability for us and negatively impact our business.

In addition, the FDA regulates development, testing, labeling, manufacturing, marketing, promotion, distribution, record-keeping and reporting requirements for prescription drugs. Compliance with laws and regulations enforced by the FDA and other regulatory agencies may be required in relation to future products or services developed or used by us, in addition to the regulatory process and dialogue in which we are now engaged with the FDA (*for more information, please see the risk factor entitled "The FDA believes that rEEG and, potentially, our PEER Online service, constitute a medical device, which is subject to regulation by the FDA. As we continue to market our PEER Online service, there is risk that the FDA will commence an enforcement action against us. The FDA has informed us that our marketing of our rEEG services without prior approval or re-classification by the FDA constitutes a violation of the Federal Food, Drug and Cosmetic Act"*). Failure to comply with applicable laws and regulations may result in various adverse consequences, including withdrawal of our products and services from the market, or the imposition of civil or criminal sanctions.

We believe that this industry will continue to be subject to increasing regulation, political and legal action and pricing pressures, the scope and effect of which we cannot predict. Legislation is continuously being proposed, enacted and interpreted at the federal, state and local levels to regulate healthcare delivery and relationships between and among participants in the healthcare industry. Any such changes could prevent us from marketing some or all of our products and services for a period of time or permanently.

We may be subject to regulatory and investigative proceedings, which may find that our policies and procedures do not fully comply with complex and changing healthcare regulations.

While we have established policies and procedures that we believe will be sufficient to ensure that we operate in substantial compliance with applicable laws, regulations and requirements, the criteria are often vague and subject to change and interpretation. We may become the subject of regulatory or other investigations or proceedings, and our interpretations of applicable laws and regulations may be challenged. The defense of any such challenge could result in substantial cost and a diversion of management's time and attention. Thus, any such challenge could have a material adverse effect on our business, regardless of whether it ultimately is successful. If we fail to comply with any applicable laws, or a determination is made that we have failed to comply with these laws, our financial condition and results of operations could be adversely affected.

Failure to comply with the Federal Trade Commission Act or similar state laws could result in sanctions or limit the claims we can make.

Our promotional activities and materials, including advertising to consumers and physicians, and materials provided to third parties for their use in promoting our products and services, are regulated by the Federal Trade Commission (FTC) under the FTC Act, which prohibits unfair and deceptive acts and practices, including claims which are false, misleading or inadequately substantiated. The FTC typically requires competent and reliable scientific tests or studies to substantiate express or implied claims that a product or service is effective. If the FTC were to interpret our promotional materials as making express or implied claims that our products and services are effective for the treatment of mental illness, it may find that we do not have adequate substantiation for such claims. Failure to comply with the FTC Act or similar laws enforced by state attorneys general and other state and local officials could result in administrative or judicial orders limiting or eliminating the claims we can make about our products and services, and other sanctions including fines.

Our business practices may be found to constitute illegal fee-splitting or corporate practice of medicine, which may lead to penalties and adversely affect our business.

Many states, including California, in which our principal executive offices are located, have laws that prohibit business corporations, such as us, from practicing medicine, exercising control over medical judgments or decisions of physicians, or engaging in certain arrangements, such as employment or fee-splitting, with physicians. Courts, regulatory authorities or other parties, including physicians, may assert that we are engaged in the unlawful corporate practice of medicine by providing administrative and ancillary services in connection with our PEER Reports. These parties may also assert that selling our PEER Reports for a portion of the patient fees constitutes improper fee-splitting. If asserted, such claims could subject us to civil and criminal penalties and substantial legal costs, could result in our contracts being found legally invalid and unenforceable, in whole or in part, or could result in us being required to restructure our contractual arrangements, all with potentially adverse consequences to our business and our stockholders.

Our business practices may be found to violate anti-kickback, self-referral or false claims laws, which may lead to penalties and adversely affect our business.

The healthcare industry is subject to extensive federal and state regulation with respect to financial relationships and "kickbacks" involving healthcare providers, physician self-referral arrangements, filing of false claims and other fraud and abuse issues. Federal anti-kickback laws and regulations prohibit certain offers, payments or receipts of remuneration in return for (i) referring patients covered by Medicare, Medicaid or other federal health care program, or (ii) purchasing, leasing, ordering or arranging for or recommending any service, good, item or facility for which payment may be made by a federal health care program. In addition, federal physician self-referral legislation, commonly known as the Stark law, generally prohibits a physician from ordering certain services reimbursable by Medicare, Medicaid or other federal healthcare program from any entity with which the physician has a financial relationship. In addition, many states have similar laws, some of which are not limited to services reimbursed by federal healthcare programs. Other federal and state laws govern the submission of claims for reimbursement, or false claims laws. One of the most prominent of these laws is the federal False Claims Act, and violations of other laws, such as the anti-kickback laws or the FDA prohibitions against promotion of off-label uses of medications, may also be prosecuted as violations of the False Claims Act.

While we believe we have structured our relationships to comply with all applicable requirements, federal or state authorities may claim that our fee arrangements, agreements and relationships with contractors and physicians violate these anti-kickback, self-referral or false claims laws and regulations. These laws are broadly worded and have been broadly interpreted by courts. It is often difficult to predict how these laws will be applied, and they potentially subject many typical business arrangements to government investigation and prosecution, which can be costly and time consuming. Violations of these laws are punishable by monetary fines, civil and criminal penalties, exclusion from participation in government-sponsored health care programs and forfeiture of amounts collected in violation of such laws. Some states also have similar anti-kickback and self-referral laws, imposing substantial penalties for violations. If our business practices are found to violate any of these provisions, we may be unable to continue with our relationships or implement our business plans, which would have an adverse effect on our business and results of operations.

We may be subject to healthcare anti-fraud initiatives, which may lead to penalties and adversely affect our business.

State and federal governments are devoting increased attention and resources to anti-fraud initiatives against healthcare providers, taking an expansive definition of fraud that includes receiving fees in connection with a healthcare business that is found to violate any of the complex regulations described above. While to our knowledge we have not been the subject of any anti-fraud investigations, if such a claim were made defending our business practices could be time consuming and expensive, and an adverse finding could result in substantial penalties or require us to restructure our operations, which we may not be able to do successfully.

Our use and disclosure of patient information is subject to privacy and security regulations, which may result in increased costs.

In conducting research or providing administrative services to healthcare providers in connection with the use of our PEER Reports we may collect, use, maintain and transmit patient information in ways that will be subject to many of the numerous state, federal and international laws and regulations governing the collection, dissemination, use and confidentiality of patient-identifiable health information, including the federal Health Insurance Portability and Accountability Act (HIPAA) and related rules. The three rules that were promulgated pursuant to HIPAA that could most significantly affect our business are the Standards for Electronic Transactions, or Transactions Rule; the Standards for Privacy of Individually Identifiable Health Information, or Privacy Rule; and the Health Insurance Reform: Security Standards, or Security Rule. HIPAA applies to covered entities, which include most healthcare facilities and health plans that may contract for the use of our services. The HIPAA rules require covered entities to bind contractors like us to compliance with certain burdensome HIPAA rule requirements.

The HIPAA Transactions Rule establishes format and data content standards for eight of the most common healthcare transactions. If we perform billing and collection services on behalf of psychiatrists and other physicians, we may be engaging in one or more of these standard transactions and will be required to conduct those transactions in compliance with the required standards. The HIPAA Privacy Rule restricts the use and disclosure of patient information, requires entities to safeguard that information and to provide certain rights to individuals with respect to that information. The HIPAA Security Rule establishes elaborate requirements for safeguarding patient information transmitted or stored electronically. We may be required to make costly system purchases and modifications to comply with the HIPAA rule requirements that are imposed on us and our failure to comply may result in liability and adversely affect our business.

Numerous other federal and state laws protect the confidentiality of personal and patient information. These laws in many cases are not preempted by the HIPAA rules and may be subject to varying interpretations by courts and government agencies, creating complex compliance issues for us and the psychiatrists and other physicians who purchase our services, and potentially exposing us to additional expense, adverse publicity and liability.

Risks Relating To An Investment In Our Common Stock

We currently have a limited trading volume, which results in higher price volatility for, and reduced liquidity of, our common stock.

Our shares of common stock are currently quoted on the OTCQB under the symbol “CNSO”. There is currently no broadly followed, established trading market for our common stock and an established trading market for our shares of common stock may never develop or be maintained. Active trading markets generally result in lower price volatility and more efficient execution of buy and sell orders. The absence of an active trading market increases price volatility and reduces the liquidity of our common stock. As long as this condition continues, the sale of a significant number of shares of common stock at any particular time could be difficult to achieve at the market prices prevailing immediately before such shares are offered. Also, as a result of this lack of trading activity, the quoted price for our common stock on the OTCQB is not necessarily a reliable indicator of its fair market value.

Furthermore, if we cease to be quoted on the OTCQB, holders would find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our common stock, and the market value of our common stock would likely decline.

If and when a larger trading market for our common stock develops, the market price of our common stock is likely to be highly volatile and subject to wide fluctuations, and you may be unable to resell your shares at or above the price at which you acquired them.

The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including, but not limited to:

- quarterly variations in our revenues and operating expenses;
- developments in the financial markets and worldwide or regional economies;
- announcements of innovations or new products or services by us or our competitors;
- announcements by the government relating to regulations that govern our industry;
- significant sales of our common stock or other securities in the open market;
- variations in interest rates;
- changes in the market valuations of other comparable companies; and
- changes in accounting principles.

In the past, stockholders have often instituted securities class action litigation after periods of volatility in the market price of a company's securities. If a stockholder were to file any such class action suit against us, we would incur substantial legal fees and our management's attention and resources would be diverted from operating our business to respond to the litigation, which could harm our business.

The sale of securities by us in any equity or debt financing could result in dilution to our existing stockholders and have a material adverse effect on our earnings.

Any sale of common stock by us in a future private placement or public offering could result in dilution to our existing stockholders as a direct result of our issuance of additional shares of our capital stock. In addition, our business strategy may include expansion through internal growth, by acquiring complementary businesses, by acquiring or licensing additional products and services, or by establishing strategic relationships with targeted customers and suppliers. In order to do so, or to finance the cost of our other activities, we may issue additional equity securities that could dilute our stockholders' stock ownership. We may also assume additional debt and incur impairment losses related to goodwill and other tangible assets if we acquire another company and this could negatively impact our earnings and results of operations.

U.S. broker-dealers may be discouraged from effecting transactions in shares of our common stock because they may be considered penny stock and thus be subject to the penny stock rules.

The SEC has adopted a number of rules to regulate "penny stock" that restricts transactions involving our shares of common stock. Such rules include Rules 3a51-1, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6, 15g-7, and 15g-9 under the Securities and Exchange Act of 1934, as amended. These rules may have the effect of reducing the liquidity of penny stocks. "Penny stocks" generally are equity securities with a price of less than $5.00 per share (other than securities registered on certain national securities exchanges or quoted on the NASDAQ Stock Market if current price and volume information with respect to transactions in such securities is provided by the exchange or system). Our securities constitute "penny stock" within the meaning of the rules. The additional sales practice and disclosure requirements imposed upon U.S. broker-dealers may discourage such broker-dealers from effecting transactions in shares or our common stock, which could severely limit the market liquidity of such shares and impede their sale in the secondary market.

A U.S. broker-dealer selling penny stock to anyone other than an established customer or "accredited investor" (generally, an individual with net worth in excess of $1,000,000 or an annual income exceeding $200,000, or $300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. In addition, the penny stock regulations require the U.S. broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared in accordance with SEC standards relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt. A U.S. broker-dealer is also required to disclose commissions payable to the U.S. broker-dealer and the registered representative and current quotations for the securities. Finally, a U.S. broker-dealer is required to submit monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

Stockholders should be aware that, according to SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) "boiler room" practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, resulting in investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.

We have not paid dividends in the past and do not expect to pay dividends for the foreseeable future, and any return on investment may be limited to potential future appreciation on the value of our common stock.

We currently intend to retain any future earnings to support the development and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including without limitation, our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. To the extent we do not pay dividends, our stock may be less valuable because a return on investment will only occur if and to the extent our stock price appreciates, which may never occur. In addition, investors must rely on sales of their common stock after price appreciation as the only way to realize their investment, and if the price of our stock does not appreciate, then there will be no return on investment. Investors seeking cash dividends should not purchase our common stock.

Our officers, directors and principal stockholders can exert significant influence over us and may make decisions that are not in the best interests of all stockholders.

Our officers, directors, principal stockholders (greater than 5% stockholders) and nominees to our board of directors collectively control approximately 58% of our issued and outstanding common stock and 54% on a fully diluted basis. As a result, these stockholders are able to affect the outcome of, or exert significant influence over, all matters requiring stockholder approval, including the election and removal of directors and any change in control. In addition, two significant stockholders exercise substantial control over the composition of the board of directors, by virtue of having the power to nominate all of the members of the board of directors. In particular, this concentration of ownership of our common stock could have the effect of delaying or preventing a change of control of us or otherwise discouraging or preventing a potential acquirer from attempting to obtain control of us. This, in turn, could have a negative effect on the market price of our common stock. It could also prevent our stockholders from realizing a premium over the market prices for their shares of common stock. Moreover, the interests of this concentration of ownership may not always coincide with our interests or the interests of other stockholders, and accordingly, they could cause us to enter into transactions or agreements that we would not otherwise consider.

Transactions engaged in by our largest stockholders, our directors or executives involving our common stock may have an adverse effect on the price of our stock.

Our officers, directors, principal stockholders (greater than 5% stockholders) and nominees to our board of directors collectively control approximately 58% of our issued and outstanding common stock and 54% on a fully diluted basis. Subsequent sales of our shares by these stockholders could have the effect of lowering our stock price. In connection with our recent offer and sale of convertible notes, we agreed to file a registration statement under certain circumstances covering the resale of shares of common stock upon the conversion thereof. The perceived risk associated with the possible sale of a large number of shares by these stockholders, or the adoption of significant short positions by hedge funds or other significant investors, could cause some of our stockholders to sell their stock, thus causing the price of our stock to decline. In addition, actual or anticipated downward pressure on our stock price due to actual or anticipated sales of stock by our directors or officers could cause other institutions or individuals to engage in short sales of our common stock, which may further cause the price of our stock to decline.

From time to time our directors and executive officers may sell shares of our common stock on the open market. These sales will be publicly disclosed in filings made with the SEC. In the future, our directors and executive officers may sell a significant number of shares for a variety of reasons unrelated to the performance of our business. Our stockholders may perceive these sales as a reflection on management's view of the business and result in some stockholders selling their shares of our common stock. These sales could cause the price of our stock to drop.

Anti-takeover provisions may limit the ability of another party to acquire us, which could cause our stock price to decline.

Delaware law contains provisions that could discourage, delay or prevent a third party from acquiring us, even if doing so may be beneficial to our stockholders, which could cause our stock price to decline. In addition, these provisions could limit the price investors would be willing to pay in the future for shares of our common stock.

Non-U.S. investors may have difficulty effecting service of process against us or enforcing judgments against us in courts of non-U.S. jurisdictions.

We are a company incorporated under the laws of the State of Delaware. All of our directors and officers reside in the United States. It may not be possible for non-U.S. investors to effect service of process within their own jurisdictions upon our company and our directors and officers. In addition, it may not be possible for non-U.S. investors to collect from our company, its directors and officers, judgments obtained in courts in such non-U.S. jurisdictions predicated on non-U.S. legislation.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, our stock price would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

The Company leases its headquarters and Neurometric Services space, located at 85 Enterprise, Suite 410, Aliso Viejo, CA 92656, under an operating lease which commenced on February 2010. On February 6, 2014, we signed a 24 month extension to our lease for our current location. The lease period commenced on February 1, 2014 and terminates on January 31, 2016. The 2,023 square foot facility has an average cost for the lease term of $4,100 per month. The monthly rent for months one through 13 is $4,349; the months of February 2014 and January 2015 are abated; the monthly rent for months 14 through 24 is $4,523.

We believe that our current space is adequate for our needs and that suitable additional or substitute space will be available to accommodate the foreseeable expansion of our operations.

ITEM 3. Legal Proceedings

For a discussion of our ongoing litigation with Leonard J. Brandt and Brandt Ventures, GP and other routine litigation to which we are subject please refer to the Litigations section of "Note 10. Commitments and Contingent Liabilities" of the Notes to the Consolidated Financial Statements.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Common Stock

Our common stock is currently trading on the OTCQB market the symbol CNSO. There is currently no broadly followed, established trading market for our common stock. Established trading markets generally result in lower price volatility and more efficient execution of buy and sell orders. The absence of an established trading market increases price volatility and reduces the liquidity of our common stock. As a result of this lack of trading activity, the quoted price for our common stock on the OTCQB is not necessarily a reliable indicator of its fair market value.

The following table sets forth, for the periods indicated, the high and low bid information for our common stock as determined from sporadic quotations on the OTC Bulletin Board or OTCQB market. The following quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	High	Low
Fiscal Year Ended September 30, 2013		
First Quarter	$ 1.01	$ 0.40
Second Quarter	$ 2.06	$ 0.49
Third Quarter	$ 2.33	$ 0.89
Fourth Quarter	$ 1.74	$ 0.30
Fiscal Year Ended September 30, 2014		
First Quarter	$ 0.54	$ 0.30
Second Quarter	$ 0.86	$ 0.36
Third Quarter	$ 0.65	$ 0.34
Fourth Quarter	$ 0.35	$ 0.22

On December 29, 2014, the closing sales price of our common stock as reported on the OTCQB market was $0.23 per share. As of December 29, 2014, there were 362 record holders of our common stock. The number of holders of record is based on the actual number of holders registered on the books of our transfer agent and does not reflect holders of shares in "street name" or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by depository trust companies.

Dividend Rights

We have not paid or declared cash distributions or dividends on our common stock and we do not intend to pay cash dividends on our common stock in the foreseeable future. We currently intend to retain all earnings, if and when generated, to finance our operations. The declaration of cash dividends in the future will be determined by the board of directors based upon our earnings, financial condition, capital requirements and other relevant factors.

Recent Sales of Unregistered Securities

The information required to be disclosed pursuant to Item 701 of Regulation S-K is incorporated herein by reference to our Company's current reports on Form 8-K.

None of the sales of securities referred to in such section was registered under the Securities Act of 1933, as amended (the "Securities Act"). Each of the purchasers represented to us that he/she/it was an "accredited investor" as that term is defined in Regulation D under the Securities Act. In addition, no general solicitation or advertising was used in connection with the sales. In making the sales without registration under the Securities Act, the Company relied upon the exemptions from registration contained in Sections 4(2) of the Securities Act, and in Regulation D promulgated under the Securities Act.

ITEM 6. Selected Financial Data

Not applicable.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes provided under Part II, Item 8 of this annual report on Form 10-K. This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity and cash flows of CNS Response, Inc. for the fiscal years ended September 30, 2014 and 2013. Except for historical information, the matters discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our management as of the date hereof based on information currently available to our management. Use of words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "should," "forecasts," "goal," "likely" or similar expressions, indicate a forward-looking statement. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions. Actual results may differ materially from the forward-looking statements we make. See "Risk Factors" elsewhere in this annual report on Form 10-K for a discussion of certain risks associated with our business. We disclaim any obligation to update forward-looking statements for any reason.

Overview

We are a clinical decision support company with a patented commercial neurometric platform to predict drug response for treatment of brain disorders, including depression, anxiety, bipolar disorder and post-traumatic stress disorder ("PTSD"). We are conducting a reimbursed trial at Walter Reed National Military Medical Center ("Walter Reed") and Fort Belvoir Community Hospital ("Fort Belvoir") focused on patients with depression, PTSD and mild traumatic brain injury ("mTBI") in order to support clinical decisions in the treatment of depression and related disorders. We are being reimbursed by Walter Reed at a study-specific rate which includes a prorated element for study expenses for each Psychiatric Electroencephalographic Evaluation Registry ("PEER") Outcome report rendered in the study.

Clinical Services- Discontinued Operation

In January 2008, we acquired, the Neuro-Therapy Clinic, Inc. ("NTC") which upon the completion of the transaction became a wholly-owned subsidiary. NTC operated a psychiatric medication management practices in the state of Colorado. Effective September 30, 2012, operations at NTC were discontinued, as the Company chose to focus its limited cash resources on its Walter Reed clinical trial. Consequently, NTC is accounted for as a discontinued operation.

Working Capital

We are unable to pay all our obligations as they become due and we are in arrears on paying certain of our creditors. If we are not able to raise additional funds within the next few months and reach accommodations with certain of our creditors, we will likely be required to cease our operations.

Since our inception, we have generated significant net losses. As of September 30, 2014, we had an accumulated deficit of approximately $59.21 million; and as of September 30, 2013, our accumulated deficit was approximately $56.55 million. We incurred operating losses of $3.82 million and $4.20 million for the fiscal years ended September 2014 and 2013, respectively and incurred net losses of $2.66 million and $10.91 million for those respective periods. Large, non-cash, accounting transactions significantly impacted the net losses for the 2014 and 2013 fiscal years, including:

- a non-cash loss of $5.8 million on the inducement to convert $7.7 million of convertible promissory notes and interest in fiscal year 2013;
- a non-cash interest expense of $1.28 million of which $0.62 million was accrued interest on our converted promissory notes and $0.66 million was the amortization of warrant discount in the 2013 fiscal year. For fiscal year 2014 the non-cash interest charges were only $7,600.
- a non-cash gain on extinguishment of debt of $0.56 million primarily from the conversion of promissory notes to equity in the 2013 fiscal year: in the 2014 fiscal year we had a non-cash gain on extinguishment of debt of $1.1 million from the settlement of certain accounts payable with equity.

Assuming we are able to continue our operations, we expect our net losses to continue for at least the next two years. We anticipate that a substantial portion of any capital resources and efforts would be focused on our clinical trial being conducted at Walter Reed and Fort Belvoir, followed by the scale-up of our commercial organization, further research, product development and other general corporate purposes, including the payment of legal fees incurred as a result of our litigation. We anticipate that future research and development projects would be funded by grants or third-party sponsorship, along with funding by the Company.

As of September 30, 2014, our current liabilities of approximately $1.62 million exceeded our current assets of approximately $1.31 million by approximately $0.31 million and, assuming we are able to continue our operations, our net losses will continue for the foreseeable future. During fiscal year 2014 we were successful in raising a net $3.34 million of which $1.69 million was in the private placement of equity at $0.25 per share of Common Stock and $1.65 million was in the private placement of secured convertible debt at $0.25 per share. We will need additional funding to complete our clinical trial at Walter Reed, Fort Belvoir and other military and VA locations, if any. Additional funding will be needed before we can 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.

Placement Transactions

Between June 3, 2010 and February 2012, the Company raised approximately $7.6 million through four rounds of private placements of convertible promissory notes. In January 2013, SAIL Capital Partners converted multiple notes, which were held by various SAIL entities, with an aggregate principle amount of $1.25 million, plus the interest thereon, into 1,469,816 shares of common stock at $1 per share. Effective August 12, 2013, all remaining notes from the four private placement rounds in the aggregate amount of $7.7 million of principal and interest thereon, were converted into 30,893,419 shares of common stock pursuant to an offer letter to convert the notes and interest at $0.25 per share in accordance with the Omnibus Note Amendment Agreement, which was fully executed on August 12, 2013, when all holders of the notes convertible at $1.0 per share agreed to convert those notes and interest into common stock at $0.25 per share.

From August 17, 2012, through November 30, 2012, we raised an additional $2.0 million through the sale of October 2012 Notes convertible at $0.04718 per share of common stock. All these notes, along with the interest thereon, were converted by September 30, 2013, into 44,085,044 shares of common stock.

From February 2013, through July 2014, the Company conducted five tranches of private placements of shares of common stock at $0.25 per share as follows:

1. From February 22, 2013, through April 1, 2013, 19 accredited investors purchased an aggregate of 4,180,000 shares of common stock at a price of $0.25 per share in a private placement. The Company received gross aggregate cash proceeds of $1,045,000. The investors included three affiliates, one of which is the Tierney Family Trust of which Mr. Thomas Tierney, our Chairman of the Board of the Company, is a trustee. The Tierney Family Trust acquired 400,000 shares of common stock for which the Company received cash proceeds of $100,000. A second affiliate investor is Paul Buck, the Company's CFO, who acquired 50,000 shares of common stock for which the Company received cash proceeds of $12,500, the third affiliate investor is Extuple Limited Partnership ("Extuple") an accredited investor and a greater than 5% beneficial owner of the Company, invested $300,000 for 1,200,000 shares of common stock.

2. From May 23, 2013, through September 12, 2013, 23 accredited investors purchased an aggregate of 8,000,000 shares of common stock, par value $0.001, at a price of $0.25 per share pursuant to a private placement. The Company received gross aggregate cash proceeds of $2,000,000. The investors included the following affiliates: the Tierney Family Trust of which Mr. Tierney, our Chairman of the Board of the Company, is a trustee, acquired 1,200,000 shares of common stock for which the Company received cash proceeds of $300,000: the Follman Family Trust of which Mr. Robert Follman, a director of the Company is a trustee, acquired 800,000 shares of common stock for which the Company received cash proceeds of $200,000: Mr. John Pappajohn, a director of the Company, acquired 400,000 shares of common stock for which the Company received cash proceeds of $100,000: Mr. Paul Buck, the Company's CFO, acquired 50,000 shares of common stock for which the Company received cash proceeds of $12,500: Mr. & Mrs. Mark and Jill Oman, who are greater than 5% beneficial owners of the Company, and an entity under their control acquired 1,400,000 shares of common stock for which the Company received cash proceeds of $350,000.

3. From October 7, 2013, through November 14, 2013, the Company sold and issued an aggregate of 1,900,000 shares of its common stock at a per share price of $0.25, in a private placement to 11 accredited investors, for which it received gross cash proceeds to the Company of $475,000. No affiliates participated in this tranche.

4. Between January 14, 2014 and February 14, 2014, the Company sold and issued an aggregate of 4,000,000 shares of its Common Stock, par value $0.001, at a price of $0.25 per share, in a private placement to 20 accredited investors, for which it received gross cash proceeds to the Company of $1,000,000. The investors included the following affiliates: the Tierney Family Trust of which Mr. Tierney, the Chairman of the Board, Family Trust of which Mr. Follman, a Director of the Company is a trustee, acquired 800,000 shares of Common Stock for which the Company received cash proceeds of $200,000: George Carpenter, the Company's Chief Executive Officer, and his wife acquired 200,000 shares of Common Stock for which the Company received cash proceeds of $50,000: Paul Buck, the Company's, Chief Financial Officer, acquired 100,000 shares of Common Stock for which the Company received cash proceeds of $25,000.

5. Between July 8, 2014 and July 23, 2014, the Company sold and issued an aggregate of 1,040,000 shares of its Common Stock, at a price of $0.25 per share, in a private placement to seven accredited investors, for which it received gross cash proceeds of $260,000. These investors included our Chairman, Thomas Tierney, and Director, Robert Follman, who each purchased 400,000 shares of Common Stock for $100,000 each; an entity beneficially owned by our Director, Walter Schindler, that purchased 40,000 shares of Common Stock for $10,000; our Chief Executive Officer, George Carpenter and his wife Jill Carpenter, purchased 50,000 shares of Common Stock for $12,500; our Chief Financial Officer, Paul Buck, also purchased 50,000 shares of Common Stock for $12,500.

Between September 22, 2014, and September 26, 2014, the Company entered into a Note Purchase Agreement (the "Note Purchase Agreement") in connection with a bridge financing, with eight accredited investors, including lead investor RSJ Private Equity uzavreny investicni fond a.s ("RSJ PE"). Pursuant to the Note Purchase Agreement, the Company issued eight secured convertible promissory notes (each, a "September 2014 Note") in the aggregate principal amount of $1.65 million, representing gross proceeds to the Company of $1.65 million. Of this amount, RSJ PE purchased a September 2014 Note for $750,000. The September 2014 Notes were also purchased by the following affiliates of the Company or entities under their control: The Tierney Family Trust, of which the Company's Chairman of the Board, Thomas Tierney, is a trustee, purchased a September 2014 Note for $200,000; the Company's Director, John Pappajohn, purchased a September 2014 Note for $200,000; and Oman Ventures, of which Mark Oman, a greater than 5% stockholder of the Company, is the President, purchased a September 2014 Note for $200,000. The obligations represented by these September 2014 Notes are secured by substantially all of the assets of the Company.

Please see *Note 4. Convertible Debt and Equity Financings to the Consolidated Financial Statements* for details of the abovementioned transactions.

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 doing the EEG. Our Clinical Trial revenues are derived from the PEER Reports to the Military. The list price of our PEER Reports to the Military is $540 and is inclusive of collecting the EEG. We stopped providing PEER Reports to the Military in May 2014 and generated no revenue after such time. Although we expect to continue our service to the Military, no assurance can be given that we will generate any additional revenue by providing the Military with PEER Reports.

Cost of Revenues

Cost of revenues are for neurometric services and represent the cost of direct labor, the costs associated with external processing, analysis and consulting review necessary to render an individualized test result and any miscellaneous support expenses. Costs associated with performing our tests are expensed as the tests are performed. We continually evaluate the feasibility of hiring our own personnel to perform most of the processing and analysis necessary to render a PEER Report.

Research and Product Development

Research and Product development expenses are associated with our neurometric services and primarily represent costs incurred to design and conduct clinical studies, to recruit patients into the studies, to improve PEER Report processing, to add data to the CNS 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 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 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, consulting and administrative and support costs for our neurometric services.

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 financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. 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.

Our significant accounting policies are described in Note 2 to our consolidated financial statements included elsewhere in this prospectus. We believe the following critical accounting policies reflect our more significant estimates and assumptions used in the preparation of our consolidated financial statements.

Discontinued Operation

Due to our cessation of our Clinical Services operation as described in Note 3 to our consolidated financial statements, we have segregated the revenues and expenses associated with the Clinical Services and accounted for them as discontinued operations.

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. For our Clinical Services, revenues were recognized when the services were performed.

Stock-based Compensation Expense

Stock-based compensation expense, which is a non-cash charge, results from stock option grants. Compensation cost is measured at the grant date based on the calculated fair value of the award. We recognize stock-based compensation expense on a straight-line basis over the vesting period of the underlying option. The amount of stock-based compensation expense expected to be amortized in future periods may decrease if unvested options are subsequently cancelled or may increase if future option grants are made.

Offering Costs

The Company applies ASC topic 505-10, "Costs of an Equity Transaction", for recognition of offering costs. In accordance with ASC 505-10, the Company treats incremental direct costs incurred to issue shares classified as equity, as a reduction of the proceeds. Direct costs incurred before shares classified as equity are issued, are classified as an asset until the stock is issued. Indirect costs such as management salaries or other general and administrative expenses and deferred costs of an aborted offering are expensed.

Long-Lived Assets and Intangible Assets

Property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value of the assets may not be recoverable. If the Company determines that the carrying value of the asset is not recoverable, a permanent impairment charge is recorded for the amount by which the carrying value of the long-lived or intangible asset exceeds its fair value. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives of ten years.

Derivative accounting for convertible debt and warrants

The Company analyzes all financial instruments with features of both liabilities and equity under ASC-480-10 and ASC 815-10 whereby the Company determines the fair market carrying value of a financial instrument using the Black-Scholes model and revalues the fair market value on a quarterly basis. Any changes in carrying value flow through as other income (expense) in the income statement. As of September 30, 2013, the Company did not have any convertible debt or warrants, and therefore, had no associated derivative liabilities at that time. During September 2014, the Company raised $1.65 million in a private placement of secured convertible debt at $0.25 per share of Common Stock. This debt instrument also has a ratchet requiring the determination of the fair market carrying value. At issuance, the note discount and derivative liability using the Black-Scholes model was $179,200 and at September 30, 2014, upon revaluation, the derivative liability value was reduced to $153,100 with a resultant gain of $26,100 from derivative liabilities being booked to other income in the income statement.

Results of Operations for the Fiscal Years Ended September 30, 2014 and 2013

Since September 30, 2012, Neurometric Services has been focused on conducting the clinical trial at Walter Reed and Fort Belvoir and on the delivery of reports ("PEER Reports") to a core group of physicians. The PEER Report enables psychiatrists and other physician/prescribers to make more informed, patient-specific decisions when treating individual patients for behavioral (psychiatric and/or addictive) disorders based on the patient's own physiology. Prior to September, 2012, we also had a Clinical Services business which was operated by the NTC and provided full psychiatric services. This operation has been closed and is now accounted for as a discontinued operation.

The following table presents consolidated statement of operations data for each of the periods indicated as a percentage of revenues.

	Fiscal Year ended September 30,	
	2014	**2013**
Revenues	100%	100%
Cost of revenues	54	109
Gross profit	46	(9)
Research	86	128
Product development	991	855
Sales and marketing	289	265
General and administrative expenses	1,506	1,952
Operating loss	(2,826)	(3,209)
Other income (expense), net	856	(5,109)
Net income (expense) before Discontinued Operations	(1,970)	(8,318)
Loss from Discontinued Operations	(2)	(15)
Net income (loss)	(1,972)%	(8,333)%

Revenues

	Fiscal Year ended September 30,		Percent Change
	2014	**2013**	
Neurometric Service Revenues	$ 135,100	$ 130,900	3%

With respect to our Neurometric Services business, the number of third party paid PEER Reports delivered decreased to 313 for the fiscal year ended September 30, 2014, down from 317 for the prior fiscal year end. The decrease was due to the halt of enrollment into the Walter Reed Clinical trial in May, 2014, pending a review. Consequently, no PEER Reports were ordered for the period from May through September of 2014. Our standard price per report is $400 to our non-military providers and $540, which includes the collection of the EEG, to our military clinical trial providers. The average revenue per report increased to $429 per test in fiscal year 2014 from $413 in the prior year. This increase was due to the mix of regular and clinical trial PEER Reports delivered. The total numbers of free PEER Reports processed were 52 and 97 for the fiscal years ended September 30, 2014 and 2013 respectively. These free PEER Reports are used for training, database-enhancement and compassionate-use purposes.

Cost of Revenues

	Fiscal Year ended September 30,		Percent Change
	2014	2013	
Cost of Neurometric Services revenues	$ 73,000	$ 142,600	(49)%

Cost of Neurometric Services revenues consisting of payroll costs (including stock-based compensation), consulting costs, and other miscellaneous charges were as follows:

		Fiscal Year ended September 30,		
	Key Expense Categories	2014	2013	Change
(1)	Salaries and benefit costs	$ 50,100	$ 108,500	$ (58,400)
(2)	Consulting fees	22,700	33,000	(10,300)
(3)	Other miscellaneous costs	200	1,100	(900)
	Total Costs of Revenues	$ 73,000	$ 142,600	$ (69,600)

Consulting costs associated with the processing of second generation of PEER Online reports are between $10 and $60 per report. We expect the cost of revenues to decrease as a percentage of revenues as we improve our operating efficiency and increase the automation of certain processes.

Comparing the fiscal year ended September 30, 2014 with the corresponding period in 2013:

(1) Salary and benefit expenses for the 2014 period were reduced by $58,400 with the departure of a member of staff. This function was re-assigned to a consultant and other members of staff along with the rollout of our second generation of PEER Online which is more automated. During the first seven months of the 2013 period, 67% of the salary was paid in cash and 33% of the salary was accrued as a result of the Company's limited cash resources. All accrued salary liabilities owing to staff have subsequently been paid out;

(2) Consulting fees declined for the 2014 period as we utilized a different consulting resource to artifact EEGs which were generated for our second generation of PEER Online reports; and

(3) Other miscellaneous costs declined in fiscal year 2014 as a result of the reduction in staff.

Research

	Fiscal Year ended September 30,		Percent Change
	2014	2013	
Neurometric Services Research	$ 116,200	$ 167,900	(31)%

Research expenses consist of payroll costs (including stock-based compensation), consulting fees, practitioner training costs, travel, conference and other miscellaneous costs which were as follows:

		Fiscal Year ended September 30,		
	Key Expense Categories	2014	2013	Change
(1)	Salaries and benefit costs	$ 65,600	$ 181,100	$ (115,500)
(2)	Consulting fees	40,000	(23,000)	63,000
(3)	Other miscellaneous costs	10,600	9,800	800
	Total Research	$ 116,200	$ 167,900	$ (51,700)

Comparing the fiscal year ended September 30, 2014 with the corresponding period in 2013:

(1) Salary and benefit costs decreased for the 2014 period as Dr. Hoffman, our medical director, left the Company during July 2013, although he remains a consultant to the Company. The salary and benefit cost represent the amortization of stock-based compensation granted to Dr. Hoffman and the payment of accrued salary owed to him;

(2) Consulting costs increased for 2014 period as we entered into a consulting agreement with Dr. Schiller for the medical monitoring of the Walter Reed study, the training of clinical trial investigators and new PEER Online users. Additionally Dr. Schiller is advising on product development. For the fiscal 2013 period costs decreased as we reversed anticipated accrued consulting cost which did not materialize; and

(3) Other miscellaneous costs for 2014 period were primarily for professional liability insurance; during the 2013 period expenses included only a partial year of insurance costs along with some travel related expenses.

Product Development

	Fiscal Year ended September 30,		Percent Change
	2014	2013	
Neurometric Services Product Development	$ 1,338,500	$ 1,119,500	20%

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

		Fiscal Year ended September 30,		
	Key Expense Categories	2014	2013	Change
(1)	Salaries and benefit costs	$ 507,200	$ 457,400	$ 49,800
(2)	Consulting fees	622,300	442,000	180,300
(3)	System development costs	104,100	75,100	29,000
(4)	Conference & Travel	51,000	98,300	(47,300)
(5)	Other miscellaneous costs	53,900	46,700	7,200
	Total Product Development	$ 1,338,500	$ 1,119,500	$ 219,000

Comparing the fiscal year ended September 30, 2014 with the corresponding period in 2013:

(1) Salaries and benefits increased by a net $49,800 and the mix of expenditures changed in the 2014 period as follows: (a) a realignment of staff from the Sales and Marketing cost center to Product Development as the role of our VP of Government Accounts, Col. (Ret) Stewart Navarre had changed from a marketing focus to managing the Walter Reed clinical trial effective January 2013. Consequently the 2013 period does not have three months' worth of comparable salary expense; (b) senior managers agreed in the 2014 period to forfeit a portion of their salaries in favor of receiving stock-based compensation in the form of options with an exercise price of $0.25 per share of Common Stock along with the payout of their accrued salaries from prior periods. These accrued salaries were paid out over an extended period in place of their forfeited salaries; and (c) consequently, the aforementioned reduction in salary expense was partially offset by the associated increase in stock-based compensation;

(2) Consulting fees increased for the 2014 period due to the costs associated with the Walter Reed clinical trial which includes the clinical research coordinators and EEG technologists who are engaged through the Henry Jackson Foundation. Since the consultants were only hired midway through the 2013 period, only half of the comparable expense is reflected in such period. Additionally, we have engaged a clinical research organization which oversees the clinical trial and data management processes;

(3) System development and maintenance costs increased in the 2014 period with further development and support of our SalesForce.com based applications including the development of a patient referral portal to handle incoming inquiries, the development of a system dashboard and the migration of our data to a more robust and secure hosting service operated by Microsoft; for the 2013 period, expenditures were focused on finalizing the clinical study software to be used in the Walter Reed study. No other major system development initiatives were undertaken.

(4) Conference and travel costs decreased for the 2014 period as our VP of Government Accounts has been splitting his time among the clinical trial sites, Walter Reed and Fort Belvoir, and our Aliso Viejo, California headquarters. For fiscal year 2013, our VP of Government Accounts temporarily relocated to Bethesda, MD, to be on site at Walter Reed/Fort Belvoir to administer the clinical trial.

(5) Other miscellaneous costs increased in the 2014 period, largely due to our portion of the costs associated with an agreement with an EEG hardware manufacturer to make their equipment compatible with the Neuroguide system which is used in the generation of the PEER Online reports. For the 2013 period the expenditures incurred primarily for the set-up of the Walter Reed/Fort Belvoir clinical trial.

Sales and marketing

	Fiscal Year ended September 30,		Percent Change
	2014	2013	
Neurometric Services Sales and Marketing	$ 390,200	$ 347,500	12%

Sales and marketing expenses associated with our Neurometric Information Services business consist primarily of payroll and benefit costs, including stock-based compensation, advertising and marketing, consulting fees and conference and travel expenses.

		Fiscal Year ended September 30,		
	Key Expense Categories	2014	2013	Change
(1)	Salaries and benefit costs	$ 196,200	$ 262,500	$ (66,300)
(2)	Consulting fees	120,000	51,300	68,700
(3)	Advertising and marketing costs	64,600	15,600	49,000
(4)	Conferences and travel costs	5,300	10,700	(5,400)
(5)	Other miscellaneous costs	4,100	7,400	(3,300)
	Total Sales and marketing	$ 390,200	$ 347,500	$ 42,700

Comparing the fiscal year ended September 30, 2014, with the same period in 2013:

(1) Salaries and benefits for the 2014 period had a net decrease due to several reasons: 1) a reduction in stock based compensation as option grants became fully vested; 2) as mentioned in the Product Development section above, there was a realignment of staff from the Sales and Marketing cost center to Product Development with the change in the role of our VP of Government Accounts, Col (Ret) Stewart Navarre, whose focus shifted to managing the Walter Reed clinical trial. During the first seven months of the 2013 period, 67% of the salary was paid in cash and 33% of the salary was accrued as a result of the Company's limited cash resources. All accrued salary liabilities owing to staff have subsequently been paid out;

(2) Consulting fees increased for the 2014 period as the Company engaged a marketing consultant, Decision Calculus Associates, to assist with social media and general marketing. The 2014 period expense was for the full 12 months while the 2013 expense was for a five month period;

(3) Advertising and marketing expenses increased in the 2014 period as we hired a public relations firm and an advertising agency to advise and assist in raising the awareness for our Walter Reed clinical trial in anticipation of the announcement of interim results. We also initiated a qualified direct-to-consumer test marketing campaign using the new Facebook Go program which has shown encouraging early results in lead generation. For the 2013 period, expenses were curtailed due to the limited available cash resources; and

(4) Conferences and travel and miscellaneous expenditures were marginally decreased for the 2014 period as certain expenses in 2013 did not reoccur.

(5) Miscellaneous expenditures for fiscal year 2014 decreased from the prior period as expenses were kept to a minimum due to the limited available cash.

General and administrative

	Fiscal Year ended September 30,		Percent Change
	2014	2013	
General and administrative Neurometric Services	$ 2,034,000	$ 2,554,000	(20)%

General and administrative expenses for our Neurometric Information Services business are largely comprised 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 and travel costs and miscellaneous costs.

	Key Expense Categories	Fiscal Year ended September 30, 2014	2013	Change
(1)	Salaries and benefit costs	$ 1,020,400	$ 1,366,500	$ (346,100)
(2)	Legal fees	383,300	554,700	(171,400)
(3)	Other professional and consulting fees	154,600	170,700	(16,100)
(4)	Patent costs	83,000	76,400	6,600
(5)	Marketing and investor relations costs	29,200	18,800	10,400
(6)	Conference and travel costs	62,500	79,600	(17,100)
(7)	Dues & subscriptions fees	83,600	65,300	18,300
(8)	General admin and occupancy costs	217,400	222,000	(4,600)
	Total General and administrative costs	$ 2,034,000	$ 2,554,000	$ (520,000)

Comparing the fiscal year ended September 30, 2014; with the same period in 2013:

(1) Salaries and benefit expenses decreased for the 2014 period for several reasons: (a) In the 2014 period, corporate officers agreed to forfeit their current salaries in favor of receiving stock-based compensation in the form of options with an exercise price of $0.25 per share of Common Stock along with the payout of their accrued salaries from prior periods which were owed to them. These accrued salaries were paid out over an extended period in place of their forfeited current salaries; (b) net decreased in stock-compensation expenditure of $284,600 as options became fully vested; (c) an adjustment of $133,600 in the 2013 period whereby the corporate officers forfeited 50% of their accrued salaries and bonus from prior periods in exchange for stock at $1.00 per share pursuant to the Employment Compensation Forfeiture and Exchange Agreement; (d) lastly, during the 2014 period our controller became a full-time employee of the Company; during the 2013 period our controller was supporting us on a part-time consulting basis;

(2) Legal fees showed a net decrease for the 2014 period: (a) general and securities legal expenses were decreased, although we did incur additional fees with regard to the preparation of our documents related to our private placement financing rounds; (b) the Brandt litigation costs during the 2014 period decreased by $172,200 due to decreased activity during this period; (c) other legal fees associated with our lobbying efforts increased by $29,500 for the 2014 period; expenditures during 2013 were similar to the 2014 period however a $57,400 lobbying fee adjustment was negotiated and booked during the 2013 period;

(3) Professional and consulting fees decreased for 2014 period by a net $16,100. This difference was due to a decrease in consulting services of $39,200 as certain consulting expenditures in the 2013 period did not reoccur; the reduction of consulting fees was partly offset by an increase in professional services of $22,000 for two years' worth of tax preparations.

(4) Patent costs increased by $6,600 largely due to the timing and volume of patent applications and maintenance costs. Where possible, costs were deferred due to the limited available cash resources; no patents or applications lapsed due to any delayed payment of maintenance or application fees during this period.

(5) Investor relations expenditures increased in the 2014 period by $10,400 as we engaged an investor relations firm during the fourth quarter of the fiscal year.

(6) Conference and travel costs decreased in the 2014 period by $17,100 as there were fewer trips for financing and clinical trial purposes.

(7) Dues and subscription fees increased in the 2014 period by $18,300 largely due to increased licenses needed for the increase in the number of providers using the PEER Online system.

(8) These costs remained substantially similar for fiscal year 2014 and fiscal year 2013.

Other income (expense)

	Fiscal Year ended September 30, 2014	2013	Percent Change
Neurometric Services (expense), net	$ 1,161,900	$ (6,686,600)	*

(not meaningful)*

For the fiscal years ended September 30, 2014 and 2013 net other non-operating income (expenses) for Neurometric Services were as follows:

- For the fiscal year ended September 30, 2014, we incurred non-cash interest charges totaling $7,600 of which $2,600 was accrued interest on our promissory notes at 5% per annum; the remaining balance was comprised of a $5,000 derivative liability charge for note conversions; only $4,200 was for net interest paid in cash for the year.

  For the fiscal year ended September 30, 2013, we incurred non-cash interest charges totaling $1,288,200 of which $622,200 was accrued interest on our promissory notes at 9% per annum; the remaining balance was comprised of $662,300 of warrant discount amortization and derivative liability charges for warrant and note conversions; only $3,700 was for net interest paid in cash for the year.

- For the fiscal year ended September 30, 2014, we incurred finance fees totaling $1,800 in association with our private placement of convertible notes. No cash has been paid to date.

  For the fiscal year ended September 30, 2013, we incurred finance fees totaling $62,100 in association with our private placement of convertible notes. Of these finance fees $31,700 were paid in cash and $30,500, which was the fair value of warrants issued to the placement agent.

- For the fiscal year ended September 30, 2014, we had no offering costs. For the same period ended September 30, 2013, offering costs related to our private placement fund raising efforts of $2,500 were expensed.

- For the fiscal year ended September 30, 2014, we wrote back of $44,100 of previously accrued vendor payables. We had no similar income for the same period ended September 30, 2013.

- Under ASC 815, all derivative instruments are required to be measured subsequently at fair value and the change in fair value of non-hedging derivative instrument are to be recognized in current earnings. Revaluation of our derivative liabilities for the promissory note conversion feature for the fiscal year ended September 30, 2014 resulted in a non-cash gain of $26,100.

  For the fiscal year ended September 30, 2013, we had a non-cash loss of $97,600 upon the revaluation of our derivative liabilities for the promissory note conversion feature and the associated warrants.

- Under ASC 470-20-55, when a convertible debt instrument, such as a convertible note, is converted to equity securities pursuant to an inducement to convert, the difference between the fair value of the newly converted securities, subject to the inducement, and those of the original conversion consideration is determined to be the cost of the inducement to convert. The fair value of the securities is measured as of the date that the inducement offer is accepted by the convertible note holders. For the fiscal year ended September 30, 2013, the cost of the inducement to convert all the notes originally convertible at $1 per share with the inducement of the conversion at $0.25 per share as of August 12, 2013, was $5,792,500. For the fiscal year ended September 30, 2014, we incurred no comparable costs.

- For fiscal year 2014 we experienced a non-cash gain on the extinguishment of debt of $1,105,200 related to the settlement of a long-outstanding trade payable balance which was renegotiated.

  For fiscal year 2013 we benefited from a non-cash gain of $556,300 as a result of accounting for the extinguishment of debt. The debt extinguishment accounting was precipitated by the changes in the fair value of existing notes pursuant to the Amended and Restated Consent, Note Amendment and Warrant Forfeiture Agreement which extended the maturity date of the notes and eliminated the ratchet feature of the notes in question thereby creating the non-cash gain of $466,300. Also included in the fiscal year 2013 number is a non-cash gain of $90,000 which is the result of the forgiveness of debt by Dr. Harbin for consulting services provided by him.

Net Loss from Continuing Operations

	Fiscal Year ended September 30,		Percent Change
	2014	2013	
Neurometric Services Loss, net	$ (2,660,100)	$ (10,888,000)	(76)%

The net loss for our Neurometric Services business of approximately $2.7 million for the fiscal year ended September 30, 2014 compared to the $10.9 million loss in the prior year is primarily due to the large non-cash charges in our Other Income (Expense) expense category described above.

The Company's operating loss of $3.8 million for the fiscal year ended September 30, 2014, is a reduction of $0.4 million from the $4.2 million loss in the prior year. This reduction is due to a general reduction in operating expenses that occurred in the course of the year, much of it driven by cost cutting due to our very limited cash resources and a singular focus on the Walter Reed/Fort Belvoir clinical trial.

Loss from Discontinued operations:

	Fiscal Year ended September 30,		Percent Change
Loss from Discontinued operations	**2014**	**2013**	
Clinical Services Loss	(2,700)	(19,400)	(86)%

For our Clinical Services the net loss for the fiscal year ended September 30, 2014 of $2,700 is a decrease of $16,700 over the same period in the prior year. As there were no ongoing operations during the 2014 period, the loss incurred was due to storage fees for medical records and costs associated with the remaining period of our lease on NTC's premises. All lease obligations have been paid off effective September 30, 2014.

NTC's operations were discontinued effective September 30, 2012, so that the Company could focus its limited resources on the clinical trial at Walter Reed.

Liquidity and Capital Resources

Since our inception, we have incurred significant losses. As of September 30, 2014, we had an accumulated deficit of approximately $59.2 million; for the prior year our accumulated deficit was approximately $56.6 million. We have not yet achieved profitability and anticipate that we will continue to incur net losses for the foreseeable future. We expect that with our Walter Reed clinical trial, sales and marketing and general and administrative cost, our expenditures will continue to grow and, as a result, we will need to generate significant product revenues to achieve profitability. We may never achieve profitability.

As of September 30, 2014, we had approximately $1,240,600 in cash and cash equivalents and a working capital deficit of approximately $0.31 million. This is comparable to our cash position of approximately $1,273,600 in cash and cash equivalents as of September 30, 2013, and greatly reduced working capital deficit down from approximately $2.2 million at September 30, 2013.

Between September 22, and September 26, 2014, the Company entered into Note Purchase Agreements in connection with a bridge financing, with eight accredited investors. Pursuant to the Note Purchase Agreement, the Company issued eight secured September 2014 Notes in the aggregate principal amount of $1.65 million, representing gross proceeds to the Company of $1.65 million. Of this amount, RSJ PE, the lead investor purchased a September 2014 Note for $750,000. The September 2014 Notes were also purchased by the following affiliates of the Company or entities under their control: The Tierney Family Trust, of which the Company's Chairman of the Board, Thomas Tierney, is a trustee, purchased a September 2014 Note for $200,000; the Company's Director, John Pappajohn, purchased a September 2014 Note for $200,000; and Oman Ventures, of which Mark Oman, a greater than 5% stockholder of the Company, is the President, purchased a September 2014 Note for $200,000. The obligations represented by these September 2014 Notes are secured by substantially all of the assets of the Company.

Operating Capital and Capital Expenditure Requirements

Our continued operating losses and limited capital raise doubt about our ability to continue as a going concern. We have limited ability to meet our current obligations as they become due and we are in arrears on certain of our creditors. Because of our substantial indebtedness, we are insolvent and need to raise additional funds and restructure our debt in order to continue our operations. Our financial statements include an opinion of our auditors that our continued operating losses and limited capital raise substantial doubt about our ability to continue as an ongoing concern.

We need additional funds to complete our Walter Reed clinical trial and to continue our operations and will need substantial additional funds before we can increase demand for our PEER Online services. We are continuing to explore additional sources of capital; however, we do not know whether additional funding will be available on acceptable terms, or at all, especially given the economic conditions that currently prevail. Furthermore, any additional equity funding may result in significant dilution to existing stockholders and, if we incur debt financing, a substantial portion of our operating cash flow may be dedicated to the repayment of principal and interest on such indebtedness, thus limiting funds available for our business activities.

We expect to continue to incur operating losses in the future. We anticipate that our cash on hand and cash generated through our operations will not be sufficient to fund our operations for the next 12 months. If adequate funds are not available, it would have a material adverse effect on our business, financial condition and/or results of operations, and could cause us to have to cease operations.

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 Walter Reed clinical trial and product development activities, including enhancements to our PEER Online Database and costs we incur to further validate the efficacy of our referenced EEG technology;
- the amount and timing of costs we incur in connection with the expansion of our commercial operations, including our selling and marketing efforts;
- whether we incur additional consulting and legal fees in our efforts to conducting a Non-Significant Risk study under an 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.

Sources of Liquidity

Since our inception, substantially all of our operations have been financed from equity and debt financings. From June, 2010, through to November, 2012, we raised $9.6 million through five rounds of private placements of convertible secured notes with 34 accredited investors. All the aforementioned notes were all converted, along with the interest thereon, by September 30, 2013. Of these notes, $5.6 million, or 58% in principal amount, were purchased by directors, officers and affiliates of the Company.

Since February, 2013, through July 2014 we raised $4.8 million through the private placement of equity at $0.25 per share of Common Stock. Of this equity offerings $2.1 million, or 44%, were purchased by directors, officers and affiliates of the Company.

In September 2014, we raised $1.6 million through the private placement of secured convertible debt with an exercise price of $0.25. Of this funding $0.6 million, or 38%, was acquired by directors, officers and affiliates of the Company.

For details of these financings please See Note 4 and Note 8 of the Notes to the Consolidated Financial Statements.

Cash Flows

Net cash used in operating activities was $3.30 million for the fiscal year ended September 30, 2014 compared to $3.0 million for the same period in 2013. Operations during the two periods were substantially similar as the Company was solely focused on the Walter Reed/Fort Belvoir clinical study. For the 2014 period the Company used a net $0.5 million more in cash than in the prior year in paying $0.4 million in accrued salaries owing to staff and in paying down $0.1 million in trade payables.

No net cash was used or provided by investing activities in fiscal year 2014. Net cash of only $1,400 was provided in the fiscal year ended September 30, 2013, which was the result of disposing some computer equipment.

Net cash proceeds from financing activities for the fiscal year ended September 30, 2014 were primarily net proceeds of $3.3 million. Of this amount, a net $1.7 million was raised through the private placement of common stock with accredited investors at $0.25 per share and a net $1.6 million was raised through the private placement with accredited investors of secured convertible debt (September 2014 Notes) convertible at $0.25 per share of common stock. For the fiscal year ended September 30, 2013, net cash proceeds from financing activities were primarily net proceeds of $4.3 million. Of this amount, a net $1.4 million was raised through the sale of senior convertible promissory October 2012 Notes and a net $3.0 million was raised through the private placement of common stock with accredited investors at $0.25 per share.

Net cash used in discontinued operations for the fiscal year ended September 30, 2014 was $94,000 which was primarily for costs associated with the lease for NTC's premises and the cost of medical record storage. For the same period ended September 2013, the net cash used was $21,700 which was primarily for the NTC's accounts payable, medical record storage costs and costs associated with the lease.

Contractual Obligations and Commercial Commitments

For details of Contractual Obligations and Commercial Commitments please the Lease Commitments section of "Note 10. Commitments and Contingent Liabilities" of the Notes to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

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

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable

ITEM 8. Financial Statements and Supplementary Data

Index to financial statements

ANTON & CHIA

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
CNS Response, Inc.
85 Enterprise, Suite 410
Aliso Viejo, CA 92656

We have audited the accompanying consolidated balance sheets of CNS Response, Inc. (the "Company") and their subsidiaries as of September 30, 2014 and 2013, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits include examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. Our audits also include assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, the Company has recurring losses from operations and a net capital deficiency. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Anton & Chia, LLP

Newport Beach, California

December 29, 2014

CNS RESPONSE, INC.

CONSOLIDATED BALANCE SHEETS AT SEPTEMBER 30, 2014 and 2013

	As at September 30, 2014	2013
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,240,600	$ 1,273,600
Accounts receivable (net of allowance for doubtful accounts of $1,200 and $5,900 as of September 30, 2014 and 2013 respectively)	9,300	26,600
Prepaids and other assets	58,200	63,700
Total current assets	1,308,100	1,363,900
Furniture and equipment, net	8,700	16,800
Other assets	19,300	21,500
TOTAL ASSETS	$ 1,336,100	$ 1,402,200
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable (including $41,300 and $66,700 to related parties as of September 30, 2014 and 2013 respectively)	$ 868,900	$ 2,493,200
Accrued liabilities	26,200	24,200
Accrued compensation (including $71,700 and $294,500 to related parties as of September 30, 2014 and 2013 respectively)	342,000	763,100
Deferred revenue - grant funds	45,900	-
Derivative liability	153,100	-
Current portion of long-term debt	3,500	7,200
Liabilities of discontinued operation	177,200	268,500
Total current liabilities	1,616,800	3,556,200
LONG-TERM LIABILITIES		
Secured Convertible Debt (net of discounts $174,200 and $0 as of September 30, 2014 and 2013 respectively)	1,475,800	-
Accrued Interest	2,600	-
Capital lease	2,500	6,000
Total long-term liabilities	1,480,900	6,000
TOTAL LIABILITIES	3,097,700	3,562,200
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Common stock, $0.001 par value; authorized 180,000,000 and 150,000,000 shares and issued and outstanding 101,667,409 and 92,716,562 shares as of September 30, 2014 and 2013 respectively	101,700	92,700
Additional paid-in capital	57,350,200	54,298,000
Accumulated deficit	(59,213,500)	(56,550,700)
Total stockholders' deficit	(1,761,600)	(2,160,000)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 1,336,100	$ 1,402,200

See Accompanying Notes to the Consolidated Financial Statements

CNS RESPONSE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
REVENUES		
Neurometric Services	$ 135,100	$ 130,900
OPERATING EXPENSES		
Cost of neurometric service revenues	73,000	142,600
Research	116,200	167,900
Product development	1,338,500	1,119,500
Sales and marketing	390,200	347,500
General and administrative	2,034,000	2,554,000
Total operating expenses	3,951,900	4,331,500
OPERATING LOSS	(3,816,800)	(4,200,600)
OTHER INCOME (EXPENSE)		
Interest expense, net	(11,700)	(1,288,200)
Gain on extinguishment of debt	1,105,200	556,300
Financing fees	(1,800)	(62,100)
Offering costs	-	(2,500)
Inducement to convert debt	-	(5,792,500)
Gain (loss) on derivative liabilities	26,100	(97,600)
Other miscellaneous income – write backs	44,100	-
Total other income (expense)	1,161,900	(6,686,600)
LOSS BEFORE PROVISION FOR INCOME TAXES	(2,654,900)	(10,887,200)
Provision for income taxes	5,200	800
LOSS FROM CONTINUING OPERATIONS	(2,660,100)	(10,888,000)
Loss from discontinued operations	(2,700)	(19,400)
NET LOSS	$ (2,662,800)	$ (10,907,400)
BASIC AND DILUTED NET LOSS PER SHARE		
From continuing operations	$ (0.03)	$ (0.14)
From discontinued operations	(0.00)	(0.00)
Combined Net Loss	$ (0.03)	$ (0.14)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic and diluted	99,326,519	75,800,179

See Accompanying Notes to the Consolidated Financial Statements

CNS RESPONSE, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance at September 30, 2012	1,914,175	$ 1,900	$ 32,566,700	$ (45,643,300)	$ (13,074,700)
Stock-based compensation	-	-	1,257,300	-	1,257,300
Valuation of warrants issued for debt	-	-	30,400	-	30,400
Stock issued for officer's salaries	165,790	200	7,700	-	7,900
Conversion of convertible promissory notes:					
-October 2010 Notes: Senior subordinated convertible notes	14,246,852	14,200	3,775,000	-	3,789,200
-January 2011 Notes: Subordinated convertible notes	8,503,003	8,500	2,992,100	-	3,000,600
-October 2011 Notes: Subordinated convertible notes	9,205,680	9,200	2,292,200	-	2,301,400
-February 2012 Notes: Unsecured convertible note	407,700	400	101,500	-	101,900
-October 2012 Notes: Unsecured convertible notes	44,085,044	44,100	2,035,900	-	2,080,000
Stock issued for private placement shares purchases	12,180,000	12,200	2,946,600	-	2,958,800
Stock issued in lieu of cash to creditors	2,008,318	2,000	500,100	-	502,100
Inducement to convert debt	-	-	5,792,500	-	5,792,500
Net loss for the fiscal year ended September 30, 2013	-	-	-	(10,907,400)	(10,907,400)
Balance at September 30, 2013	92,716,562	$ 92,700	$ 54,298,000	$ (56,550,700)	$ (2,160,000)
Stock-based compensation	-	-	1,008,700	-	1,008,700
Stock issued for private placement of shares	6,940,000	7,000	1,684,000	-	1,691,000
Stock issued in lieu of cash to creditors	1,446,380	1,400	360,100	-	361,500
Stock issued for cashless exercise of warrants	564,467	600	(600)	-	-
Net loss for the fiscal year ended September 30, 2014	-	-	-	(2,662,800)	(2,662,800)
Balance at September 30, 2014	101,667,409	$ 101,700	$ 57,350,200	$ (59,213,500)	$ (1,761,600)

See Accompanying Notes to the Consolidated Financial Statements

CNS RESPONSE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
OPERATING ACTIVITIES:		
Net loss	$ (2,662,800)	$ (10,907,400)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net loss from discontinued operations	2,700	19,400
Depreciation and amortization	10,300	13,000
Amortization of discount on bridge notes issued	5,000	662,300
Loss (gain) on derivative liability valuation	(26,100)	97,600
Stock based compensation	1,008,700	1,257,300
Gain on extinguishment of debt	(1,105,200)	(556,300)
Inducement to convert debt	-	5,792,500
Issuance of warrants for financing services	-	30,400
Non-cash interest expense	2,600	622,200
Changes in operating assets and liabilities:		
Accounts receivable	17,300	(14,200)
Prepaids and other	5,500	(20,000)
Accounts payable and accrued liabilities	(153,900)	(63,400)
Deferred revenue grant funds	45,900	-
Deferred compensation	(421,100)	30,400
Net cash used in operating activities	(3,271,100)	(3,036,200)
INVESTING ACTIVITIES:		
Disposal of equipment	-	1,400
Net cash provided by investing activities	-	1,400
FINANCING ACTIVITIES:		
Repayment of a capital lease	(7,200)	(4,700)
Net proceeds from sale of common stock	1,691,000	2,958,800
Net proceeds from sale of bridge notes	1,648,300	1,368,300
Net cash provided by financing activities	3,332,100	4,322,400
Net cash provided by continuing operations	61,000	1,287,600
DISCONTINUED OPERATIONS		
Net cash used in discontinued operations	(94,000)	(21,700)
NET INCREASE (DECREASE) IN CASH	(33,000)	1,265,900
CASH- BEGINNING OF YEAR	1,273,600	7,700
CASH- END OF YEAR	$ 1,240,600	$ 1,273,600
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 4,200	$ 3,600
Income taxes	$ 5,200	$ 800
Non-cash financing activities:		
Offering costs	$ -	$ 2,500
Shares issued for officer salaries payable	$ -	$ 7,900
Shares issued on conversion of promissory notes and accrued interest	$ -	$ 11,273,100
Shares issued for extinguishment of liabilities	$ 361,500	$ 502,100
Shares issued for cashless exercise of warrants	$ 600	$ -

See Accompanying Notes to the Consolidated Financial Statements

CNS RESPONSE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2014

1. NATURE OF OPERATIONS

Organization and Nature of Operations

CNS Response, Inc. ("CNS," "we," "us," "our," or the "Company") was incorporated in Delaware on March 20, 1987, under the name Age Research, Inc. Prior to January 16, 2007, the Company (then called Strativation, Inc.) was a "shell company" with nominal assets and our sole business was to identify, evaluate and investigate various companies to acquire or with which to merge. On January 16, 2007, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with CNS Response, Inc., a California corporation formed on January 11, 2000 ("CNS California"), and CNS Merger Corporation, a California corporation and the Company's wholly-owned subsidiary ("MergerCo") pursuant to which the Company agreed to acquire CNS California in a merger transaction wherein MergerCo would merge with and into CNS California, with CNS California being the surviving corporation (the "Merger"). On March 7, 2007, the Merger closed, CNS California became a wholly-owned subsidiary of the Company, and on the same date the corporate name was changed from Strativation, Inc. to CNS Response, Inc.

The Company is a clinical decision support company with a patented commercial neurometric platform to predict drug response for the treatment of brain disorders, including depression, anxiety, bipolar disorder and post-traumatic stress disorder ("PTSD"). The Company has commenced a reimbursed 2,000 patient trial at Walter Reed National Military Medical Center ("Walter Reed") and Fort Belvoir Community Hospital ("Fort Belvoir") focused on patients with depression, PTSD and mild traumatic brain injury in order to support clinical decisions in the treatment of depression and related disorders. We are being reimbursed by Walter Reed at a study-specific rate which includes a prorated element for study expenses for each Psychiatric Electroencephalographic Evaluation Registry ("PEER") Outcome report rendered in the study. Enrollment of study subjects commenced in May 2013, and has continued through May 15, 2014. On May 15, 2014, the study's principal investigator was directed to suspend enrollment of new subjects into the study pending further investigation of findings stemming from a routine audit. Treatment and tracking of individuals already enrolled in the clinical trial were allowed to continue. The Company has been supporting Investigating Officer's requests for information via the study leader, Dr. Brett Schneider. We have been advised by WRNMMC leadership that the investigation should complete during August 2014 and study enrollment should resume shortly thereafter.

The Company acquired the Neuro-Therapy Clinic, Inc. ("NTC") on January 15, 2008, to provide behavioral health care services. NTC's operations were discontinued effective September 30, 2012. *(Refer to Note 3. Discontinued Operations).*

At the Company's 2014 annual meeting of stockholders, held on May 13, 2014 (the "2014 Annual Meeting"), the Company's common stockholders voted to reappoint the Company's existing board of directors (the "Board") to serve until the next annual meeting and until any successor is elected and qualified.

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 new business. These risks include the ability to obtain adequate financing on a timely basis, 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 continued operating losses and limited capital raise substantial doubt about its ability to continue as a going concern. The Company has limited cash resources for its operations and will need to raise additional funds to meet its obligations as they become due.

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 to raise substantial additional funds before the Company can increase demand for its PEER Online services (formerly known as rEEG services). Until it can generate a sufficient amount of revenues to finance its cash requirements, which it may never do, the Company has 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 Annual Report on Form 10-K. 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 audited consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Between October 4, 2013 and July 23, 2014, the Company issued an aggregate of 6,940,000 shares of its Common Stock, at a price of $0.25 per share, in private placements to an aggregate of 20 accredited investors. The gross proceeds to the Company were $1,735,000, net of $44,000 in placement agent fees for net proceeds to the Company of $1,691,000. Furthermore between September 22 and 29, 2014 the Company issued secured convertible debt in the aggregate principal amount of $1,650,000. For the 2014 fiscal year the aggregate gross proceeds to the Company were $3,385,000 from the combined equity and debt offerings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") and are in accordance with accounting principles generally accepted in the United States of America.

Basis of Consolidation

The audited consolidated financial statements include the accounts of the Company, an inactive parent company, and its wholly owned subsidiaries CNS California and NTC, which is accounted for as a discontinued operation *(Refer to Note 3.Discontinued Operations Transaction).* All significant intercompany transactions have been eliminated on consolidation.

Use of Estimates

The preparation of the 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 contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to revenue recognition, doubtful accounts, intangible assets, income taxes, valuation of equity instruments, accrued liabilities, contingencies and litigation. 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 September 30, 2014 cash exceeds the federally insured limit by $990,600. 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.

Derivative Liabilities

The Company evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses a weighted average Black-Scholes option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date. As of September 30, 2014, the Company's only derivative financial instrument were a series of convertible notes with a "reset" and "dilutive issuance" clause within the notes relating to the conversion price from dilutive share issuance. See Notes 4 & 5.

Fair Value of Financial Instruments

ASC 825-10 (formerly Statement of Financial Accounting Standards ("SFAS") 107, "Disclosures about Fair Value of Financial Instruments") 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 (formerly SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity"), ASC 815-10 (formerly SFAS 133, "Accounting for Derivative Instruments and Hedging Activities") and ASC 815-40 (formerly EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock").

The Company adopted ASC 820-10 (formerly SFAS 157, "Fair Value Measurements") 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 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 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 3 inputs to the valuation methodology are unobservable and significant to the fair value.

The Company used Level 2 inputs for its valuation methodology for the conversion option liability in determining the fair value using the Black-Scholes option-pricing model with the following assumption inputs:

	September 30, 2014
Annual dividend yield	-
Expected life (years)	0.5
Risk-free interest rate	0.03%
Expected volatility	55%

	Carrying Value As of September 30, 2014	Fair Value Measurements at September 30, 2014 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Liabilities				
Secured Convertible Debt	$ 1,475,800	-	$ 1,650,000	-
Conversion option liability	153,100		153,100	
Total	$ 1,628,900	$ -	$ 1,803,100	$ -

For the years ended September 30, 2014 and 2013, the Company had $153,100 and $0 derivative liabilities respectively. For the fiscal year ending September 30, 2014 and 2013, the Company had a change in fair valuation thereon of $26,100 and $0 respectively. As at September 30, 2014, the Company did not identify any other assets or liabilities that are required to be presented on the balance sheet at fair value in accordance with ASC 825-10

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 September 30, 2014 and 2013 are $1,200 and $5,900 respectively.

Furniture and Equipment

Furniture and Equipment, which are recorded at cost, consist of office furniture and equipment and are depreciated over their estimated useful life on a straight-line basis. The useful life of these assets is estimated to be between three and five years. Depreciation for the years ended September 30, 2014 and 2013 was $10,300 and $13,000 respectively. Accumulated depreciation at September 30, 2014 and 2013 was $75,000 and $64,800, respectively.

Offering Costs

The Company applies ASC 505-10, "Costs of an Equity Transaction," for recognition of offering costs. In accordance with ASC 505-10, the Company treats incremental direct costs incurred to issue shares classified as equity, as a reduction of the proceeds. Direct costs incurred before shares classified as equity are issued are classified as an asset until the stock is issued. Indirect costs such as management salaries or other general and administrative expenses and deferred costs of an aborted offering are expensed.

Long-Lived Assets

As required by ASC 350-30 (formerly SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*), the Company reviews the carrying value of its long-lived assets 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 years ended September 30, 2014 and 2013.

The Company adopted Accounting standards update ("ASU") 2012-02, Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment. The new guidance is intended to reduce the complexity and costs of the annual impairment test for indefinite-lived intangible assets by allowing companies to make a qualitative evaluation about the likelihood of impairment to determine whether it should perform a quantitative impairment test.

Accounts Payable

Accounts payable consists of trade payables of which $501,600 are for legal services. As of September 2014 we had accounts payable write-backs of $44,000 for long held-debts which have been in dispute and there has been no collection activity for over four years.

Between November 11, 2013, and December 20, 2013, the Company issued an aggregate of 1,446,380 shares of its Common Stock, as full and complete settlement of trade debt totaling an aggregate of $1,466,800 owed to two creditors who are also accredited investors. The fair market value of the shares that were issued in these transactions was determined to be $0.25 per share. The excess value of $1,105,200 over the fair market value of the issued shares was booked to Other Income (Expense) as a gain on extinguishment of debt.

Deferred Revenue

Deferred revenue represents revenue collected but not earned as of September 30, 2014. This represents a philanthropic grant for the payment of PEER Reports ordered for the Walter Reed clinical trial during calendar 2014, which are otherwise not paid for by Walter Reed or Fort Belvoir. These deferred revenue grant funds as of September 30, 2014, are $45,900. As of September 30, 2013 there was no deferred revenue balance.

Revenues

The Company recognizes revenue on services, being the delivery of PEER Reports to medical providers, in accordance with the Financial Accounting Standards Board ("FASB") ASC No. 605, "Revenue Recognition." In all cases, revenue is recognized when we have persuasive evidence of an arrangement, a determinable fee, when collection is considered to be reasonable assured and the services are delivered.

Research and Development Expenses

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

Advertising Expenses

The Company charges all advertising expenses to operations as incurred. For the years ended September 30, 2014 and 2013 advertising expenses were $3,100 and $14,400 respectively.

Stock-Based Compensation

The Company has adopted ASC 718-20 (formerly SFAS No. 123R, *Share-Based Payment* - revised 2004) and related interpretations which establish the accounting for equity instruments exchanged for employee services. Under ASC 718-20, share-based compensation cost to option grantee, being employees, directors and consultants, and is measured at the grant date based on the calculated fair value of the award (*see Note 5 for further discussion on valuations*). The expense is recognized over the option grantees' requisite service period, generally the vesting period of the award.

Inducement to Convert Debt

According to ASC 470-20-55, when a convertible debt instrument is converted to equity pursuant to an inducement offer, the debtor recognizes an expense equal to the fair value of all securities and other consideration transferred in the transaction in excess of the fair value of securities issuable pursuant to the original conversion terms. The fair value of the securities or other consideration is measured as of the date the inducement offer is accepted by the convertible debt holder.

As an inducement to convert debt, the Company offered to all holders of $1 per share convertible notes ("$1 Notes") an opportunity to convert that debt, and associated accrued interest, at $0.25 per share for a limited 60 day period with the proviso that 100% of the holders of the $1 Notes agreed to the conversion terms. All holders' of $1 Notes agreed to convert and the transaction closed on August 12, 2013.

Fair value of debt conversion on August 12, 2013

Based on the volume of shares traded on the open market, during the period April 1, 2013 through to August 12, 2013, the date of the conversion of all $1 Notes, management judged that the Company's stock was not actively traded as only $277,636 worth of stock was traded on 42 of 95 trading days during this period at prices ranging from $0.41 to $2.50. There was a contemporaneous transaction whereby shares corresponding to $827,500 of a $2.0 million private placement of common stock purchased at a price of $0.25 per share by accredited third party investors. Given the low volume of stock that was traded, compared to the volume of the private placement of common stock, management's judgment was that the pricing of the private placement of common stock at $0.25 per share represented a better determinant of fair value of the Company's common stock upon the conversion of debt on August 12, 2013.

As the original conversion terms of the notes were at $1 into one share of common stock with a fair value of $0.25, consequently, the three additional shares offered on conversion at $0.25 each represent the inducement to convert.

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, (formerly FIN 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109),* ("ASC 740"), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. ASC 740 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company adopted the provisions of ASC 740 and have 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 the U.S. federal and California as our "major" tax jurisdictions. Generally, we remain subject to Internal Revenue Service examination of our 2008 through 2012 U.S. federal income tax returns, and remain subject to California Franchise Tax Board examination of our 2008 through 2012 California Franchise Tax Returns. However, 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. In addition, we did not record a cumulative effect adjustment related to the adoption of 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.

Comprehensive Income (Loss)

ASC 220-10 (formerly, SFAS No. 130, *Reporting Comprehensive Income*), requires disclosure of all components of comprehensive income (loss) on an annual and interim basis. Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's comprehensive income (loss) is the same as its reported net income (loss) for the years ended September 30, 2014 and 2013.

Earnings (Loss) per Share

The Company has adopted GAAP regarding earnings (loss) per share, which requires presentation of basic and diluted earnings (loss) per share in conjunction with the disclosure of the methodology used in computing such 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 August, 2014**,** the FASB has issued Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The Company does not expect the adoption of the standard update to have a material impact on its consolidated financial position or results of operations.

In August 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. The amendments in this ASU will apply to a reporting entity that is required to consolidate a collateralized financing entity under the Variable Interest Entities guidance when: (1) the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in the consolidated financial statements based on other Codification Topics; and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. The Company does not expect the adoption of the standard update to have a material impact on its consolidated financial position or results of operations.

In June 2014, the FASB issued ASU No. 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The amendments in the ASU require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation – Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The Company does not expect the adoption of the standard update to have a material impact on its consolidated financial position or results of operations.

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in ASU 2014-08 change the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. In addition, the new guidance requires expanded disclosures about discontinued operations. The Company does not expect the adoption of the standard update to have a material impact on its consolidated financial position or results of operations.

3. DISCONTINUED OPERATIONS

On September 30, 2012 the Company discontinued its Clinical Services Operation at its wholly-owned subsidiary Neuro Therapy Clinic, Inc. ("NTC"), because the operation had persistent losses which could no longer be supported by the Company. Furthermore, the Company chose to focus its limited cash resources to conduct its clinical trial at Walter Reed.

As of September 30, 2012 the staff of NTC had departed and the premises were vacated. Prior to the clinic's closure all patients were sent letters informing them where they could continue their treatment with their usual provider. Two of NTC's providers joined a nearby psychiatric clinic operated by Compass Health Systems ("Compass"). NTC executed a business associate agreement with Compass to allow the confidential sharing of patient information and to enable the providers to continue to treat their patients. All revenues and operating expenses under this management agreement would belong to Compass. All NTC assets and liabilities incurred prior to October 1, 2012 would remain with the Company.

Summary Financial Data of Discontinued Operations:

Revenues, income before income taxes and net loss of NTC which are included in discontinued operations are as follows:

	2014	2013
Neuro-Therapy Clinic		
Revenues	$ -	$ -
Expenses	2,700	19,400
Operating Loss before taxes	$ (2,700)	$ (19,400)
Taxes	-	-
Net Loss	$ (2,700)	$ (19,400)

The assets and liabilities of NTC are as follows:

	2014	2013
ASSETS:		
Assets of Discontinued Operations	$ -	$ -
LIABILITIES:		
Accounts Payable	$ 86,600	$ 88,500
Accrued Payroll Liabilities	90,600	130,000
Note Payable (see Note 10)	-	50,000
Liabilities of Discontinued Operations	$ 177,200	$ 268,500

4. CONVERTIBLE DEBT AND EQUITY FINANCINGS

During 2010, 2011 and 2012, we had entered into five private placement financings of convertible debt summarized below. As of October 1, 2012, the combined outstanding balance of all the convertible debt was $8,012,000 with debt discount balance of $824,400. By September 30, 2013, all convertible debt, and interest thereon, had been converted into 76,448,279 shares of Common Stock. During the year ended September 30, 2013, the Company amortized $662,300 of the debt discount. As all the debt had been converted in fiscal year 2013, no debt discount was amortized during the year ended September 30, 2014 related to these notes.

Effective October 24, 2012, pursuant the Amended & Restated Consent, Note Amendment and Warrant Forfeiture Agreement the conversion price of the October 2010 Notes, the January 2011 Notes, October 2011 Notes and the February 2012 Note (the "$1 Notes) was amended to $1 per share and all warrants that were originally issued along with these notes were forfeited.

Effective August 12, 2013, pursuant to the offer letter to induce the conversion of debt and the Omnibus Note Amendment Agreement (the "Conversion Agreement"), all the $1 Notes, with the exception of the notes held by various entities controlled by SAIL Capital Partners, were converted to stock at a price of $0.25 per share.

1) **The October 2010 Notes:** These were approved by the Company's Board on September 26, 2010, for the issuance of approximately $3 million in secured convertible promissory notes, bearing interest at 9% per annum, to be issued by January 31, 2011, and included the exchange of bridge notes, with accrued interest, issued, to two directors. The October 2010 Notes in the aggregate principal amount of $3,023,900 and warrants to purchase 503,998 (ratchet and reverse split adjusted) shares of common stock were issued by November 12, 2010. A $250,000 note plus $53,300 of interest thereon which was held by SAIL Venture Partners was converted on January 31, 2013, into 303,313 shares of common stock at $1 per share. The remaining $2,773,900 notes plus $712,000 of interest thereon were converted into 13,943,539 shares of common stock pursuant the Conversion Agreement. The combined conversions of the October 2010 Notes of $3,023,900 of principal plus $765,259 of interest converted into 14,246,852 shares.

2) **The January 2011 Notes:** On November 23, 2010, the Company's Board approved an approximate aggregate offering amount of $5 million in subordinated convertible promissory notes, bearing interest at 9% per annum, to be issued by July 31, 2011. From January 20, 2011 through April 25, 2011, the Company issued January 2011 Notes in an aggregate principal amount of $2,500,000 and warrants to purchase 416,674 (ratchet and reverse split adjusted) shares of common stock. Six notes in the aggregate amount of $1,000,000 plus $166,500 of interest thereon, which were held by various SAIL entities were converted on January 31, 2013, into 1,166,503 shares of common stock at $1 per share. The remaining $1,500,000 notes plus $334,100 of interest thereon were converted into 7,336,500 shares of common stock pursuant to the Conversion Agreement. The combined conversions of the January 2011 Notes of $2,500,000 of principal plus $500,600 of interest converted into 8,503,003 shares.

3) **The October 2011 Notes:** On September 30, 2011, the Company's Board approved an approximate aggregate offering amount of $2 million in subordinated convertible promissory notes, bearing interest at 9% per annum, to be issued by April 1, 2012. From October 18, 2011 through January 31, 2012, the Company issued October 2011 Notes in an aggregate principal amount of $2,000,000 and warrants to purchase 666,673 (ratchet and reverse split adjusted) shares of common stock. The $2,000,000 notes plus 301,400 of interest thereon were converted into 9,205,680 shares of common stock pursuant to the Conversion Agreement.

During the fiscal year ended September 30, 2013, the Company amortized $277,100 of the debt discount. There was no amortization in fiscal year 2014.

4) **The February 2012 Note:** On February 29, 2012, the Company raised $90,000 through the sale of a subordinated unsecured February 2011 Note, bearing interest at 9% per annum, and warrant to purchase 30,000 (ratchet and reverse split adjusted) shares of common stock. The $90,000 note plus $11,900 of interest thereon was converted into 407,700 shares of common stock pursuant to the Conversion Agreement.

During the fiscal years ended September 30, 2013, the Company amortized $15,000 of the debt discount. There was no amortization in fiscal year 2014.

5) **The October 2012 Notes:** From August 17, 2012 through September 30, 2012, the Company issued five August 2012 Bridge Notes (these August 2012 Notes were subsequently replaced by October 2012 Notes) in an aggregate principal amount of $400,000 as part of a $2 million bridge financing. No warrants were issued in conjunction with these notes. Furthermore $1,900 of these notes were converted into 40,000 shares of common stock prior to September 30, 2012 leaving an aggregate net $398,100 of convertible promissory August 2012 Bridge Notes outstanding.

On October 19, 2012 the August 2012 Bridge Financing Purchase Agreement in connection with the August 2012 Bridge Notes was amended and restated (the "Amended and Restated Bridge Financing Purchase Agreement") thereby extending the period for closing the sale of August 2012 Bridge Notes from October 15, 2012 to November 30, 2012. Additionally, the revised notes ("October 2012 Notes") eliminated the mandatory conversion provision (upon a subsequent equity financing) included in the August 2012 Bridge Notes. Otherwise the October 2012 Bridge Notes had substantially the same terms as the August 2012 Notes.

The Amended and Restated Bridge Financing Purchase Agreement provided for the issuance and sale of Bridge Notes in the aggregate principal amount of up to $2,000,000, in one or multiple closings to occur no later than November 30, 2012. Additionally this amended and restated agreement also provided for the reissuance and replacement of the five August 2012 Notes with the revised October 2012 Notes.

Between January 31, 2013, and September 30, 2013, all $1,998,200 of October 2012 Notes and $81,800 of interest thereon were converted into 44,085,044 shares of common stock at $0.4718 per share.

As of September 30, 2014 and 2013, no October 2012 Notes were outstanding. During the fiscal years ended September 30, 2014 and 2013, the Company amortized $0 and $370,200 of the debt discount respectively.

According to ASC 470-20-55, when a convertible debt instrument is converted to equity pursuant to an inducement offer, the debtor recognizes an expense equal to the fair value of all securities and other consideration transferred in the transaction in excess of the fair value of securities issuable pursuant to the original conversion terms. The fair value of the securities or other consideration is measured as of the date the inducement offer is accepted by the convertible debt holder. In order to induce the holders of the October 2010 Notes, the January 2011 Notes, the October 2011 Notes and the February 2011 Note for which the original conversion terms were at $1 per share of common stock, the Board approved a 60-day period whereby the holders of these $1 notes could convert their notes at $0.25 per share of common stock, provided that 100% of these note holders agreed to convert. Effective August 12, 2013, all $1 note holders agreed to convert $7,723,300 of debt and interest thereon into 30,893,419 shares of common stock at $0.25 per share. Consequently, the fair value of three of the four shares converted per $1.00 in this transaction were determined to be an inducement to convert and were valued at an aggregate amount of $5,792,500; this amount was expensed as an Inducement to Convert on August 12, 2013.

The September 2014 Notes: Starting September 22, 2014, through September 26, 2014, the Company entered into a new Note Purchase Agreement (the "Note Purchase Agreement") in connection with a bridge financing, with seven accredited investors, including lead investor RSJ Private Equity ("RSJ PE"). Pursuant to the Note Purchase Agreement, the Company issued seven secured convertible promissory notes (each, a "September 2014 Note") in the aggregate principal amount of $1.65 million. Of this amount, RSJ PE purchased a September 2014 Note for $750,000. The September 2014 Notes were also purchased by the following affiliates of the Company or entities under their control: The Tierney Family Trust, of which the Company's Chairman of the Board, Thomas Tierney, is a trustee, purchased a September 2014 Note for $200,000; the Company's Director, John Pappajohn, purchased a September 2014 Note for $200,000; and Oman Ventures, of which Mark Oman, a greater than 5% stockholder of the Company, is the President, purchased a September 2014 Note for $200,000.

		As of September 30, 2014		
Note Type and Investor	**Due Date**	**Balance ($)**	**Discount ($)**	**Carrying Value ($)**
Senior Secured 5% Notes Convertible at $0.25 (the "September 2014 Notes")				
RSJ Private Equity	03/21/2016	$ 750,000	$ (67,900)	$ 682,100
4 Accredited Investors	03/21/2016	300,000	(28,900)	271,100
John Pappajohn	03/21/2016	200,000	(25,800)	174,200
Tierney Family Trust	03/21/2016	200,000	(25,800)	174,200
Oman Ventures	03/21/2016	200,000	(25,800)	174,200
Total Secured Convertible Promissory (September 2014) Notes		**$ 1,650,000**	**$ (174,200)**	**$ 1,475,800**

The Note Purchase Agreement provides for the issuance and sale of September 2014 Notes in the aggregate principal amount of up to $2.5 million, in one or more closings to occur over a six-month period beginning September 22, 2014. The Note Purchase Agreement also provides that the Company and the holders of the September 2014 Notes enter into a registration rights agreement covering the registration of the resale of the shares of the Company's Common Stock underlying the September 2014 Notes.

The September 2014 Notes mature on March 21, 2016, which is eighteen months from the date of first issuance (subject to earlier conversion or prepayment), earn interest at a rate of 5% per annum with interest payable at maturity, are convertible into shares of Common Stock (i) automatically upon the closing of a qualified offering of no less than $5 million at a conversion price equal to the lesser of $0.25 or 70% of the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share or (ii) voluntarily within 15 days of maturity at the lesser of a conversion price equal to $0.25 or the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share. No September 2014 Note may be prepaid without the prior written consent of the holder of such Note. The September 2014 Notes are secured by a security interest in the Company's intellectual property, as detailed in a security agreement. Upon a change of control of the Company, the holder of a September 2014 Note will have the option to have the Note repaid with a premium equal to 50% of the outstanding principal.

5. DERIVATIVE LIABILITIES

Effective November 28, 2012, the Company, together with the majority of the note holders of each tranche of notes issued in October 2010, January 2011, October 2011 and February 2011 (the "$1 Notes") (see Note 4 above), agreed to amend the Notes, pursuant to the terms of the Amended and Restated Consent, Note Amendment and Warrant Forfeiture Agreement (the "Note Agreement"), dated as of October 24, 2012, to (a) extend the maturity date of the Notes to October 1, 2013, (b) set the conversion price at $1.00, subject to adjustment as provided in the Notes and (c) remove full-ratchet anti-dilution protection. In addition, the holders forfeited the warrants they received in connection with the issuance of the Notes, and consented to the 2012 Bridge Financing, the issuance of the October 2012 Notes and to the subordination of the Notes to the October 2012 Notes. Both the convertible notes and warrants had contained ratchet provisions, which under ASC 815 required bifurcation of the conversion feature and warrants for derivative liability treatment. The interest rate on all the Notes remained unchanged at 9% per annum. Using the Black Scholes model, each tranche of Notes, as of November 28, 2012 were valued and compared with the value of the Notes on the prior day with their original maturity dates. The difference of the two valuation calculations of $556,300 was booked to Other Expenses as a gain on extinguishment of debt. Since November 28, 2012, with the elimination of the warrants and the removal of the ratchet in the convertible debt instruments, which have subsequently been converted into equity, the Company had no derivative liabilities at September 30, 2013.

The Black-Scholes option-pricing model with the following assumption inputs:

	November 27, 2012	November 28, 2012
Annual dividend yield	-	-
Expected life (years)	3.5	3.5
Risk-free interest rate	0.36%	0.35%
Expected volatility	113.52%	113.62%

During September 2014, the Company raised $1.65 million in a private placement of secured convertible debt at $0.25 per share of Common Stock. This debt instrument also has a ratchet whereby the conversion price of $0.25 per share can be reduced to a minimum of $0.10 per share (see Note 4). The inclusion of this ratchet requires the determination of the fair market carrying value. At issuance, the note discount and derivative liability using the Black-Scholes model was $179,200 and at September 30, 2014, upon revaluation, the derivative liability value was reduced to $153,100 with a resultant gain of $26,100 from derivative liabilities being booked to other income in the income statement.

The Black-Scholes option-pricing model with the following assumption inputs:

	September 22 to 29, 2014	September 30, 2014
Annual dividend yield		-
Expected life (years)	0.5	0.5
Risk-free interest rate	0.03% - 0.05%	0.03%
Expected volatility	55%	55%

6. STOCKHOLDERS' DEFICIT

Common and Preferred Stock

As of September 30, 2014, the Company is authorized to issue 195,000,000 shares of stock of which 180,000,000 are Common Stock at par value of $0.001 per share; the remaining 15,000,000 shares, with a par value of $0.001 per shares are blank-check preferred stock which the Board are expressly authorized to provide, for one or more series of preferred stock and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, the voting powers, if any, of the shares of such series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series. The powers, preferences and relative, participating, optional and other special rights of each series of preferred stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

As of September 30, 2014, 101,667,409 shares of Common Stock were issued and outstanding. No shares of preferred stock were issued or outstanding.

As a condition of the November 28, 2012 closing of the 2012 Bridge Financing, the Company also entered into Employment Compensation Forfeiture and Exchange Agreements (the "Forfeiture and Exchange Agreements") with three of its executive officers. Pursuant to these agreements, the executives agreed to waive receipt of and release the Company from the payment in aggregate of $165,700 representing 50% of their accrued and unpaid salaries in consideration for which the Company agreed to issue to such executives an aggregate 165,666 shares of its Common Stock. The per share value of the Common Stock $0.04718 per share, the same as the conversion price of the October 2012 Notes. *(Refer to Note 8. Related Party Transactions)*

From January 18, 2013, through September 30, 2013, the $1,998,200 of holders' of October 2012 Notes converted all their debt and interest thereon into 44,085,044 shares of Common Stock, at a conversion price of $0.04718 per share. *(Refer to Note 8. Related Party Transactions)*

On January 31, 2013, SAIL Capital Partners converted all their notes convertible at $1.00 in the aggregate principal amount of $1,250,000 and $219,800 of interest thereon into 1,469,816 shares of Common Stock. *(Refer to Note 4. Convertible Debt and Equity Financings and Note 8. Related Party Transactions)*

From February 22, 2013, through September 12, 2013, 39 accredited investors purchased an aggregate of 12,180,000 shares of Common Stock at a price of $0.25 per share in private placement transactions. The Company received gross aggregate cash proceeds of $3,045,000. *(Refer to Note 8. Related Party Transactions)*

On March 26, 2013, the Board resolved to amend the Company's Charter in order to:

1) increase the number of shares of Common Stock authorized for issuance under the Charter from 100,000,000 to 150,000,000; and
2) create one or more series of preferred stock, par value $0.001 per share, and authorize 15,000,000 shares of such preferred stock for issuance.

This amendment to the Charter was approved by more than 80% of the stockholders eligible to vote at the annual meeting of stockholders which was held on May 23, 2013.

On August 12, 2013, pursuant to an offer to all holders of debt convertible into Common Stock at $1.00 per share, all holders agreed to convert $7,723,300 of convertible debt, which included $1,359,400 interest thereon, into 30,893,419 shares of Common Stock, at a per share price of $0.25. *(Refer to Note 6. Related Party Transactions)*

Below is a summary of all promissory notes conversions:

Conversion of Notes	Shares of Common Stock	Conversion Date	Conversion Price	Principal Amount	Interest	Total
Fiscal Year 2012						
October 2012 Notes:						
Unsecured convertible notes	40,000	09/19/12	$ 0.04718	$ 1,800	$ 100	$ 1,900
Fiscal Year 2013						
October 2010 Notes: Senior	303,313	01/31/13	$ 1.00	$ 250,000	$ 53,300	$ 303,300
subordinated convertible notes	13,943,539	08/12/13	$ 0.25	2,773,900	712,000	3,485,900
Total October 2010 Notes:	14,246,852			$ 3,023,900	$ 765,300	$ 3,789,200
January 2011 Notes:	1,166,503	01/31/13	$ 1.00	$ 1,000,000	$ 166,500	$ 1,166,500
Subordinated convertible notes	7,336,500	08/12/13	$ 0.25	1,500,000	334,100	1,834,100
Total January 2011 Notes:	8,503,003			$ 2,500,000	$ 500,600	$ 3,000,600
October 2011 Notes:						
Subordinated convertible notes	9,205,680	08/12/13	$ 0.25	$ 2,000,000	$ 301,400	$ 2,301,400
February 2012 Notes:						
Unsecured convertible note	407,700	08/12/13	$ 0.25	$ 90,000	$ 11,900	$ 101,900
October 2012 Notes:						
Unsecured convertible notes	44,085,044	01/18/13 through 09/30/13	$ 0.04718	$ 1,998,200	$ 81,800	$ 2,080,000
Total of Notes Converted in Fiscal 2013	**76,448,279**			**$ 9,612,100**	**$ 1,661,000**	**$ 11,273,100**
Total of Notes Converted	**76,488,279**			**$ 9,613,900**	**$ 1,661,100**	**$ 11,275,000**

From August 30, 2013, through September 30, 2013, pursuant to a subscription agreement, 10 vendors converted an aggregate $502,100 of trade payables into 2,008,318 shares of Common Stock, par value $0.001, at a price for $0.25 per share. *(Refer to Note 8. Related Party Transactions)*

From October 4, 2013, through February 14, 2014, 29 accredited investors purchased an aggregate of 5,900,000 shares of Common Stock, at a price of $0.25 per share pursuant to private placements. The Company received gross aggregate cash proceeds of $1,475,000. *(Refer to Note 8. Related Party Transactions)*

Between November 11, 2013, and December 20, 2013, the Company issued an aggregate of 1,446,380 shares of its Common Stock valued at $361,500, as full and complete settlement of trade payables totaling an aggregate $1,466,800 owed to two creditors who are also accredited investors. As a result of this transaction the Company recorded a gain on extinguishment of debt of $1,105,200.

On March 21, 2014, the Board resolved to amend the Company's Charter in order to further increase the number of shares of Common Stock authorized for issuance under the Charter from 150,000,000 to 180,000,000. This amendment to the Charter was approved by more than 65% of the stockholders eligible to vote at the annual meeting of stockholders held on May 13, 2014.

From July 8, 2014 through July 23, 2014, 8 accredited investors purchased an aggregate of 1,040,000 shares of Common Stock, at a price of $0.25 per share pursuant to private placements. The Company received gross aggregate cash proceeds of $260,000. *(Refer to Note 8. Related Party Transactions)*

On January 29, 2014 and June 20, 2014, placement agent warrants to purchase in aggregate 608,309 shares of Common Stock with a price of $0.04718 per share were exercised on a net basis resulting in the issuance of 564,467 shares of Common Stock.

Stock-Option Plans

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 667,667 shares of stock were ultimately reserved for issuance under the 2006 Plan. As of September 30, 2014, 70,825 options were exercised and there were 501,924 options and 6,132 restricted shares outstanding under the amended 2006 Plan leaving 87,786 shares which will not be issued as the 2006 Plan has been frozen. The outstanding options have exercise prices to purchase shares of Common Stock ranging from $3.60 to $32.70.

On March 22, 2012, our Board approved the CNS Response, Inc. 2012 Omnibus Incentive Compensation Plan (the "2012 Plan"), reserved 333,334 shares of stock for issuance and approved the grant of options to purchase 42,670 shares of Common Stock pursuant to such plan at an exercise price of $3.00 per share, including options to purchase 8,334 shares to each of our Directors Zachary McAdoo and Maurice DeWald.

On December 10, 2012, the Board approved the amendment of the Company's 2012 Omnibus Incentive Compensation Plan (the "2012 Plan") to increase the shares authorized for issuance under the 2012 Plan from 333,334 shares to 5,500,000 shares and granted to each of its three existing members as well as to each Richard Turner, Robert Follman, Andrew Sassine and Thomas Tierney (collectively, the "New Board Members") options to purchase 250,000 shares of its Common Stock pursuant to the 2012 Plan at an exercise price of $0.04718 per share. The options vest evenly over 36 months starting from the date of grant. The Board furthermore granted to each of the five former Directors who had departed the Board effective November 30, 2012, (George Carpenter, Henry Harbin, George Kallins, David Jones, and Maurice DeWald), options to purchase 25,000 shares of its Common Stock pursuant to the 2012 Plan at an exercise price of $0.04718 per share. These options to former Directors are fully vested. Finally, the Board granted to the Company's executive officers options to purchase shares of its Common Stock pursuant to the 2012 Plan at an exercise price of $0.04718 per share as follows: George Carpenter 1,200,000 shares, Paul Buck 1,400,000 shares and Michael Darkoch 920,000 shares. These options vest in increments of 12.5% at the beginning of each quarter starting from the date of grant.

Based on the volume of shares traded on the open market, during the period October 1, 2012 through to December 10, 2012, the date of the option grant, management judged that the Company's stock was not actively traded as only $15,000 worth of stock was traded on 11 of 48 trading days during this period at prices ranging from $0.76 to $0.83. In a contemporaneous transaction, Senior Secured Convertible Notes ("October 2012 Notes") with a conversion price of $0.04718 were purchased by accredited third party investors. Given the very low volume of stock which was not actively traded, compared to the volume of October 2012 Notes purchased, management's judgment was that the pricing of the October 2012 Notes at $0.04718 represented a better determinant of fair value of the Company's Common Stock on December 10, 2012.

On January 14, 2013, the Board granted options to purchase 1,960,000 shares of Common Stock to members of staff and 1,600,000 share of Common Stock to key consultants. The options granted to staff vest evenly over 48 months starting on the date of grant. The options granted to consultants vest evenly over 36 months starting on the date of grant. All these options have an exercise price of $0.04718 per share.

Based on the volume of shares traded on the open market, during the period October 1, 2012 through to January 14, 2013, the date of the option grant, management judged that the Company's stock was not actively traded as only $36,700 worth of stock was traded on 21 of 50 trading days during this period at prices ranging from $0.49 to $2.50. There had been a recent transaction which closed on November 30, 2012 whereby $2 million of Senior Secured Convertible Notes ("October 2012 Notes") with a conversion price of $0.04718 were purchased by accredited third party investors. Given the low volume of stock which was not actively traded when compared to the volume of October 2012 Notes purchased, management judged that the pricing of the October 2012 Notes at $0.04718 represented a better determinant of fair value of the Company's Common Stock on January 14, 2013.

On March 26, 2013, the Board approved the amendment of the Company's 2012 Plan to increase the shares authorized for issuance under the 2012 Plan from 5,500,000 shares to 15,000,000 shares. The Board also granted options to purchase 250,000 shares of Common Stock to Thomas Tierney upon his election to be Chairman of the Board. These options granted to Mr. Tierney vest evenly over 36 months starting on the date of grant and have an exercise price of $0.25 per share.

Based on the volume of shares traded on the open market, during the period January 1, 2013, through to March 26, 2013, the date of the option grant, management judged that the Company's stock was not actively traded as only $283,400 worth of stock was traded on 22 of 58 trading days during this period at prices ranging from $0.46 to $0.83. There was a contemporaneous transaction whereby $695,000 worth of a $2.5 million private placement offering of Common Stock at a price of $0.25 per share were purchased by accredited third party investors. Given the low volume of stock which was not actively traded, compared to the volume of the private placement of Common Stock, management judged that the pricing of the private placement of Common Stock at $0.25 per share represented a better determinant of fair value of the Company's Common Stock on March 26, 2013.

The 2012 Plan, as amended, was approved by our stockholders at the 2013 annual meeting held on May 23, 2013.

On October 8, 2013, the Board granted to the Company's two executive officers and two senior managers (collectively, the "Managers") options to purchase shares of its Common Stock pursuant to the 2012 Omnibus Incentive Compensation Plan, as amended (the "2012 Plan"), at an exercise price of $0.25 per share as follows: George Carpenter 435,000 shares, Paul Buck 470,000 shares, Stewart Navarre 385,000 shares and Brian MacDonald 310,000. These options vest pro-rata over 12 months starting from the date of grant. The four managers have agreed to forego a portion of their salaries in fiscal year 2014 as follows: George Carpenter $98,000, Paul Buck $106,500, Stewart Navarre $83,600 and Brian MacDonald $66,700. These executive officers and managers will be paid out of the salaries which were earned and accrued during fiscal year 2012 and fiscal year 2013. The accruals to be paid out are equivalent to the fiscal year 2014 salaries that each of the executive officers and managers agreed to forego in lieu of receiving options.

On November 8, 2013, the Board granted 700,000 options to purchase shares of its Common Stock pursuant to the 2012 Plan, at an exercise price of $0.25 per share to select consultants and staff, excluding the managers. The staff options vest evenly over 48 months starting on the date of grant; consultant options vest evenly over 36 months starting on the date of grant.

On July, 2014, the Board granted 425,000 options to purchase shares of its Common Stock pursuant to the 2012 Plan, at an exercise price of $0.26 per share to select consultants. These options vest evenly over 36 months starting on the date of grant.

Based on the volume of shares traded on the open market, during the period July 1, 2013, through to November 8, 2013, which covers the both option grant dates of October 8, 2013, and November 8, 2013, management judged that the Company's stock was not actively traded, due to the fact that only $180,000 worth of stock was traded on 51 of 93 trading days during this period at prices ranging from $0.30 to $1.74. There was a contemporaneous transaction whereby $2,047,500 worth of stock was purchased in a private placement offering of Common Stock at a price of $0.25 per share by accredited investors. Given the low volume of stock, which was not actively traded, compared to the volume of the private placement of Common Stock, management judged that the pricing of the private placement of Common Stock at $0.25 per share represented a better determinant of fair value of the Company's Common Stock on the dates that the options were granted.

As of September 30, 2014, 11,915,575 options are issued and outstanding under the 2012 Plan, none of which have been exercised and 3,084,425 remain available for issuance. The outstanding options have exercise prices to purchase shares of Common Stock ranging from $0.04718 to $0.25.

The Company estimates the fair value of each option on the grant date using the Black-Scholes model. The following assumptions were made in estimating the fair value:

	2014	2013
Annual dividend yield	-	-
Expected life (years)	5	5
Risk-free interest rate	1.42% - 1.76%	0.62% - 0.79%
Expected volatility	116% - 129%	380% - 393%
Fair value of options granted	$ 0.21	$ 0.05 - 0.25

Stock-based compensation expense is 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 statements of operations for the year ended September 30, 2014 and 2013 is as follows:

	For the fiscal year ended September 30,	
	2014	2013
Cost of Neurometric Services revenues	$ 5,100	$ 10,600
Research	65,500	92,700
Product Development	249,700	113,300
Sales and marketing	87,700	155,500
General and administrative	600,700	885,200
Total	$ 1,008,700	$ 1,257,300

Total unrecognized compensation as of September 30, 2014 amounted to $360,300.

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at September 30, 2012	546,746	$ 17.08
Granted	9,205,000	0.05
Exercised	-	-
Forfeited	(2,152)	14.10
Outstanding at September 30, 2013	9,749,594	$ 1.00
Granted	2,725,000	0.25
Exercised	-	-
Forfeited	(57,095)	12.67
Outstanding at September 30, 2014	12,417,499	$ 0.84

Following is a summary of the status of options outstanding at September 30, 2014:

Exercise Price	Number of Shares	Weighted Average Contractual Life	Weighted Average Exercise Price	Vested and Exercisable at September 30, 2014	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value at $0.22 price per share at September 30, 2014
$ 0.04718	8,920,300	10 years	$ 0.04718	6,538,494	8.2	$ 1,541,606
$ 0.25	2,527,605	10 years	0.25	1,951,216	9.0	-
$ 0.26	425,000	10 years	0.26	35,417	9.8	-
$ 3.00	42,670	10 years	3.00	37,929	7.5	-
$ 3.60	28,648	10 years	3.60	28,648	1.9	-
$ 3.96	32,928	10 years	3.96	32,928	1.9	-
$ 9.00	4,525	10 years	9.00	4,525	2.1	-
$ 12.00	28,535	10 years	12.00	28,535	5.7	-
$ 14.10	10,000	10 years	14.10	8,958	6.5	-
$ 15.30	1,373	10 years	15.30	1,373	4.0	-
$ 16.50	262,441	10 years	16.50	262,441	5.4	-
$ 17.70	953	10 years	17.70	953	1.9	-
$ 24.00	4,667	10 years	24.00	4,667	3.2	-
$ 26.70	32,297	10 years	26.70	32,297	3.0	-
$ 28.80	11,767	10 years	28.80	11,767	3.5	-
$ 32.70	83,790	10 years	32.70	83,790	2.8	-
Total	12,417,499		$ 0.843	9,063,938	4.79	$ 1,541,606

Warrants to Purchase Common Stock

The warrant activity for the period starting October 1, 2012, through September 30, 2014, is described as follows:

Warrants		Exercise Price	Issued, Surrendered or Expired in Connection With:
2,164,440	$		**Warrants outstanding at October 1, 2012**
(1,617,345)		3.00	Warrants forfeited pursuant to the Amended and Restated Consent, Note Amendment and Warrant Forfeiture Agreement dated October 24, 2012
127,173		0.04718	These warrants were issued to Monarch Capital who acted as placement agents in raising $60,000 from one investor who purchased October 2012 Notes pursuant to the 2012 Bridge Note October Purchase Agreement.
519,288		0.04718	These warrants due to be issued to Tony Pullen who acted as placement agents in raising $350,000 from three investors who purchased October 2012 Notes pursuant to the 2012 Bridge Note October Purchase Agreement.
152,000		0.275	These warrants were issued to Monarch Capital who acted as placement agents in raising $380,000 from twelve accredited investors who purchased common stock, par value $0.001 per share, in private placement agreements dated February 20, 2013 and May 23, 2013.
100,000		0.25	These warrants were issued to D&D Securities Inc. in connection with the Company's private offering to select accredited investors of shares of restricted common stock at a private of $0.25 per share, in a private placement agreement dated February 20, 2013.
52,000		0.275	These warrants were issued to Monarch Capital who acted as placement agents in raising $520,000 from five accredited investors who purchased common stock, par value $0.001 per share, in a private placement agreement dated May 23, 2013.
1,497,556	$	3.03	**Warrants outstanding at September 30, 2013**
120,000		0.275	Warrants issued to Monarch Capital who acted as placement agents in raising $300,000 from 11 accredited investors who purchased restricted common stock, par value $0.001 per share, in a private placement agreements dated October 2, 2013 and January 8, 2014.
32,200		0.25	Warrants issued to D&D Securities Inc. who acted as placement agents in raising $115,000 from three accredited investors who purchased restricted common stock, par value $0.001 per share, in a private placement agreement dated January 8, 2014.
(519,288)		0.04718	Warrants exercised as of January 29, 2013.
(89,021)		0.04718	Warrants exercised as of June 20, 2014.
(226,703)		$9.00 to $9.90	Warrants expired
814,744	$	3.07	**Warrants outstanding at September 30, 2014**

At September 30, 2014, there were warrants outstanding to purchase 814,744 shares of the Company's common stock. The exercise price of the outstanding warrants range from $0.04718 to $9.90 with a weighted average exercise price of $3.07. The warrants expire at various times starting 2014 through 2019.

7. INCOME TAXES

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance to reduce the Company's deferred tax assets to their estimated realizable value.

Reconciliations of the provision (benefit) for income taxes to the amount compiled by applying the statutory federal income tax rate to profit (loss) before income taxes is as follows for each of the fiscal years ended September 30:

	2014	2013
Federal income tax (benefit) at statutory rates	(34.0)%	(34.0)%
Stock-based compensation	(0.2)%	3.0%
Nondeductible interest expense	-	4.0%
Extinguishment of debt	1.5%	(2.0)%
Change in valuation allowance	(5)%	3.0%
True-ups and other adjustments	(26.9)%	-
State tax benefit	(3.4)%	9.0%
Inducement to convert	-	17%

Temporary differences between the financial statement carrying amounts and bases of assets and liabilities that give rise to significant portions of deferred taxes relate to the following at September 30, 2014 and 2013:

	2014	2013
Deferred income tax assets:		
Net operating loss carryforward	$ 13,083,200	$ 15,370,600
Deferred interest, consulting and compensation liabilities	1,529,800	1,168,300
Amortization	-	2,900
Deferred income tax assets – other	5,800	4,300
	14,618,800	16,546,100
Deferred income tax liabilities—other	(1,600)	-
Deferred income tax asset—net before valuation allowance	14,617,200	16,546,100
Valuation allowance	(14,617,200)	(16,546,100)
Deferred income tax asset—net	$ -	$ -

Current and non-current deferred taxes have been recorded on a net basis in the accompanying balance sheet. As of September 30, 2014, the Company had Federal net operating loss carryforwards of approximately $31.6 million and State net operating loss carryforwards of approximately $51.0 million. Both the Federal and State net operating loss carryforwards will begin to expire in 2034. 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.

8. RELATED PARTY TRANSACTIONS

On November 28, 2012, pursuant to the Amended and Restated Consent, Note Amendment and Warrant Forfeiture Agreement dated October 24, 2012, between the Company and the holders of at least a majority in aggregate principal amount outstanding (“Majority Holders”) of each tranche of the Company’s convertible promissory notes issued (the October 2010 Notes, the January 2011 Notes, the October 2011 Notes and the February 2012 Note), all of such notes were amended to (a) extend the maturity date of October 1, 2013, (b) set the conversion price at $1.00, subject to adjustment as provided in the notes and (c) remove full-ratchet anti-dilution protection. In addition, the holders forfeited the warrants they received in connection with the issuance of the notes, and consented to the 2012 Bridge Financing, the issuance of the October 2012 Notes and to the subordination of their notes to these October 2012 Notes. The holders of the above mentioned notes included the following directors or entities beneficially owned by them: John Pappajohn, Walter Schindler, Andrew Sassine, Zachary McAdoo and former director George Kallins. The Company’s Chief Financial Officer, Paul Buck, was also a note holder.

As a condition of the November 28, 2012 closing of the 2012 Bridge Financing, the Company also entered into Employment Compensation Forfeiture and Exchange Agreements (“Forfeiture and Exchange Agreements”) with three of its executive officers, George Carpenter, Paul Buck and Michael Darkoch. Pursuant to these agreements, the executives agreed to waive receipt of and release the Company from the payment of 50% of their salaries accrued from August 31, 2010 to September 30, 2012 (amount waived was $56,250 for George Carpenter, $66,083 for Paul Buck and $43,333 for Michael Darkoch), in consideration for which the Company agreed to issue to such executives a certain number of shares of its Common Stock (56,250 for George Carpenter, 66,083 for Paul Buck and 43,333 for Michael Darkoch). Any remaining accrued salary remains outstanding and shall be paid (i) from time to time at the discretion of the Board to the extent the Board determines that such payment will not jeopardize the ability of the Company to continue as a going concern; or (ii) upon the closing of any single financing transaction (including a single financing transaction that contemplates multiple closings) in which the Company receives proceeds of $5 million or more. Additionally, where applicable, the executives agreed to waive receipt of and release the Company from the payment of any previously approved bonus award. Under the agreements, the Company agreed to indemnify the executives for all federal and state income tax payable and actually paid by the executive related directly to the receipt of the Common Stock, the per share value of which was not expected to be more than the conversion price of the October 2012 Notes which was $0.04718 per share.

On February 6, 2013, the Company filed with the SEC Schedule 14f-1 in connection with the change in a majority of the Board. The 14f-1 was mailed to stockholders of record by February 13, 2013. On December 10, 2012, the Board had approved the appointment of the "New Board Members" to the Board of the Company to fill vacancies. The New Board Members took office as directors on February 25, 2013. Messrs. Turner and Sassine were appointed to the Board as nominees of Equity Dynamics, Inc. ("Equity Dynamics"), an entity owned by Board member John Pappajohn, pursuant to the terms of the governance agreement, dated November 28, 2012, between the Company and Equity Dynamics. Messrs. Tierney and Follman were appointed to the Board as nominees of SAIL Capital Partners, which is affiliated with Board member Walter Schindler, pursuant to the terms of the governance agreement, dated November 28, 2012, between the Company and SAIL Capital Partners.

On August 12, 2013, all of the holders of $1.00 convertible notes ("$1 Note(s)") (see Note 4 above) converted $1 Note(s) in the aggregate principal amount of $6,363,900, plus $1,359,400 in accrued interest thereon, into shares of Common Stock at the price of $0.25 per share. The conversion followed an amendment of the Notes to permit a temporary reduction in the conversion price from $1.00 per share to $0.25 per share. All $1 Note holders consented to the amendment and converted their Notes and interest thereon at a conversion price of $0.25 per share of Common Stock with the resultant issuance of 30,893,419 shares. The $1 Note holders included four affiliates of the Company:

- Mr. Pappajohn, a Director of the Company, converted six notes with an aggregate principal amount of $1,511,700, plus $317,900 of interest thereon, into 7,318,229 shares of Common Stock;
- Mr. Sassine, a Director of the Company, converted two notes with an aggregate principal amount of $700,000, plus $174,600 of interest thereon, into 3,498,200 shares of Common Stock;
- Mr. McAdoo, a Director of the Company, converted three notes held by the Zanett Opportunity Fund, Ltd., of which he is the President, with an aggregate principal amount of $380,000, plus $57,200 of interest thereon, into 1,748,720 shares of Common Stock;
- Mr. Buck, the Chief Financial Officer of the Company, converted one note with a principal amount of $75,000, plus $14,900 of interest thereon, into 359,450 shares of Common Stock.

On October 8, 2013, the Board granted to the Company's two executive officers and two senior managers (collectively, the "Managers") options to purchase shares of its Common Stock pursuant to the 2012 Option Plan at an exercise price of $0.25 per share as follows: George Carpenter 435,000 shares, Paul Buck 470,000 shares, Stewart Navarre 385,000 shares and Brian MacDonald 310,000. These options vest pro-rata over 12 months starting from the date of grant. Pursuant to the Employment Compensation Forfeiture and Exchange Agreement dated December 16, 2013, the Managers agreed to forego a portion of their salaries in fiscal year 2014 as follows: George Carpenter $98,000, Paul Buck $106,500, Stewart Navarre $83,600 and Brian MacDonald $66,700. These Managers were paid out of the salaries earned and accrued during fiscal years 2012 and 2013. The accruals to be paid out were equivalent to the fiscal year 2014 salaries that each of the Managers agreed to forego in lieu of receiving options.

Transactions with Henry T. Harbin, Former Director

Dr. Henry Harbin resigned his directorship on November 18, 2012, by which time the Company had accrued $90,000 to be paid on Dr. Harbin's consulting agreement. Dr. Harbin's consulting agreement started in January 2010, and continued until December 2012. Effective January 2013, Dr. Harbin entered into a new consulting agreement with the Company originally terminating on December 31, 2013 and with two automatic annual renewal options. These renewal options would engage Dr. Harbin for his consulting services through December 2015. As compensation for his new consulting services, on January 14, 2013 Dr. Harbin was granted options to purchase 850,000 shares of Common Stock at an exercise price of $0.04718 per share. These shares vest evenly over 36 months starting at the date of the grant. Because Dr. Harbin understood the Company's cash constraints, he forgave the Company's $90,000 debt to him, which had been accrued on his earlier consulting agreement.

Transactions with John Pappajohn, Director

As of September 2013, the Company had accrued $200,000 of consulting fees and expenses pursuant to a Board approved agreement with Equity Dynamics, a company owned by Mr. Pappajohn. Mr. Pappajohn assigned the $200,000 debt to multiple third parties and on September 20, 2013, the Company entered into subscription agreements with five accredited investors who had been assigned that debt and issued them in aggregate 800,000 shares of Common Stock at $0.25 per share.

On November 28, 2012, an October 2012 Note in the aggregate principal amount of $500,000 was issued to Mr. Pappajohn in exchange for $300,000 cash and the two short-term loans aggregating $200,000 which had been issued on April 26, 2012 and May 25, 2012 in exchange for cash. On January 25, 2013, Mr. Pappajohn converted $200,000 of his October 2012 Note plus interest thereon into 4,300,551 shares of Common Stock at a conversion price of $0.04718 per share. On March 21, 2013, Mr. Pappajohn converted the remaining $300,000 of his October 2012 Note plus interest thereon into 6,538,258 shares of Common Stock at a conversion price of $0.04718 per share.

On August 30, 2013, Mr. Pappajohn purchased an aggregate of 400,000 shares of Common Stock at a price of $0.25 per share pursuant to a private placement offering memorandum for which the Company received gross aggregate cash proceeds of $100,000.

On September 22, 2014, Mr. Pappajohn purchased $200,000 of September 2014 Notes which are convertible into shares of Common Stock (i) automatically upon the closing of a qualified offering of no less than $5 million at a conversion price equal to the lesser of $0.25 or 70% of the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share or (ii) voluntarily within 15 days of maturity at the lesser of a conversion price equal to $0.25 or the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share.

Transactions with Walter L. Schindler, Director

Mr. Schindler is a Director and the Managing Partner of SAIL Capital Partners which is the general partner of all the SAIL entities except for SAIL Holding, LLC which is controlled directly by Mr. Schindler. On August17, 2012, the Company issued an October 2012 Note in the aggregate principal amount of $100,000 to SAIL Holdings, LLC in exchange for cash. On October 26, 2012 the Company issued three additional October 2012 Notes for the aggregate amount of $90,000 in exchange for cash to the following SAIL entities:- SAIL 2010 Co-Investment Partners, LP, $20,000; SAIL 2011 Co-Investment Partners, LP, $20,000; SAIL Venture Partners II, LP $50,000.

On January 31, 2013, the SAIL entities converted all their convertible notes in the aggregate principal amount of $1,440,000 and $226,200 of interest thereon into 5,631,699 shares of Common Stock. Of these conversions $250,000 was an October 2010 Note together with interest of $53,300 converted into 303,313 shares of Common Stock at a conversion price of $1.00 per share. $1,000,000 in aggregate were six January 2011 Notes together with interest of $166,500 which converted into 1,166,503 shares of Common Stock at a conversion price of $1.00. And lastly, $190,000 in aggregate were four October 2012 Notes together with interest of $6,400 which converted into 4,161,883 shares of Common Stock at a conversion price of $0.04718 per share. All these shares were converted by Walter Schindler, on behalf of all the various SAIL entities.

On September 12, 2013, SAIL Venture Management, LLC ("SAIL VM") an entity managed by Mr. Schindler, entered into a subscription agreement to settle a debt with Common Stock at $0.25 per share. $45,500 was owed by the Company for expenses paid on its behalf by SAIL VM which was issued 181,974 shares of Common Stock to settle that debt.

On July 11, 2014, SAIL Pre-Exit Acceleration fund, L.P, an entity managed by Mr. Schindler, entered into a subscription agreement to purchase 40,000 shares of Common Stock at $0.25 per share for which the Company received gross cash proceeds of $10,000.

Transactions with Thomas T. Tierney, Chairman of the Board

On August 21, and September 6, of 2012 two October 2012 Notes in the aggregate principal amount of $200,000 were issued in exchange for cash to the Thomas T. and Elizabeth C. Tierney Family Trust (the "Tierney Family Trust"), an accredited investor, of which Thomas T. Tierney is a trustee. As of February 25, 2013, Mr. Tierney was empanelled as a Director of the Company. As of January 31, 2013, the Tierney Family Trust converted its two October 2012 Notes, in aggregate $200,000, plus interest thereon into 4,403,349 shares of Common Stock at a conversion price of $0.04718 per share.

The Tierney Family Trust has made multiple additional investments pursuant to a series of subscription agreements all of which were the result of private placements of unregistered stock at $0.25 per share. All individual transactions were in tranches of $100,000 for the purchase of 400,000 shares and the Company received gross cash proceeds of $100,000 on each occasion. These transactions occurred on the following dates: March 18, July 22, August 30 and September 9 of 2013 and January 13, February 12 and July 8, of 2014. In aggregate the Tierney Family Trust has purchased 2,800,000 shares at $0.25 per share for $700,000 gross cash proceeds to the Company.

On September 22, 2014, the Tierney Family Trust purchased $200,000 of September 2014 Notes which are convertible into shares of Common Stock (i) automatically upon the closing of a qualified offering of no less than $5 million at a conversion price equal to the lesser of $0.25 or 70% of the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share or (ii) voluntarily within 15 days of maturity at the lesser of a conversion price equal to $0.25 or the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share.

Transactions with Robert J. Follman, Director

On October 19, 2012, an October 2012 Note in the aggregate principal amount of $200,000 was issued in exchange for cash to the Trust of Robert J. Follman and Carole A. Follman, dated August 14, 1979 (the "Follman Trust"), an accredited investor, of which Robert J. Follman is a trustee. As of February 25, 2013, Mr. Follman was empanelled as a Director of the Company. On June 14, 2013, the Follman Trust converted their October 2012 Note and interest thereon to into 4,491,310 shares of Common Stock at a conversion price $0.04718 per share.

The Follman Trust has made multiple additional investments pursuant to a series of subscription agreements all of which were the result of private placements of unregistered stock at $0.25 per share. All individual transactions were in tranches of $100,000 for the purchase of 400,000 shares and the Company received gross cash proceeds of $100,000 on each occasion. These transactions occurred on the following dates: August 16 and September 11 of 2013 and January 17, February 14 and July 8 of 2014. In aggregate the Follman Trust has purchased 2,000,000 shares at $0.25 per share for $500,000 gross cash proceeds to the Company.

Transactions with Andrew Sassine, Director

On November 28, 2012, we issued an additional October 2012 Note in the principal amount of $25,000 to Mr. Sassine in exchange for cash. On February 25, 2013, Mr. Sassine was empanelled as a Director of the Company. On April 30, 2013, Mr. Sassine converted his October 2012 Note and interest thereon to into 550,021 shares of Common Stock at a conversion price $0.04718 per share.

Transactions with George Carpenter, Chief Executive Officer

On November 28, 2012, we issued October 2012 Notes in exchange for cash in the aggregate principal amount of $50,000 to Mr. George Carpenter, the Chief Executive Officer of the Company. On March 27, 2013, Mr. Carpenter converted his October 2012 Note and interest thereon into 1,091,299 shares of Common Stock at a conversion price of $0.04718 per share.

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. For the period from May 1, 2013 through to September 30, 2014, we have paid $155,000 to Decision Calculus Associates and have an accounts payable balance of a further $15,000.

On January 28, 2014, Mr. and Mrs. Carpenter invested $50,000 for 200,000 shares of Common Stock at $0.25 per share pursuant to a subscription agreement for which the Company received gross cash proceeds of $50,000.

On July 11, 2014, Mr. and Mrs. Carpenter invested $12,500 for 50,000 shares of Common Stock at $0.25 per share pursuant to a subscription agreement for which the Company received gross cash proceeds of $12,500.

Transactions with Paul Buck, Chief Financial Officer

Mr. Buck has made multiple additional investments pursuant to a series of subscription agreements all of which were the result of private placements of unregistered stock at $0.25 per share. On February 22 and August 28 of 2013 Mr. Buck made two investments $12,500 each for an aggregate 100,000 shares of Common Stock at $0.25 per share pursuant to a subscription agreements for which the Company received gross cash proceeds of $25,000.

On February 12, 2014, Mr. Buck invested $25,000 for 100,000 shares of Common Stock at $0.25 per share pursuant to a subscription agreement for which the Company received gross cash proceeds of $25,000.

On July 8, 2014, Mr. Buck invested $12,500 for 50,000 shares of Common Stock at $0.25 per share pursuant to a subscription agreement for which the Company received gross cash proceeds of $12,500.

Transactions with Extuple Limited Partnership, Greater than 5% Stockholder

On October 25, 2012, an October 2012 Note in the aggregate principal amount of $200,000 was issued in exchange for cash to Extuple Limited Partnership ("Extuple"), an accredited investor, of which Philip Deck is the managing partner. On June 14, 2013, Extuple converted $50,000 of their October 2012 Note and interest thereon to into 1,121,237 shares of Common Stock at a conversion price $0.04718 per share. On September 30, 2013, Extuple converted the remaining $150,000 of their October 2012 Note and interest thereon into 3,449,555 shares of Common Stock at a conversion price $0.04718 per share.

On April 1, 2013, Extuple invested $300,000 for 1,200,000 shares of Common Stock at a price of $0.25 per share pursuant to a subscription agreement. The Company received gross cash proceeds of $300,000.

Transactions with Mark and Jill Oman, Greater than 5% Stockholder

On November 29, 2012, an October 2012 Note in the aggregate principal amount of $250,000 was issued in exchange for cash to Mark and Jill Oman (the "Omans"), who are accredited investors. On April 30, 2013, the Omans converted their October 2012 Note and interest thereon into 5,500,212 shares of Common Stock at a conversion price of $0.04718 per share.

On June 11, 2013, the Omans invested an additional $250,000 for an aggregate of 1,000,000 shares of Common Stock at a price of $0.25 per share pursuant to a subscription agreement. The Company received gross cash proceeds of $250,000. Of the issued shares, 800,000 shares are held and their own name and 200,000 are held in the name of an entity which they control.

On August 30, 2013, the Omans invested a further $100,000 for an aggregate of 400,000 shares of Common Stock at a price of $0.25 per share pursuant to a subscription agreement for which the Company received gross cash proceeds of $100,000.

On September 22, 2014, Oman Ventures LLC, of which Mr. Oman is the President, purchased $200,000 of September 2014 Notes which are convertible into shares of Common Stock (i) automatically upon the closing of a qualified offering of no less than $5 million at a conversion price equal to the lesser of $0.25 or 70% of the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share or (ii) voluntarily within 15 days of maturity at the lesser of a conversion price equal to $0.25 or the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share.

9. LOSS PER SHARE

In accordance with ASC 260-10 (formerly SFAS 128, "Computation of Earnings Per Share"), 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 fiscal years ended September 30, 2014 and 2013, 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 fiscal years ended September 30, 2014 and 2013 is as follows:

	2014	2013
Net Loss for computation of basic and diluted net loss per share:		
From continuing operations	$ (2,660,100)	$ (10,888,000)
From discontinued operations	(2,700)	(19,400)
Net loss	$ (2,662,800)	$ (10,907,400)
Basic and Diluted net loss per share:		
From continuing operations	$ (0.03)	$ (0.14)
From discontinued operations	(0.00)	(0.00)
Basic net loss per share	$ (0.03)	$ (0.14)
Basic and Diluted weighted average shares outstanding	99,326,519	75,800,179
Anti-dilutive common equivalent shares not included in the computation of dilutive net loss per share:		
Convertible debt	137,500	22,468,186
Warrants	1,139,415	1,163,976
Options	11,930,872	8,009,536

10. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of the Company's operations in the ordinary course of business. Other than as set forth below, 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.

Since June 2009, the Company has been involved in litigation against Leonard J. Brandt, a stockholder, former Director and the Company's former Chief Executive Officer ("Brandt") in the Delaware Chancery Court, the Supreme Court of the State of Delaware and the United States District Court for the Central District of California. Other than current actions described below, the Company has prevailed in all actions or the matters have been dismissed.

On April 11, 2011, Brandt and his family business partnership Brandt Ventures, GP, filed an action in the Superior Court for the State of California, Orange County against the Company, one of its stockholders, SAIL Venture Partner, LP, and Mr. David Jones, a former member of the Board, alleging breach of a promissory note agreement entered into by Brandt Ventures, GP and the Company and alleging that Mr. Brandt was wrongfully terminated as Chief Executive Officer in April, 2009. The Company was served with a summons and complaint in the action on July 19, 2011.

On November 1, 2011, Mr. Brandt and Brandt Ventures filed an amended complaint amending their claims and adding new claims against the same parties. On March 12, 2012, the court sustained demurrers to certain of the counts against each defendant. On March 22, 2012, the plaintiffs filed a second amended complaint modifying certain of their claims, but did not add new claims. On February 6, 2013, the plaintiffs moved for leave to amend the second amended complaint and file a third amended complaint. On March 6, 2013, the Court granted leave to amend, but awarded fees and costs for the defendants to again make dispositive motions. The third amended complaint adds a claim for breach of the promissory note and seeks to foreclose on the collateral securing the note obligation. In addition, Mr. Brandt is seeking approximately $170,000 of severance and compensatory and punitive damages in connection with his termination. In interrogatory responses served on January 26, 2013, Mr. Brandt for the first time identified that he seeks damages in connection with his termination exceeding $9,000,000. Mr. Brandt has proffered no credible evidence to support damages in this amount, and the Company believes this claim for damages is without merit. The plaintiffs also seek rescission of a $250,000 loan made by Brandt Ventures, GP to the Company which was converted into Common Stock in accordance with its terms and restitution of the loan amount.

Discovery is ongoing and the Company continues to aggressively defend the action. A trial date had originally been set for May 2014; however, plaintiffs' counsel requested a continuance until August 2014 to which the Company agreed. Subsequently on June 18, 2014, at plaintiffs' counsel's request, the Company entered into a Standstill and Tolling Agreement whereby the plaintiffs agreed to execute a dismissal of all the claims without prejudice with the ability to re-file the third amended complaint, without change, on or before June 18, 2015. The Company believes that this agreement effectively postpones further litigation of this matter by six to twelve months. The Company believes that the third amended complaint, like the prior complaints, is without merit. The Company has not accrued any amounts related to this matter. The action is captioned *Leonard J. Brandt and Brandt Ventures, GP v. CNS Response, Inc., Sail Venture Partners and David Jones*, case no. 30-2011-00465655-CU-WT-CJC.

The Company has expended substantial resources to pursue the defense of legal proceedings initiated by Mr. Brandt. The Company does not know whether Mr. Brandt will institute additional claims against the Company and the defense of any such claims could involve the expenditure of additional resources by the Company.

Lease Commitments

The Company has its current Headquarters and Neurometric Services business premises located at 85 Enterprise, Aliso Viejo, California 92656 since February 2010. On February 6, 2014, we signed a 24 month extension to our lease for our current location. The lease period commenced on February 1, 2014 and terminates on January 31, 2016. The rent for months one through 13 is $4,349 per month; the months of February 2014 and January 2015 are abated; the rent for months 14 through 24 is $4,523 per month.

The Company leased space for its Clinical Services, our discontinued operation, under an operating lease. The original lease terminated on February 28, 2010 and a 37 month extension to the lease was negotiated commencing April 1, 2010 and terminating April 30, 2013. The 3,542 square foot facility had an average cost for the lease term of $5,100 per month. These premises were vacated on September 30, 2012 and the Company fully accrued the remaining outstanding balance of the lease through April 30, 2013, which had remained outstanding. As a key term in the lease extension, the landlord had required that the Company, rather than NTC, bear the financial responsibility for this lease. We negotiated a settlement with the landlord to structure the payoff of the lease with a promissory note of $50,000 bearing interest at 5% per annum with 13 payments over 12 months. This note has been paid off as of September 30, 2014.

The Company incurred rent expense from continuing operations of $45,000 and $47,700 for the fiscal years ended September 30, 2014 and 2013, respectively.

On November 8, 2010, we entered into a financial lease to acquire EEG equipment costing $15,900. The term of the lease was 48 months ending October 2014 and the monthly payment is $412. As of September 30, 2014 we had fully paid off lease obligation.

On April 24, 2013, we entered into a second financial lease to acquire additional EEG equipment costing $8,900. The term of the lease is 36 months ending May 2016 with a monthly payment of $325. As of September 30, 2014 the remaining lease obligation is $6,000 of which $3,500 and $2,500 are due in fiscal years 2015 and 2016, respectively.

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Operating Lease Obligations	$ 67,300	$ 49,200	$ 18,100	-	-
Capital Lease Obligations	6,000	3,500	2,500	-	-
Total	$ 73,300	$ 52,700	$ 20,600	-	-

11. SIGNIFICANT CUSTOMERS

For the fiscal year ended September 30, 2014, four customers accounted for 68% of Neurometric Services revenue and three customers accounted for 53% of accounts receivable at September 30, 2014.

For the fiscal year ended September 30, 2013, four customers accounted for 51% of Neurometric Services revenue and three customers accounted for 50% of accounts receivable at September 30, 2013.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, including our principal executive officer (PEO) and principal financial officer (PFO), conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined by paragraph (e) of Exchange Act Rule 13a-15, as of September 30, 2014, the end of the period covered by this report. Based on this evaluation, our PEO and PFO concluded that our disclosure controls and procedures were effective as of September 30, 2014.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Rule 13a-15(f) under the Exchange Act, internal control over financial reporting is a process designed by, or under the supervision of, our PEO and PFO and effected by our board of directors, management, and other personnel, 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 and includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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

Internal Controls Over Financial Reporting

Members of our management, including our PEO and our PFO, have evaluated the effectiveness of our internal control over financial reporting as of September 30, 2014, based on the framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission and we concluded that our internal controls over financial reporting are effective.

A "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

A "significant deficiency" is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

During the quarterly period ending September 30, 2014, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item 10 is incorporated by reference to our definitive proxy statement or an amendment to our Annual Report on Form 10-K to be filed on or before January 28, 2015.

ITEM 11. Executive Compensation.

The information required by this Item 11 is incorporated by reference to our definitive proxy statement or an amendment to our Annual Report on Form 10-K to be filed on or before January 28, 2015.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item 12 is incorporated by reference to our definitive proxy statement or an amendment to our Annual Report on Form 10-K to be filed on or before January 28, 2015.

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

The information required by this Item 13 is incorporated by reference to our definitive proxy statement or an amendment to our Annual Report on Form 10-K to be filed on or before January 28, 2015.

ITEM 14. Principal Accountant Fees and Services.

The information required by this Item 14 is incorporated by reference to our definitive proxy statement or an amendment to our Annual Report on Form 10-K to be filed on or before January 28, 2015.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules.

(a) 1. The information required by this item is included in Item 8 of Part II of this Annual Report.

2. The information required by this item is included in Item 8 of Part II of this Annual report.

3. Exhibits: See Exhibit Index following the signature pages to this Annual Report, which is incorporated by reference in this Item.

The Exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Annual Report.

(b) Exhibits. See Exhibit Index, which is incorporated by reference in this Item. The Exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Annual Report.

(c) Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CNS RESPONSE, INC.

By: /s/ George Carpenter
George Carpenter
Chief Executive Officer

Date: December 29, 2014

POWER OF ATTORNEY

The undersigned directors and officers of CNS Response, Inc. do hereby constitute and appoint George Carpenter and Paul Buck with full power of substitution and resubstitution, as their true and lawful attorneys and agents, to do any and all acts and things in their name and behalf in their capacities as directors and officers and to execute any and all instruments for them and in their names in the capacities indicated below, which said attorneys and agents, may deem necessary or advisable to enable said corporation to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specifically but without limitation, power and authority to sign for them or any of them in their names in the capacities indicated below, any and all amendments hereto, and they do hereby ratify and confirm all that said attorneys and agents, or either of them, may lawfully do or cause to be done by virtue hereof.

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/George Carpenter George Carpenter	Chief Executive Officer (Principal Executive Officer)	December 29, 2014
/s/Paul Buck Paul Buck	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	December 29, 2014
/s/Thomas Tierney Thomas Tierney	Chairman of the Board	December 29, 2014
/s/John Pappajohn John Pappajohn	Director	December 29, 2014
/s/Walter Schindler Walter Schindler	Director	December 29, 2014
/s/Zachary McAdoo Zachary McAdoo	Director	December 29, 2014
/s/Andrew Sassine Andrew Sassine	Director	December 29, 2014
/s/Robert Follman Robert Follman	Director	December 29, 2014
/s/Richard Turner Richard Turner	Director	December 29, 2014

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger by and among Strativation, Inc., CNS Merger Corporation and CNS Response, Inc. dated as of January 16, 2007. Incorporated by reference to Exhibit No. 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on January 22, 2007.
2.2	Amendment No. 1 to Agreement and Plan of Merger by and among Strativation, Inc., CNS Merger Corporation, and CNS Response, Inc. dated as of February 28, 2007. Incorporated by reference to Exhibit No. 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 1, 2007.
3.1	Certificate of Incorporation, as amended. Incorporated by reference to Exhibit No. 3.1 to the Registrant's Form 10-K for the fiscal year ended September 30, 2011 (File No. 000-26285) filed on December 22, 2011.
3.1.1	Certificate of Amendment to the Certificate of Incorporation, as amended. Incorporated by reference to Exhibit No. 3.1 to the Registrant's Form 8-K (File No. 000-26285) filed on April 2, 2012.
3.1.2	Certificate of Amendment to the Certificate of Incorporation, Incorporated by reference to Exhibit 3.1.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-35527) filed on August 14, 2013.
3.2	Bylaws. Incorporated by reference to Exhibit No. 3.1 to the Registrant's Form 8-K (File No. 000-26285) filed on March 28, 2012.
4.1†	Amended and Restated 2006 Stock Incentive Plan. Incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A (File No. 000-26285) filed on April 1, 2010.
4.2†	2012 Omnibus Incentive Compensation Plan (Subject to stockholder approval). Incorporated by reference to Exhibit 4.2 to the Registrant's Amendment No. 4 to Registration Statement on Form S-1 (File No. 333-173934) filed with on April 25, 2011.
4.3	Sample Stock Certificate. Incorporated by reference to Exhibit 4.4 to the Registrant's Amendment No. 4 to Registration Statement on Form S-1 (File No. 333-173934) filed on April 25, 2012.
4.4*	Form of Secured Convertible Promissory Note.
10.1	Amended and Restated Registration Rights Agreement, dated January 16, 2007 by and among the Registrant and the stockholders signatory thereto. Incorporated by reference to Exhibit No. 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on January 16, 2007.
10.2	Form of Subscription Agreement between the Registrant and certain investors, dated March 7, 2007. Incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 13, 2007.
10.3	Form of Indemnification Agreement by and among the Registrant, CNS Response, Inc., a California corporation, and certain individuals, dated March 7, 2007. Incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 13, 2007.
10.4	Form of Registration Rights Agreement by and among the Registrant and certain Investors signatory thereto dated March 7, 2007. Incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 13, 2007.
10.5	Form of Registration Rights Agreement by and among the Registrant and certain stockholders of the Company signatory thereto dated March 7, 2007. Incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 13, 2007.
10.6†	Employment Agreement by and between the Registrant and George Carpenter dated October 1, 2007. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on October 3, 2007.

10.7†	Employment Agreement by and between the Registrant and Daniel Hoffman dated January 11, 2008. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed with the Commission on January 17, 2008.
10.8	Stock Purchase Agreement by and among Colorado CNS Response, Inc., Neuro-Therapy, P.C. and Daniel A. Hoffman, M.D. dated January 11, 2008. Incorporated by reference to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on January 13, 2009.
10.9	Form of Warrant issued to Investors in Private Placement. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 13, 2007.
10.10	Senior Secured Convertible Promissory Note, dated March 30, 2009, by and between the Company and Brandt Ventures, GP. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on April 3, 2009.
10.11	Senior Secured Convertible Promissory Note, dated March 30, 2009, by and between the Company and SAIL Venture Partners, LP. Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on April 3 2009.
10.12	Bridge Note and Warrant Purchase Agreement, dated May 14, 2009 by and between the Company and SAIL Venture Partners, LP. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on May 20, 2009.
10.13	Form of Secured Convertible Promissory Note. Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on May 20, 2009.
10.14	Form of Warrant to Purchase Shares. Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on May 20, 2009.
10.15	Bridge Note and Warrant Purchase Agreement, dated June 12, 2009, by and between the Company and John Pappajohn. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on June 18, 2009.
10.16	Form of Secured Convertible Promissory Note. Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on June 18, 2009.
10.17	Form of Warrant to Purchase Shares. Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on June 18, 2009.
10.18	Form of Subscription Agreement. Incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on December 30, 2009.
10.19	Form of Warrant. Incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on December 30, 2009.
10.20	Registration Rights Agreement. Incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on December 30, 2009.
10.21	Amendment No. 1 to Registration Rights Agreement. Incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on December 30, 2009.
10.22	Form of Indemnification Agreement. Incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on December 30, 2009.
10.23†	Employment Agreement by and between the Registrant and Paul Buck effective as of February 18, 2010. Incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1/A (File No. 333-164613) filed on July 6, 2010.

10.24†	Consulting Agreement by and among CNS Response, Inc. and Henry T. Harbin, effective January 1, 2010. Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 000-26285) filed on May 14, 2010.
10.25	Bridge Note and Warrant Purchase Agreement, dated as of June 3, 2010, between CNS Response, Inc. and John Pappajohn. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on June 7, 2010.
10.26	Form of Note. Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on June 7, 2010.
10.27	Form of Warrant. Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on June 7, 2010.
10.28	Placement Agent Agreement dated August 3, 2009 between the Registrant and Maxim Group LLC. Incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1/A (File No. 333-164613) filed on July 6, 2010.
10.29	Form of Warrant issued to Placement Agent. Incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1/A (File No. 333-164613) filed on July 6, 2010.
10.30	Form of Registration Rights Agreement dated August 26, 2009 between the Registrant and Maxim Group, LLC. Incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1/A (File No. 333-164613) filed on November 8, 2010.
10.31	Form of Amendment No.1 to Placement Agent Agreement dated July 21, 2010 between the Registrant and Maxim Group LLC. Incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1/A (File No. 333-164613) filed on November 8, 2010.
10.32	Form of Amendment No.1 to Form of Warrant issued to Placement Agent dated July 21, 2010. Incorporated by reference to Exhibit 10.32 to the Registrant's Registration Statement on Form S-1/A (File No. 333-164613) filed on November 8, 2010.
10.33	Form of Unsecured Promissory Note. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on July 9, 2010.
10.34	Form of Guaranty. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on July 9, 2010.
10.35	Form of Deerwood Note. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on August 24, 2010.
10.36	Form of Deerwood Warrant. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on August 24, 2010.
10.37	Engagement Agreement, dated September 30, 2010, between the Registrant and Monarch Capital Group, LLC, as Placement Agent. Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on October 13, 2010.
10.38	Form of Note and Warrant Purchase Agreement, dated October 1, 2010, by and between the Registrant and the Investors party thereto. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on October 7, 2010.
10.39	Security Agreement, dated October 1, 2010, by and between the Registrant and John Pappajohn, as administrative agent for the secured parties. Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on October 7, 2010.
10.40	Form of October Note. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on October 7, 2010.

10.41	Form of October Warrant. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on October 7, 2010.
10.42	Form of Placement Agent Warrant issued to Monarch Capital Group, LLC. Incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on October 27, 2010.
10.43†	Employment Agreement, dated July 6, 2010, by and between the Registrant and Michael Darkoch. Incorporated by reference to Exhibit 10.43 to the Registrant's Registration Statement on Form S-1/A (File No. 333-164613) filed on November 8, 2010.
10.44	Form of Guaranty, dated as of November 3, 2010, by SAIL Venture Partners, LP in favor of Deerwood Holdings, LLC/Deerwood Partners, LLC. Incorporated by reference to Exhibit 10.44 to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on December 21, 2010.
10.45	Form of Note and Warrant Purchase Agreement, dated as of January 20, 2011, by and between the Registrant and the Investors party thereto. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 1, 2011.
10.46	Form of Unsecured Note. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 1, 2011.
10.47	Form of Warrant. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 1, 2011.
10.48	Engagement Agreement, dated January 19, 2011, between the Registrant and Monarch Capital Group, LLC. Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 1, 2011.
10.49	Form of Placement Agent Warrant. Incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 1, 2011.
10.50	Form of Agreement to Convert and Amend, dated as of June 3, 2011, between the Registrant and the holders of the October Notes and related warrants and of the Unsecured Notes and related warrants. Incorporated by reference to Exhibit 10.50 to the Registrant's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-173934) filed on June 20, 2011.
10.51	Form of Agreement to Amend Placement Agent Warrants, dated as of June 3, 2011, between the Registrant and the holders of the Placement Agent Warrants issued pursuant to the September 30, 2010 and January 19, 2011 engagement agreements between the Registrant and Monarch Capital Group LLC and the April 15, 2011 engagement agreement between the Registrant and Antaeus Capital, Inc. Incorporated by reference to Exhibit 10.51 to the Registrant's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-173934) filed on June 20, 2011.
10.52	Form of Agreement to Amend Warrants issued to staff members of Equity Dynamics for consulting and support services, dated as of June 8, 2011. Incorporated by reference to Exhibit 10.52 to the Registrant's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-173934) filed on June 20, 2011.
10.53	Form of Amendment to Stock Option Agreement. Incorporated by reference to Exhibit 10.53 to the Registrant's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-173934) filed on June 20, 2011.
10.54	Form of Amendment and Conversion Agreement for the Secured Convertible Promissory Notes between the Registrant and the holders' signatory thereto. Incorporated by reference to Exhibit 10.54 to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on December 22, 2011.
10.55	Form of Amendment and Conversion Agreement for the Subordinated Unsecured Convertible Promissory Notes between the Registrant and the holders' signatory thereto. Incorporated by reference to Exhibit 10.55 to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on December 22, 2011.
10.56	Form of Note and Warrant Purchase Agreement, dated as of October 18, 2011, by and between the Registrant and the Investors party thereto. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on October 24, 2011.

10.56.1	Form of Amended and Restated Note and Warrant Purchase Agreement, dated November 11, 2011. Incorporated by reference to Exhibit 10.56.1 to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on December 22, 2011.
10.57	Form of Amended and Restated Security Agreement, dated as of September 30, 2011, by and between the Registrant and Paul Buck, as administrative agent for the secured parties. Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on October 24, 2011.
10.58	Form of Subordinated Secured Convertible Promissory Note. Incorporated by reference to Exhibit 10.58 to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on December 22, 2011.
10.59	Form of Warrant. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on October 24, 2011.
10.60	Form of Subordinated Unsecured Convertible Promissory Note. Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 6, 2012.
10.61	Form of Warrant. Incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on March 6, 2012.
10.62	Consulting Agreement between Henry T. Harbin and CNS Response, Inc., dated as of January 1, 2010. Incorporated by reference to Exhibit 10.62 to the Registrant's Amendment No. 4 to Registration Statement on Form S-1 (File No. 333-173934) filed on April 25, 2012.
10.63	Advisory Agreement between Equity Dynamics, Inc., and CNS Response, Inc., dated as of February 1, 2010. Incorporated by reference to Exhibit 10.63 to the Registrant's Amendment No. 4 to Registration Statement on Form S-1 (File No. 333-173934) filed on April 25, 2012.
10.64	Form of Subordinated Demand Promissory Note, by and between the Company and John Pappajohn. Incorporated by reference to Exhibit 10.64 to the Registrant's Amendment No. 4 to Registration Statement on Form S-1 (File No. 333-173934) filed on April 25, 2012.
10.65	Form of Conversion Agreement for the Senior Convertible Promissory Notes ("October Notes") between the Registrant and the holders' signatory thereto, dated as of May 4, 2012. Incorporated by reference to Exhibit 10.65 to the Registrant's Amendment No. 5 to Registration Statement on Form S-1 (File No. 333-173934) filed on May 22, 2012.
10.66	Form of Conversion Agreement for the Subordinated Convertible Promissory Notes ("January Notes") between the Registrant and the holders' signatory thereto, dated as of May 4, 2012. Incorporated by reference to Exhibit 10.66 to the Registrant's Amendment No. 5 to Registration Statement on Form S-1 (File No. 333-173934) filed on May 22, 2012.
10.67	Form of Conversion Agreement for the Subordinated Convertible Promissory Notes ("2011 Bridge Notes") between the Registrant and the holders' signatory thereto, dated as of May 4, 2012. Incorporated by reference to Exhibit 10.67 to the Registrant's Amendment No. 5 to Registration Statement on Form S-1 (File No. 333-173934) filed on May 22, 2012.
10.68	Form of Lock-up Agreement and Amendment thereto. Incorporated by reference to Exhibit 10.68 to the Registrant's Amendment No. 6 to Registration Statement on Form S-1 (File No. 333-173934) filed on May 31, 2012.
10.69	Form of Conversion Agreement for the Senior Convertible Promissory Notes between the Registrant and the holders' signatory thereto, dated as of June 12, 2012. Incorporated by reference to Exhibit 10.69 to the Registrant's Amendment No. 7 to Registration Statement on Form S-1 (File No. 333-173934) filed on June 20, 2012.
10.70	Form of Conversion Agreement for the Subordinated Convertible Promissory Notes between the Registrant and the holders' signatory thereto, dated as of June 12, 2012. Incorporated by reference to Exhibit 10.70 to the Registrant's Amendment No. 7 to Registration Statement on Form S-1 (File No. 333-173934) filed on June 20, 2012.
10.71	Form of Conversion Agreement for the Subordinated Convertible Promissory Notes between the Registrant and the holders' signatory thereto, dated as of June 12, 2012. Incorporated by reference to Exhibit 10.71 to the Registrant's Amendment No. 7 to Registration Statement on Form S-1 (File No. 333-173934) filed on June 20, 2012.

10.72	Form of Secured Convertible Promissory Note ("August 2012 Note"). Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on August 24, 2012.
10.73	Form of Note Purchase Agreement. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on August 24, 2012.
10.74	Form of Second Amended and Restated Security Agreement. Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on August 24, 2012.
10.75	Form of Secured Convertible Promissory Note ("October 2012 Note"). Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K/A (File No. 000-26285) filed on November 13, 2012.
10.76	Form of Amended and Restated Note Purchase Agreement. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K/A (File No. 000-26285) filed on November 13, 2012.
10.77	Form of Amended and Restated Consent, Note Amendment and Warrant Forfeiture Agreement, dated as of October 24, 2012. Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on December 4, 2012.
10.78	Form of Governance Agreement with Equity Dynamics, Inc. Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on December 4, 2012.
10.79	Form of Governance Agreement with SAIL Capital Partners. Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on December 4, 2012.
10.80	Form of Employment Compensation Forfeiture and Exchange Agreement. Incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 000-26285) filed on December 4, 2012.
10.81	Form of Subscription Agreement (common stock), made as of February 20, 2013, by and between the Company and the investor(s) signatory thereto. Incorporated by reference to Exhibit 10.78 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-35527) filed on August 14, 2013.
10.82	Form of Subscription Agreement (common stock), made as of May 23, 2013, by and between the Company and the investor(s) signatory thereto. Incorporated by reference to Exhibit 10.79 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-35527) filed on August 14, 2013.
10.83	Form of Omnibus Amendment to the October 2010 Notes, January 2011 Notes, October 2011 Notes and February 2012 Note, made as of August 12, 2013, by and among the Company and the other parties listed on the signature pages thereto. Incorporated by reference to Exhibit 10.80 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-35527) filed on August 14, 2013.
10.84	2012 Omnibus Incentive Compensation Plan, as amended and approved by the Company's stockholders. Incorporated by reference to Exhibit 10.81 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-35527) filed on August 14, 2013.
10.85	Form of Subscription Agreement (common stock), made as of October 4, 2014, by and between the Company and the investor(s) signatory thereto. Incorporated by reference to Exhibit 10.85 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-35527) filed on February 13, 2014.-
10.86	Form of Employment Compensation Forfeiture and Exchange Agreement entered into as of December 16, 2013 by and among the Company and its senior employees. Incorporated by reference to Exhibit 10.86 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-35527) filed on February 13, 2014.
10.87	Form of Subscription Agreement (common stock), made as of January 8, 2014, by and between the Company and the investor(s) signatory thereto. Incorporated by reference to Exhibit 10.87 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-35527) filed on February 13, 2014.

10.88	Form of Subscription Agreement (common stock), made as of July 3, 2014, by and between the Company and the investor(s) signatory thereto. Incorporated by reference to Exhibit 10.88 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-35527) filed on August 14, 2014.
10.89*	Form of Note Purchase Agreement.
10.90*	Form of Security Agreement.
10.91*	Form of Registration Rights Agreement made as of September 22, 2014, by and between the Company and the investor(s) signatory thereto.
21.1	Subsidiaries of the Registrant. Incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K (File No. 000-26285) filed on December 22, 2011.
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1**	Certification by Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2**	Certification by Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements and footnotes from the CNS Response, Inc. Annual Report on Form 10-K for the fiscal year ended September 30, 2012 formatted in Extensible Business Reporting Language (XBRL):*

101.INS XBRL Instance Document

101.SCH 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

†Indicates a management contract or compensatory plan.

* Filed herewith, XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Exchange Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

** Furnished herewith

Exhibit 4.4

THIS SECURED CONVERTIBLE PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER SAID ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL FOR THE HOLDER SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT OR RECEIPT OF A NO-ACTION LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION.

SECURED CONVERTIBLE PROMISSORY NOTE

$_____ September ___, 2014
Aliso Viejo, CA

For value received **CNS Response, Inc.**, a Delaware corporation ("**Company**"), promises to pay to [_____] and its assigns ("**Holder**") on or before February ___, 2016 (the "**Maturity Date**") the principal sum of $[_____] with interest on the outstanding principal amount at the rate of five percent (5%) per annum, compounded annually based on a 365-day year. Interest shall commence with the date hereof and shall continue on the outstanding principal until paid in full. The Holder shall have the right in its sole discretion to postpone the Maturity Date repeatedly by providing written notice to the Company.

This Secured Convertible Promissory Note (the "**Note**") is one of a series of similar Secured Convertible Promissory Notes (collectively with this Note, the "**Notes**") issued by the Company pursuant to the terms of that certain Note Purchase Agreement (the "**Purchase Agreement**"), dated as of September 22, 2014 (the "**Agreement Date**"), to the persons and entities listed on Schedule A thereto (collectively, the "**Holders**"). Unless otherwise stated, the Notes shall be pari passu in right of payment with respect to each other. All payments to each Holder of a Note shall be made pro rata among the Holders based upon the aggregate unpaid principal amount of the Notes outstanding immediately prior to any such payment. The Company shall not make, and no Holder shall accept, any payment except as shall be shared ratably between the Holders so as to maintain as near as possible the amount of the debt owing under the Notes pro rata according to the Holders' respective proportionate interests in the amount of debt owed as of the date immediately prior to such payment or payments. If any Holder obtains any payment (whether voluntary, involuntary, by application of offset or otherwise) of principal, interest or other amount with respect to the Notes in excess of such Holder's pro rata share of such payments obtained by all Holders, then the Holder receiving such payment in excess of its pro rata share shall distribute to each of the other Holders an amount sufficient to cause all Holders to receive their respective pro rata shares of any payment of principal, interest or other amount with respect to the Notes.

1 . Payment. All payments of interest and principal shall be in lawful money of the United States of America. All payments shall be applied first to accrued interest, and thereafter to principal. Company may not prepay this Note prior to the Maturity Date without the consent of the Majority Holders (as defined in the Purchase Agreement). No Notes owned by the Holder can be prepaid without the Holder's consent.

Qualified Financing Conversion. In the event that Company issues and sells shares of its Equity Securities (as defined below) to investors (the "**Investors**") on or before the Maturity Date in an equity financing with total proceeds to the Company of not less than $5,000,000 (excluding the conversion of the Notes, other convertible indebtedness or other debt) (a "**Qualified Financing**"), then the outstanding principal balance and accrued interest of this Note (together, the "**Conversion Amount**") shall automatically convert in whole without any further action by the Holders into a number of shares of Equity Securities equal to the greater of (i) the quotient of the Conversion Amount divided by a conversion price equal to 70% of the price per share paid by the other purchasers purchasing the Equity Securities in the Qualified Financing, (ii) the quotient of the Conversion Amount divided by a conversion price of $0.25 per one Equity Security (as adjusted for stock splits, stock dividends, combinations or the like affecting the Equity Security, as applicable), and (iii) the lowest price per share paid by any purchaser of shares of the Company's common stock ("**Common Stock**") purchased at any time following the Agreement Date, but in no event less than $0.10 per share (as adjusted for stock splits, stock dividends, combinations or the like affecting the Common Stock). Any resulting fraction of a share shall be rounded to the nearest whole share (with 0.5 being rounded up). By receipt of this Note, the Holder acknowledges and agrees that it shall execute and deliver all documents that are reasonably required by the Company to be executed by all of the Investors in the Qualified Financing. For purposes of this Note, the term "**Equity Securities**" shall mean the Company's Common Stock, preferred stock or any securities conferring the right to purchase the Company's Common Stock or preferred stock or securities convertible into, or exchangeable for (with or without additional consideration), the Company's Common Stock or preferred stock, except that such defined term shall not include (i) any security granted, issued and/or sold by the Company to any employee, director or consultant in such capacity, or (ii) Notes issued pursuant to the Purchase Agreement.

Voluntary Conversion. Within the period of fifteen (15) days prior to the Maturity Date the Holder shall have an option to convert this Note into shares of Common Stock, at a price equal to the lesser of (i) $0.25 per share (as adjusted for stock splits, stock dividends, combinations or the like affecting the Common Stock), and (ii) the lowest price per share paid by any purchaser of shares of Common Stock of the Company purchased at any time following the Agreement Date, but in no event less than $0.10 per share (as adjusted for stock splits, stock dividends, combinations or the like affecting the Common Stock).

Change of Control. If, prior to the earliest to occur of: (a) a Qualified Financing; (b) the conversion of this Note in accordance with Section 3; or (c) the Maturity Date, the Company shall liquidate, dissolve, or enter into a transaction or series of related transactions providing for a merger or consolidation of Company into or with an entity not previously affiliated with Company, or a sale, lease, transfer or other disposition of all or substantially all of the assets of Company (unless, upon consummation of such merger, consolidation or sale, the holders of voting securities of Company immediately prior to such transaction(s) own directly or indirectly more than fifty percent (50%) of the voting power of the consolidated, surviving or acquiring corporation) (a "**Change of Control**"), then the Holder shall have the right to have (i) one hundred and fifty percent (150%) of the outstanding principal amount of this Note, plus (ii) accrued but unpaid interest on this Note, repaid in full upon the closing of such Change of Control. Notwithstanding the foregoing, neither (x) a bona fide equity financing as a result of which this Note converts into Equity Securities in accordance with Section 2 above; nor (y) a merger done in order to change the domicile of the Company shall be deemed a Change of Control.

Security Interest. The full amount of this Note is secured by the Collateral (as defined in the Security Agreement) identified and described as security therefore in the Security Agreement dated as of the date hereof executed by Company in favor of the Holders (the "**Security Agreement**"). The Company hereby authorizes the Holder to file, or cause to be filed, any and all documents or instruments that, in the Majority Holders' (as defined in the Purchase Agreement) discretion, are required in order to perfect the security interest granted hereby, including, without limitation, a UCC-1 financing statement, and, to the extent requested by the Holder, the Company agrees to execute and deliver to the Holder any and all such documents or instruments.

2. Maturity Date; Extension. Unless this Note has been converted in accordance with the terms of Section 2, Section 3 or Section 4 above, the entire outstanding principal balance and all unpaid accrued interest shall become fully due and payable on the Maturity Date; provided, however, the Holder shall have the right to unilaterally postpone the Maturity Date to any date of the Holder's choice upon written notice to the Company.

3. Event of Default. If there shall be any Event of Default (as defined below) hereunder, at the option and upon the declaration of the Majority Holders (as defined in the Purchase Agreement) and upon written notice to the Company (which election and notice shall not be required in the case of an Event of Default under Section 7(b) or 7(c)), this Note shall accelerate and all principal and unpaid accrued interest shall become due and payable, and the Majority Holders (as defined in the Purchase Agreement) shall be free to exercise any or all other rights and remedies available to the Holders under the Purchase Agreement, the Notes, the Security Agreement and applicable law. The occurrence of any one or more of the following shall constitute an "**Event of Default**":

The Company shall default in the payment of any part of the principal or unpaid accrued interest on the Note for more than five (5) days after the Maturity Date or at a date fixed by acceleration or otherwise;

The Company shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due, or shall file a voluntary petition for bankruptcy, or shall file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, dissolution or similar relief under any present or future statute, law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Company, or of all or any substantial part of the properties of the Company, or the Company or its respective directors or majority stockholders shall take any action looking to the dissolution, liquidation or winding-up of the Company; or

Within forty-five (45) days after the commencement of any proceeding against the Company seeking any bankruptcy, reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceeding shall not have been dismissed, or within forty-five (45) days after the appointment without the consent or acquiescence of the Company of any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company, such appointment shall not have been vacated.

In the event of any Event of Default hereunder, Company shall pay all reasonable attorneys' fees and court costs incurred by Holder in enforcing and collecting this Note.

4. Miscellaneous.

The rights, powers and remedies of the Holders under the Notes shall be in addition to all rights, powers and remedies given to the Holders by virtue of any statute, rule of law, or other agreement, and shall be cumulative, and may be exercised successively or concurrently.

Company hereby waives demand, notice, presentment, protest and notice of dishonor.

This Note shall be governed by and construed under the laws of the State of California, as applied to agreements among California residents, made and to be performed entirely within the State of California, without giving effect to conflicts of laws principles of the State of California, or any other state.

Any term of this Note may be amended (either retroactively or prospectively) with the written consent of the Company and the Majority Holders (as defined in the Purchase Agreement).

All notices required or permitted hereunder shall be in writing and shall be delivered in accordance with Section 4.3 of the Purchase Agreement.

[*Remaining Page Left Intentionally Blank; Signature Page Follows*]

In Witness Whereof, Company has duly executed and delivered this Note as of the date first set forth above.

CNS RESPONSE, INC.

By: _____
Name:
Title:

Exhibit 10.89

NOTE PURCHASE AGREEMENT

THIS NOTE PURCHASE AGREEMENT (this "**Agreement**") is made as of September 22, 2014 by and among CNS Response, Inc., a Delaware corporation (the "**Company**"), and the investors listed on Schedule A hereto (each, an "**Investor**" and together, the "**Investors**").

AGREEMENT

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

SECTION 1 – PURCHASE AND SALE OF NOTES

Purchase and Sale of Notes. The Company has authorized the issuance and sale, in accordance with the terms hereof, of Secured Convertible Promissory Notes in the original aggregate principal amount of up to $2,500,000 (the "**Note Cap Amount**"), substantially in the form attached as Exhibit A hereto (individually, a "**Note**" and, collectively, the "**Notes**"). On the terms and subject to the conditions set forth in this Agreement, at the Closings (as defined below) the Company agrees to issue to each Investor, and each Investor agrees to purchase from the Company, a Note in the principal amount set forth on Schedule A hereto for the aggregate consideration set forth opposite such Investor's name on Schedule A hereto. The financing pursuant to which the Company is issuing the Notes is hereinafter referred to as the "**Financing**".

Closings.

(a) Initial Closing. The initial purchase and sale of the Notes shall take place at a closing (the "**Initial Closing**") which shall take place remotely via exchange of documents and signatures at such time and place as may be agreed to among the Company and the Investors. At the Initial Closing, the Company shall deliver to each of the Investors purchasing Notes for cash at such closing a Note in the face amount set forth opposite such Investor's name on Schedule A under the column entitled "Purchase Price / Principal Amount of Note (Initial Closing)" 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) Additional Closings. The Company shall have the right, on one or more occasions, to hold additional closings (each, an "**Additional Closing**", and collectively with the Initial Closing, the "**Closings**", and individually, a "**Closing**"), pursuant to which it shall have the right to issue and sell additional Notes to additional Investors or existing Investors (provided that no Additional Closings shall take place later than six (6) months after the Initial Closing). At each Additional Closing, the Company shall deliver to each Investor purchasing Notes for cash at such closing a Note in the face amount of the purchase price paid by such Investor for such Note, 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. By receiving a Note at an Additional Closing, each Investor receiving such Notes represents that its representations and warranties contained in Section 3 are true and correct as of the date of such Additional Closing. The aggregate amount of Notes that may be issued at Closings hereunder shall in no event exceed the Note Cap Amount. The Company shall have the right to update Schedule A in order to add information regarding Additional Closings, which shall not be deemed to be an amendment to this Agreement.

The obligation of each Investor to purchase and pay for the Notes 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 Notes 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 applicable Closing date.

Security Agreement. At the Initial Closing, the Company shall execute and deliver to the Investors a Security Agreement substantially in the form of Exhibit B attached hereto (the "**Security Agreement**").

Registration Rights Agreement. At the Initial Closing, the Company shall execute and deliver to the Investors a Registration Rights Agreement substantially in the form of Exhibit C attached hereto (the "**Registration Rights Agreement**").

SECTION 2 - REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each Investor as follows:

2.1 Organization, Good Standing and Qualification. The Company is a corporation duly organized and validly existing under the laws of the State of Delaware. The Company has the requisite corporate power to own and operate its properties and assets and to carry on its business as now conducted and as proposed to be conducted.

2.2 Authority to Execute. The execution, delivery and performance by the Company of (i) this Agreement, (ii) the Notes to be issued pursuant to the terms of this Agreement, (iii) the Security Agreement, (iii) the Registration Rights Agreement, and (iv) any financing statements thereunder (collectively, the "**Loan Documents**") 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, (ii) the issuance of the Notes contemplated by this Agreement, or (iii) the issuance of any shares of stock upon conversion of the Notes.

2.4 Valid Issuance. The shares of stock to be issued upon conversion of the Notes contemplated by this Agreement (the "**Conversion Securities**" and together with the Notes, the "**Securities**") will be, upon conversion and exercise in accordance with the terms of the Notes, as applicable, validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under the Loan Documents, the documents entered into by the investors and other parties in the financing giving rise to repayment of the Notes, 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 Securities will be issued in compliance with all applicable federal and state securities laws.

2.5 Binding Obligation. This Agreement is, and the other Loan Documents when delivered hereunder will be, legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective 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.

2.6 Litigation. Other than as disclosed in the Company's SEC Reports (as defined below), 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.

2.7 Intellectual Property. 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 ("**Intellectual Property**") necessary for its business as now conducted and as presently proposed to be conducted, without any infringement of the rights of others. Schedule B contains an accurate and complete list of all Intellectual Property owned by the Company or any of its subsidiaries. The use by the Company or its subsidiaries of Intellectual Property owned or purported to be owned by the Company or its subsidiaries and the general conduct and operations of the business of the Company and its subsidiaries does not violate, infringe, misappropriate or misuse any Intellectual Property rights of any third party. To the knowledge of the Company, no third party is currently infringing, misappropriating or otherwise violating, or has infringed or misappropriated or otherwise violated, rights of any of the Company or its subsidiaries in any Intellectual Property owned, licensed, used, or held for us by the Company or its subsidiaries. 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.

2.8 SEC Reports. The Company has timely filed all forms, reports, schedules, proxy statements, registration statements and other documents (including all exhibits thereto) required to be filed by it with the 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. The Investor has full power and authority to enter into this Agreement and each of the other Loan Documents to which he, she or it is a party, and this Agreement and each other Loan Document constitutes a valid and legally binding obligation of each Investor, enforceable against each 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.

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. Each Investor represents that it (i) is acquiring the Securities solely for its own account and beneficial interest 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, and (ii) has no present intention of selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the same, and does not presently have reason to anticipate a change in such intention.

3.4 Information and Sophistication. Without limiting the representations and warranties of the Company set forth in Section 3, each Investor hereby: (a) acknowledges that it has received all the information it has requested from the Company and it considers necessary or appropriate for deciding whether to acquire the Securities, (b) represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Securities and to obtain any additional information necessary to verify the accuracy of the information given the Investor and (c) further represents that it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risk of this investment.

3.5 Ability to Bear Economic Risk. Each Investor acknowledges that investment in the Securities involves a high degree of risk, and represents that it is able, without materially impairing its financial condition, to hold the Securities for an indefinite period of time and to suffer a complete loss of its investment.

3.6 U.S. Person. Each Investor is a U.S. Person as defined under Regulation S under the Securities Act, as amended, which definitions are attached hereto as Appendix I, or such Investor will make such representations and warranties, and agree to such covenants and restrictions as set forth in Section 3.7 below.

3.7 Representations and Warranties of Non-US Investors; Covenants of and Restrictions Thereon.

(a) Representations and Warranties. If Investor cannot represent and warrant that it is a U.S. Person (as defined in Appendix I hereto), such Investor (a "**Foreign Investor**") hereby represents and warrants to the Company as follows:

(i) The Securities being purchased are being acquired for investment for Foreign Investor's own account, not as a nominee or agent, and not for the account or benefit of, a U.S. Person (as defined in Appendix I hereto), and not with a view to the resale or distribution of any part thereof in the United States (as defined in Appendix I hereto) or to a U.S. Person, and that Foreign Investor has no present intention of selling, granting any participation in, or otherwise distributing such Securities.

(ii) Foreign Investor does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person in the United States or to a U.S. Person, or any hedging transaction with any third person in the United States or to a United States resident, with respect to any of the Securities.

(iii) Foreign Investor understands that the Securities are not registered under the Securities Act on the ground that the sale provided for in this Agreement and the issuance of securities hereunder is exempt from registration under the Securities Act pursuant to Regulation S thereof, and that the Company's reliance on such exemption is predicated on the Foreign Investors' representations set forth herein.

(iv) Foreign Investor is a person or entity that is not a U.S. Person

(b) Covenants. Each Foreign Investor hereby agrees that:

(i) Foreign Investor will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) any of the Securities purchased hereunder except in compliance with the Securities Act, applicable blue sky laws, and the rules and regulations promulgated thereunder; provided that in a transaction exempt from registration under the Securities Act, such Foreign Investor shall, prior to effecting such disposition, provide notice to the Company of such proposed disposition and if reasonably requested by the Company submit to the Company an opinion of counsel in form and substance reasonably satisfactory to the Company to the effect that the proposed transaction is in compliance with the Securities Act.

(d) Legend Requirements. Each certificate representing the Securities issued to a Foreign Investor shall (unless otherwise permitted by the provisions of the Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws or as provided elsewhere in this Agreement):

"THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED PURSUANT TO REGULATION S OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE THEREWITH, PURSUANT TO A REGISTRATION UNDER THE ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. IN ADDITION, NO HEDGING TRANSACTION MAY BE CONDUCTED WITH RESPECT TO THESE SECURITIES UNLESS SUCH TRANSACTIONS ARE IN COMPLIANCE WITH THE ACT."

(e) Stop-Transfer Restrictions. The Company hereby agrees, for the benefit of the Investors, that it will not register any transfer of the Securities not made in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration.

3 . 8 Further Assurances. Each Investor agrees and covenants that at any time and from time to time it will promptly execute and deliver to the Company such further instruments and documents and take such further action as the Company may reasonably require in order to carry out the full intent and purpose of this Agreement and to comply with state or federal securities laws or other regulatory approvals.

SECTION 4 - MISCELLANEOUS

4 . 1 Conditions Precedent. The obligation of each Investor to consummate the transactions contemplated hereby is subject, at the option of each Investor, to the fulfillment of the following conditions, any one or more of which may be waived by each Investor:

(a) execution of the Notes at each Closing;

(b) approval of the Company's Board of Directors of the transactions contemplated hereby and all other actions necessary for the consummation of the transactions contemplated hereby at the Initial Closing;

(d) the Company and each Investor shall have entered into the Registration Rights Agreement and the Security Agreement; and

(e) the Company shall have completed the filing of a UCC-1 financing statement with respect to the Collateral (as defined in the Security Agreement) at the Initial Closing.

4 . 2 No Waiver; Cumulative Remedies. No failure or delay on the part of any party to any Loan Document in exercising any right or remedy under, or pursuant to, any Loan Document 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 the Loan Documents 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 (x) the Company and (y) and those Investors holding Notes whose aggregate principal amount represents a majority of the total outstanding principal amounts of all then outstanding Notes under this Agreement, which includes RSJ Private Equity uzavreny investicni fond a.s. ("**RSJ**") for so long as RSJ is the holder of an outstanding Note (collectively, the "**Majority Holders**"); provided that no such amendment may discriminate against a holder of Notes in a manner different from the other holders without such holder's written consent. Any amendment effected in accordance with this Section 4.2 shall be binding upon each Investor, each future holder of Securities and the Company.

4.3 Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be conclusively deemed to have been duly given (a) when hand delivered to the other party; (b) when sent by telecopier, facsimile or email transmission to the contact information set forth below if sent between 8:00 a.m. and 5:00 p.m. recipient's local time on a Business Day (as defined below), or on the next Business Day if sent by telecopier, facsimile or email transmission to the contact information set forth below if sent other than between 8:00 a.m. and 5:00 p.m. recipient's local time on a Business Day; (c) two Business Days after deposit in the U.S. mail with first class or certified mail receipt requested postage prepaid and addressed to the other party at the address set forth below its name on the signature page hereto; or (d) the next Business Day after deposit with a national overnight delivery service, postage prepaid, addressed to each of the parties as set forth below its name on the signature page hereto with next Business Day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider:

If to the Company, to:

CNS Response, Inc.
85 Enterprise, Suite 410
Attention: Paul Buck, Chief Financial Officer
Fax: (866) 294-2611
eMail: pbuck@cnsresponse.com

If to an Investor, to the contact information provided in Schedule A.

A party may change or supplement its address for notice, or designate additional addresses, for purposes of this Section 4.3 by giving the other parties written notice of the new address in the manner set forth above. For purposes of this Section 4.3, "**Business Day**" shall mean any day which is not a Saturday or Sunday or a legal holiday on which banks are authorized or required to be closed in Los Angeles, California or Czech Republic.

4.4 Costs and Expenses. The Company and each Investor agree to be responsible for their own costs and expenses incurred in connection with the preparation of the Loan Documents. If any litigation, contest, dispute, suit, proceeding or action is instituted between or among any of the parties hereto regarding the enforcement or interpretation of this Agreement or any of the Exhibits hereto, the prevailing party shall be entitled to reimbursement from the other party or parties for all reasonable expenses, costs, charges and other fees (including legal fees) incurred in connection with or related to such dispute.

4.5 Governing Law. The Loan Documents shall be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of law provisions of the State of California or of any other state. The Company and each Investor consent to personal jurisdiction in Orange County, California.

4.6 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.

4.7 Binding Effect; Assignment. The Loan Documents shall be binding upon and inure to the benefit of the Company and each Investor and their respective successors and assigns. The Company may not assign its rights or interest under the Loan Documents without the prior written consent of the Majority Holders.

4.8 Transfer of Securities. Notwithstanding the legend required to be placed on the Securities by applicable law, no registration statement or opinion of counsel shall be necessary: (a) for a transfer of Securities to the respective estate of each Investor or for a transfer of Securities 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 Securities pursuant to SEC Rule 144 or any successor rule, or for a transfer of Securities pursuant to a registration statement declared effective by the SEC under the Securities Act relating to the Securities.

4.9 Survival of Representations and Warranties. 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.

4.10 California Commissioner of Corporations. THE SALE OF THE SECURITIES 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 SECURITIES OR PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION FOR SUCH SECURITIES PRIOR TO THE QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES 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.

CNS RESPONSE, INC.

By: _____
Name:
Title:

[SIGNATURE PAGE TO NOTE PURCHASE AGREEMENT]

INVESTOR:

By: _____
Name:
Title:

[SIGNATURE PAGE TO NOTE PURCHASE AGREEMENT]

SCHEDULE A

Investor	***Purchase Price / Principal Amount of Note***
Name: _____	
Address: _____	
_____	$_____
Fax: _____	
Email: _____	
Tax ID: _____	
TOTAL:	

Exhibit 10.90

SECURITY AGREEMENT

This SECURITY AGREEMENT (this "Agreement"), dated as of September 22, 2014, is made by and among CNS Response, Inc., a Delaware corporation ("**Grantor**"), the parties listed under the caption "**Secured Parties**" on the signature pages hereto (each a "**Secured Party**" and, collectively, the "**Secured Parties**").

Recitals

WHEREAS, the parties hereto entered into that certain Note Purchase Agreement dated the date hereof (the "**Purchase Agreement**"), pursuant to which the Secured Parties have purchased from Grantor Secured Convertible Promissory Notes (each, a "**Note**", collectively, the "**Notes**");

WHEREAS, pursuant to Section 5 of the Notes, the Notes will be secured by the Collateral (as defined below);

NOW, THEREFORE, in consideration of the foregoing premises, the respective representations, warranties and covenants contained herein, and certain other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Grant of Security Interest.

(a) To secure Grantor's obligations under the Purchase Agreement and the Notes, Grantor hereby grants and pledges to the Secured Parties a security interest in all of Grantor's right, title and interest in, to and under all Intellectual Property Rights (as defined below) of the Grantor related to its PEER (Psychiatric EEG Evaluation Registry) technology and method, including without limitation all proceeds thereof (such as by way of example but not by way of limitation, license royalties and proceeds of infringement suits), the right to sue for past, present and future infringements, all rights corresponding thereto throughout the world and all re-issues, divisions, continuations, renewals, extensions and continuations-in-part thereof. The property referenced in this Section 1(a) is listed in Schedule B of the Purchase Agreement and is attached hereto as Schedule I and is hereinafter referred to as the "**Collateral**".

(b) For the purpose of this Agreement, "**Intellectual Property Rights**" means any and all patents, patent applications, trademarks, trademark applications, service marks, service mark applications, trade names, copyrights, trade secrets, domain names, mask works, know-how, information and proprietary rights and processes, similar or other intellectual property rights, subject matter of any of the foregoing, tangible embodiments of any of the foregoing, and licenses in, to and under any of the foregoing.

2. Remedies.

(a) Upon the occurrence of any Event of Default (as defined in the Notes) (but only after Grantor receives the written notice required pursuant to Section 7(a) of the Notes), each Secured Party shall have, in addition to all other rights and remedies granted to it in this Agreement, the Notes or any other document, all rights and remedies of a secured party under the Uniform Commercial Code of the State of California (the "UCC") and other applicable laws. Without limiting the generality of the foregoing, (i) the Majority Holders (as defined in the Purchase Agreement) or any collateral agent appointed by the Majority Holders (as defined in the Purchase Agreement) (a "**Collateral Agent**") may peaceably enter any premises of Grantor, take possession of any of the Collateral, remove or dispose of all or part of the Collateral on any premises of such Grantor or elsewhere, and otherwise collect, receive, appropriate and realize upon all or any part of the Collateral, and demand, give receipt for, settle, renew, extend, exchange, compromise, adjust, or sue for all or any part of the Collateral, as the Majority Holders (as defined in the Purchase Agreement) may determine; (ii) the Majority Holders (as defined in the Purchase Agreement) or any Collateral Agent may require Grantor to assemble all or any part of the Collateral and make it available to the Secured Parties at any place and time designated by the Majority Holders (as defined in the Purchase Agreement); (iii) the Majority Holders (as defined in the Purchase Agreement) or any Collateral Agent may secure the appointment of a receiver of the Collateral or any part thereof (to the extent and in the manner provided by applicable law); and (iv) to the extent permitted by applicable law and by agreements of the Grantor with third parties, the Majority Holders (as defined in the Purchase Agreement) or any Collateral Agent may sell, resell, lease, use, assign, license, sublicense, transfer or otherwise dispose of any or all of the Collateral in its then condition or following any commercially reasonable preparation or processing (utilizing in connection therewith any of Grantor's assets, without charge or liability to the Secured Parties therefor) at public or private sale, by one or more contracts, in one or more parcels, at the same or different times, for cash or credit, or for future delivery without assumption of any credit risk, all as the Majority Holders (as defined in the Purchase Agreement) deem advisable; provided, however, that Grantor shall be credited with the net proceeds of sale only when such proceeds are finally collected by the Secured Parties. The Majority Holders (as defined in the Purchase Agreement) or any Collateral Agent shall have the right upon any such public sale, and, to the extent permitted by law, upon any such private sale, to purchase the whole or any part of the Collateral so sold. The Majority Holders (as defined in the Purchase Agreement) or any Collateral Agent shall give Grantor such notice of any private or public sales as may be required by the UCC or other applicable law.

(b) Grantor hereby grants to the Majority Holders (as defined in the Purchase Agreement), on behalf of all of the holders of Notes, and any Collateral Agent an absolute power of attorney to sign, upon the occurrence and during the continuance of an Event of Default (but only after Grantor receives the written notice required pursuant to Section 7(a) of the Notes), any document which may be required by the United States Copyright Office, United States Patent and Trademark Office or similar registrar in order to effect an absolute assignment of all right, title and interest in each item of Collateral and each application for such registration, and record the same. If an Event of Default shall occur and be continuing, the Majority Holders (as defined in the Purchase Agreement) or any Collateral Agent may direct Grantor to refrain, in which event Grantor shall refrain, from using the Collateral in any manner whatsoever, directly or indirectly, and Grantor shall execute such further documents that the Majority Holders (as defined in the Purchase Agreement) or any Collateral Agent may reasonably request to further confirm this and to transfer ownership of the Collateral and registrations and any pending applications in the United States Copyright Office, United States Patent and Trademark Office, equivalent office in a state of the United States or a foreign jurisdiction or applicable domain name registrar to the Majority Holders (as defined in the Purchase Agreement), on behalf of all of the holders of Notes, or Collateral Agent, as applicable.

(c) For the purpose of enabling the Secured Parties to exercise their rights and remedies under this Section 2 or otherwise in connection with this Agreement, the Purchase Agreement and/or the Notes, effective upon the occurrence of an Event of Default (but only after Grantor receives the written notice required pursuant to Section 7(a) of the Notes), Grantor hereby grants to each Majority Holder (as defined in the Purchase Agreement) and any Collateral Agent an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to Grantor) to use, license or sublicense any Collateral, to the extent permitted by applicable law and by agreements of the Grantor with third parties. Any such license or sublicense terminates upon sale of the Collateral.

(d) The cash proceeds actually received from the sale or other disposition or collection of Collateral, and any other amounts received in respect of the Collateral the application of which is not otherwise provided for herein, shall be applied first, to the payment of the reasonable costs and expenses of the Secured Parties and any Collateral Agent in exercising or enforcing the rights of the Secured Parties hereunder and in collecting or attempting to collect any of the Collateral; and second, to the payment of the obligations under the Notes (the "**Obligations**"). Any surplus thereof which exists after payment and performance in full of the Obligations shall be promptly paid over to Grantor or otherwise disposed of in accordance with the UCC or other applicable law. Grantor shall remain liable to the Secured Parties for any deficiency which exists after any sale or other disposition or collection of Collateral.

(e) The security interest granted hereunder is granted in conjunction with the security interest granted to Secured Parties under the Purchase Agreement and the Notes. The rights and remedies of Grantor with respect to the security interest granted hereby are in addition to those set forth in the Purchase Agreement and the Notes, and those which are now or hereafter available to Secured Parties as a matter of law or equity. Each right, power and remedy of Secured Parties provided for herein or in the Purchase Agreement or the Notes, or now or hereafter existing at law or in equity shall be cumulative and concurrent and shall be in addition to every right, power or remedy provided for herein. The exercise by Secured Parties of any one or more of the rights, powers or remedies provided for in this Agreement, the Purchase Agreement or the Notes, or now or hereafter existing at law or in equity, shall not preclude the simultaneous or later exercise by any person of any rights, powers or remedies.

3 . Amendments; Waiver. Any term of this Agreement may be amended or waived with the written consent of Grantor and the Majority Holders (as defined in the Purchase Agreement) at the time of such amendment or waiver.

4. Repayment or Conversion of the Notes. This Agreement and the rights granted hereunder shall automatically expire and have no further effect upon full repayment of the Notes, or upon the conversion in full of the Notes into stock in accordance with Section 2 or Section 3 of the Notes.

5. Governing Law. This Agreement shall be governed by and construed under the laws of the State of California, as applied to agreements among California residents, made and to be performed entirely within the State of California, without giving effect to conflicts of laws principles of the State of California, or any other state.

6. Miscellaneous. Grantor and Secured Parties shall execute and deliver, or cause to be executed and delivered, from time to time hereafter, upon request, all such further documents and instruments and shall do and perform all such acts as may be reasonably necessary to give full effect to the intent of this Agreement.

7. Counterparts. This Agreement may be executed in one or more counterparts (including facsimile or other electronic means), none of which need contain the signatures of all parties, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than the number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

[*Remaining Page Left Intentionally Blank; Signature Page Follows*]

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

GRANTOR:

CNS RESPONSE, INC.

By: _____
Name:
Title:

SECURED PARTIES:

_____

By: _____
Name:
Title

Exhibit 10.91

REGISTRATION RIGHTS AGREEMENT

This **REGISTRATION RIGHTS AGREEMENT** (this "**Agreement**"), dated as of September 22, 2014, is entered into by and among CNS Response, Inc., a Delaware corporation (the "**Company**"), RSJ Private Equity Uzavreny Investicni Fond A.S. ("**RSJ**") and other holders of Registrable Securities on the date hereof who execute a joinder to this Agreement agreeing to be bound by the terms hereof. The Company, RSJ and the Holders are referred to herein as "**parties**" collectively and a "**party**" individually.

WITNESSETH

WHEREAS, the Company and the Holders are parties to a Note Purchase Agreement, dated as of September 22, 2014 (the "**Purchase Agreement**"), pursuant to which the Holders are purchasing Secured Convertible Promissory Notes of the Company (the "**Notes**"); and

WHEREAS, in connection with the consummation of the transactions contemplated by the Purchase Agreement, and pursuant to the terms of the Purchase Agreement, the parties desire to enter into this Agreement in order to grant certain registration rights to the Holders as set forth below.

NOW, THEREFORE, in consideration of the premises set forth above, the mutual promises and covenants set forth herein and other good and valuable consideration, and subject to and on the terms and conditions set forth herein, the parties agree as follows:

1. INTERPRETATION

1.1 Definitions. The following terms shall have the meanings set forth or referenced below:

"**Affiliate**" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specified Person.

"**Applicable Exchange**" means The New York Stock Exchange, Inc. or the NASDAQ Stock Exchange, including the NASDAQ Global Market.

"**Business Day**" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in New York.

"**Commission**" means the SEC or any other federal agency at the time administering the Securities Act.

"**Common Stock**" means the common stock, par value $0.001 per share, of the Company and any other common equity securities issued by the Company, and any other shares of stock issued or issuable with respect thereto (whether by way of a stock dividend or stock split or in exchange for or upon conversion of such shares or otherwise in connection with a combination of shares, distribution, recapitalization, merger, consolidation or other corporate reorganization).

"**Control**" (including the terms "**Controlled by**" and "**under common Control with**") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Exempt Registration**" means a Registration by the Company relating solely to the sale of Securities to participants in any employee equity incentive plan adopted by the Company.

"**FINRA**" means the Financial Industry Regulatory Authority, Inc.

"**Holders**" means the holders of the Registrable Securities, together with any transferees and assigns of any such record holder.

"**Law**" means any federal, national, foreign, supranational, state, provincial or local statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law), official policy or interpretation of any federal, national, foreign, supranational, state, provincial, local, municipal or other political subdivision or other government, governmental, regulatory or administrative authority, agency, board, bureau, department, instrumentality or commission or any court, tribunal, judicial or arbitral body of competent jurisdiction or stock exchange with jurisdiction over the parties hereto, as the case may be.

"**Person**" means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Exchange Act.

"**Registration**" means a registration effected by preparing and filing a Registration Statement and the declaration or ordering of the effectiveness of that Registration Statement, which shall be modified or supplemented, as applicable. The terms "**Register**" and "**Registered**" have meanings correlative to the foregoing.

"**Registrable Securities**" shall mean (a) any shares of Common Stock held by the Holders issued upon conversion, exercise or exchange of the Notes, and (b) any shares of Common Stock issued or issuable with respect to any shares described in subsection (a) above by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization (it being understood that for purposes of this Agreement, a Person shall be deemed to be a holder of Registrable Securities whenever such Person has the right to then acquire or obtain from the Company any Registrable Securities, whether or not such acquisition has actually been effected). As to any particular Registrable Security, such securities shall cease to be Registrable Securities when: (i) a Registration Statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been sold, transferred, disposed of or exchanged in accordance with such Registration Statement; (ii) such securities shall have been otherwise transferred, new certificates for such securities not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent public distribution of such securities shall not require registration under the Securities Act; (iii) such securities shall have ceased to be outstanding; (iv) such securities have been sold to, or through, a broker, dealer or underwriter in a public distribution or other public securities transaction; or (v) such securities may be sold without registration pursuant to Rule 144 promulgated under the Securities Act with no volume or other restrictions or limitations.

"**Registration Statement**" means a registration statement prepared on Form S-1 under the Securities Act (or a successor form or substantially similar form then in effect) or a Shelf Registration Statement.

"**Rule 144**" means Rule 144 promulgated under the Securities Act, as amended from time to time (or any successor provision).

"**SEC**" means the United States Securities and Exchange Commission.

"**Securities"** means any equity interest of, or shares of any class in the share capital (common, preferred or otherwise) of, the Company and any convertible securities, options, warrants and any other type of equity or equity-linked securities convertible, exercisable or exchangeable for any such equity interest or shares of any class in the share capital of the Company.

"**Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Shelf Registration Statement**" means a registration statement prepared on Form S-3 (or a successor form or substantially similar form then in effect) or another appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 under the Securities Act (or any successor provision).

"**U.S. Securities Laws**" means the federal securities Laws of the United States, including the Exchange Act and the Securities Act, and any applicable securities Laws of any State of the United States.

1.2 Interpretation. In this Agreement, except to the extent otherwise provided or that the context otherwise requires:

(a) when a reference is made in this Agreement to a Section, such reference is to a Section of this Agreement;

(b) the headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;

(c) the words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(d) all terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein;

(e) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms;

(f) references to a Person are also to its successors and permitted assigns; and

(g) the use of the term "or" is not intended to be exclusive.

2. DEMAND AND SHELF REGISTRATION.

2.1 Demand Registration.

(a) One year following the date of this Agreement and subject to the terms herein, RSJ or holders of a majority of the Registrable Securities then outstanding (the "**Majority Holders**") (the Majority Holders and RSJ may sometimes hereinafter be referred to as the "**Requester**") may by written notice to the Company (a "**Demand Notice**") request the Company to effect the Registration of all or part of the Registrable Securities owned by such Requester and their respective Affiliates. Upon receipt of such a request, (i) the Company shall promptly (but in no event later than twenty (20) days following receipt thereof) deliver notice of such request to all other holders of Registrable Securities who shall then have twenty (20) days from the date such notice is given to notify the Company in writing of their desire to be included in such registration, and (ii) the Company shall as soon as practicable, cause the Registrable Securities specified in such Demand Notice and the Registrable Securities held by the other holders of Registrable Securities who gave such notice to the Company, to be Registered and/or qualified for sale and distribution in such jurisdictions as the Requester may reasonably request. The Company shall 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 Company shall be obligated to effect no more than two (2) Registrations requested by RSJ and shall be obligated to effect no more than two (2) Registrations requested by the Majority Holders under this Section 2.1; provided that a Registration shall not be deemed to have been effected under this Section 2.1 unless (i) all Registrable Securities set forth in such Demand Notice are Registered in such Registration, (ii) the offering of Registrable Securities pursuant to such Registration is not subject to any stop order, injunction or other order or requirement of the Commission (other than any such stop order, injunction, or other requirement of the Commission prompted by act or omission of the Holders of a majority of the Registrable Securities requested to be included therein) and (iii) such Registration is closed, or withdrawn at the request of the Requester (other than as a result of a material adverse change to the Company). The Company shall not include in any Demand Registration any securities which are not Registrable Securities without the prior written consent of the Holders of a majority of the Registrable Securities requested to be included therein. If the underwriters for such Demand Registration advise the Company in writing that in their opinion the number of Registrable Securities and, if permitted hereunder, other securities requested to be included in such Registration exceeds the number of Registrable Securities and other securities, if any, which can be sold in an orderly manner in such offering within a price range acceptable to the Holders of a majority of the Registrable Securities requested to be included therein, the Company shall include the number of Registrable Securities which can be so sold in the following order of priority: (a) first, the Registrable Securities requested to be included by the Requester, which in the opinion of such underwriter can be sold in an orderly manner within the price range of such offering, pro rata among them on the basis of the number of Registrable Securities requested to be included therein by each such Holder, and (b) second, other securities requested to be included therein to the extent permitted hereunder.

2.2 Limitation; Right of Deferral

(a) The Company shall not be obligated to Register or qualify Registrable Securities pursuant to Section 2.1, if the aggregate offering price an aggregate price to the public of the Registrable Securities to be Registered under the Demand Notice is less than US $[1,000,000].

(b) If, after receiving a Demand Notice, the Company furnishes to the Requester a certificate signed by a director of the Company stating that, in the good faith judgment of the board of directors of the Company, it would be materially interfere with a bona fide business, acquisition or divestiture or financing transaction of the Company or is reasonably likely to require premature disclosure of information, the premature disclosure of which would reasonably be expected to materially and adversely affect the Company, then the Company shall have the right to defer such filing for a period not to exceed sixty (60) days from the receipt of a Demand Notice (which may be extended by up to 30 days by written notice of the Company); provided, that the Company shall not utilize this right more than once in any 12-month period; and provided further that the Company shall not Register any other Securities during such sixty (60) day period (other than Exempt Registrations). In the event that the Company exercises such right, the Requester shall be entitled to withdraw the Demand Notice by written notice to the Company and such withdrawn Demand Notice shall not constitute a request by the Requester to effect a Registration under Section 2.1.

2.3 Shelf Registration. The Company shall take all action necessary to facilitate its eligibility under U.S. Securities Laws to use a Shelf Registration Statement. Upon the written request of any Holder, and provided that the Company is so eligible, the Company shall file a Shelf Registration Statement covering all of the Registrable Securities of such Holder as soon as practicable, but in no event later than thirty (30) days, after receipt of such request. Unless such Shelf Registration Statement shall become automatically effective, the Company shall use its reasonable best efforts to cause the Shelf Registration Statement to become or be declared effective by the Commission for all of the Registrable Securities of such Holder as promptly as practicable after the filing thereof. The Company shall use its reasonable best efforts to keep such Shelf Registration Statement (or a successor Registration Statement filed with respect to the Registrable Securities) continuously effective (including by filing a new Shelf Registration Statement if the initial Shelf Registration Statement expires) in order to permit the prospectus or any prospectus supplement related thereto to be lawfully delivered and the Shelf Registration Statement useable for resale of such Registrable Securities until such Registration Securities may be sold without restriction or limitation under Rule 144. If the Underwriters for such Registration advise the Company in writing that in their opinion the number of Registrable Securities and, if permitted hereunder, other securities requested to be included in such shelf takedown exceeds the number of Registrable Securities and other securities, if any, which can be sold in an orderly manner in such offering within a price range acceptable to the Holders of a majority of the Registrable Securities requested to be included therein, the Company shall include in such Registration the number of Registrable Securities which can be so sold in the following order of priority: (a) first, the Registrable Securities owned by the Holders requested to be included in the Registration, which in the opinion of such Underwriter can be sold in an orderly manner within the price range of such offering, pro rata among the respective Holders of such Registrable Securities on the basis of the number of Registrable Securities requested to be included therein by each such Holder, and (b) second, other securities requested to be included therein to the extent permitted hereunder.

2.4 Underwriting Election. Any of the Requesters (in respect of a Registration under Section 2.1) or any Holder (in respect of a Registration under Section 2.3) may request to distribute its or its Affiliates' Registrable Securities in an underwritten offering by notifying the Company in writing (the "**Underwriting Election**"). Upon receipt of an Underwriting Election, the Company shall use its reasonable best efforts to cause such Registration or "takedown" of such Shelf Registration Statement to be in the form of a firm commitment underwritten offering and the managing underwriters for such offering shall be internationally reputable investment banking firms selected by the Holder who has delivered the Underwriting Election and reasonably acceptable to the Company.

2.5 Rule 415. Notwithstanding anything to the contrary contained herein, if the SEC specifically prohibits the Registration Statement from including all Registrable Securities ("**SEC Guidance**") (provided that the Company shall advocate with the SEC for the registration of all or the maximum number of the Registrable Securities permitted by SEC Guidance to be included in such Registration Statement, such maximum number, the "**Rule 415 Amount**"), then the Company will not be in breach of this Agreement by following such SEC Guidance, and the Company will file such additional Registration Statements at the earliest practicable date on which the Company is permitted by SEC Guidance to file such additional Registration Statements related to the Registrable Securities, each registering the Rule 415 Amount, seriatim, until all of the Registrable Securities have been registered. Notwithstanding anything to the contrary contained herein, the amount of Registrable Securities required to be included in the initial Registration Statement as described in this Section 2 shall equal the lesser of (a) the amount of Registrable Securities that Holders request to have so registered pursuant to this Section 2 and (b) the maximum amount of Registrable Securities which may be included in a Registration Statement without exceeding the Rule 415 Amount.

2.6 Extension of Filing Requirements. As a reporting company under the rules of the SEC, the Company is subject to specific filing requirements which provide for the filing of reports containing financial information. The 60 day deadline provided for in Section 2.1 above and the 30 day deadline provided for in Section 2.3 above may be extended automatically and unilaterally by the Company for up to 90 days if the Company would be required to complete the preparation of any financial statements on a basis that is more accelerated than that which is otherwise required by such filing requirements.

3. PIGGYBACK REGISTRATIONS.

3.1 Registration of the Company's Securities. Subject to Section 3.3 hereof, if the Company proposes to Register for its own account any of its Securities, for the account of any holder of Securities any of such holder's Securities, in connection with the public offering of such Securities (including in respect of a Registration der Section 2.1 or a "takedown" of a Shelf Registration Statement under Section 2.3), the Company shall promptly give each Holder written notice of such Registration and, on the written request of any Holder given within fifteen (15) days after delivery of such notice, the Company shall use its reasonable best efforts to include in such gistration any Registrable Securities thereby requested by such Holder. If a Holder decides not to include all or any of its or its Affiliates' Registrable Securities in such gistration by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent Registration Statement or gistration Statements as may be filed by the Company with respect to offerings of its Securities upon the terms and conditions set forth herein.

3.2 Right to Terminate Registration. The Company shall have the right to terminate or withdraw any Registration that was initiated by it under Section 3.1 prior to the effectiveness of such Registration, whether or not any Holder has elected to participate therein. The expenses of such withdrawn Registration shall be borne by the Company in accordance with Section 4.3.

3.3 Underwriting Requirements.

(a) In connection with any offering involving an underwriting or placement by a placement agent of the Company's Securities, the Company shall not be required to Register the Registrable Securities of a Holder under this Section 3 unless such Holder's Registrable Securities are included in the underwriting and such Holder enters into an underwriting agreement and related agreements in customary form with the underwriters or placement agents and setting forth such terms for the offer and sale of securities. In the event the underwriters advise the Holders seeking Registration of Registrable Securities pursuant to this Section 3 in writing that market factors (including the aggregate number of Registrable Securities requested to be Registered, the general condition of the market, and the status of the Persons proposing to sell securities pursuant to the Registration) require a limitation of the number of Securities to be underwritten or otherwise sold, the underwriters or placement agents may exclude some or all Registrable Securities from the Registration and underwriting or placement, and the number of Securities and Registrable Securities that may be included in the Registration and the underwriting or placement shall be allocated in the following order of priority: first, to the Company if such Registration has been initiated by the Company or to the Holder and its Affiliates who delivered the Underwriting Election if such underwriting is being undertaken pursuant to Section 2.4, and second, to RSJ if RSJ requests inclusion of its Registrable Securities in such Registration Statement, and third to each Holder requesting inclusion of its Registrable Securities in such Registration Statement on a *pro rata* basis based on the respective amounts of Securities which such Holders would otherwise be entitled to include in the Registration; provided that the right of the underwriters to exclude Securities and Registrable Securities from the Registration and underwriting or placement as described above shall be restricted so that all other Securities that are not Registrable Securities shall first be excluded from such Registration and underwriting or placement before any Registrable Securities of the Holders are so excluded; and provided further that in no event shall the number of Registrable Securities included in the offering be reduced below 25% of the total number of Securities included in such offering.

(b) Notwithstanding anything to the contrary contained herein, the amount of Registrable Securities required to be included in any Registration Statement described in this Section 3 shall be equal to the lesser of (a) the amount of Registrable Securities that Holders request to have so registered pursuant to this Section 3 and (b) the maximum amount of Registrable Securities which may be included in a Registration Statement without exceeding the Rule 415 Amount.

(c) If any Holder disapproves of the terms of any underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriters delivered at least ten (10) days prior to the effective date of the Registration Statement. Any Registrable Securities excluded or withdrawn from the underwriting shall be withdrawn from the Registration.

3.4 Exempt Registration. The Company shall have no obligation to Register any Registrable Securities under this Section 3 in connection with an Exempt Registration.

3.5 Not a Demand Registration. Registration pursuant to this Section 3 shall not be deemed to be a Registration as described in Section 2.1 hereof. There shall be no limit on the number of times the Holders may participate in Registration of Registrable Securities under this Section 3.

4. PROCEDURES.

4.1 Registration Procedures and Obligations. Whenever required under this Agreement to effect the Registration of any Registrable Securities held by the lders, the Company shall, as expeditiously as possible:

(a) prepare and file with the Commission a Registration Statement with respect to those Registrable Securities and use its reasonable best efforts to cause that Registration Statement to become effective, and, keep the Registration Statement effective and current for such period of time as is necessary to permit the sale of the Registrable Securities thereunder; *provided, however*, that before filing such Registration Statement or any amendments thereto, the Company will furnish to the counsel selected by the Holders copies of all such documents proposed to be filed;

(b) prepare and file with the Commission amendments and supplements to that Registration Statement and the prospectus or prospectus supplement used in connection with the Registration Statement as may be necessary to comply with the provisions of U.S. Securities Law with respect to the disposition of all securities covered by the Registration Statement;

(c) furnish to the Holders and underwriters the number of copies of a prospectus, including a preliminary prospectus, required by U.S. Securities Laws, and any other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by such Holders;

(d) use its reasonable best efforts to Register and qualify the Securities covered by the Registration Statement under U.S. Securities Laws, such other securities or blue-sky laws of such jurisdictions as reasonably requested by the Holders or underwriters; provided that the Company shall not be required to qualify to do business or file a general consent to service of process in any such jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act; and provided, further, that in the event any jurisdiction in which the securities shall be qualified imposes a non-waivable requirement that expenses incurred in connection with the qualification of the securities be borne by the selling shareholders, those expenses shall be payable by such selling shareholders on a *pro rata* basis;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement in customary form (including indemnification provisions and procedures customary in underwritten offerings) and take all such other actions reasonably requested by the underwriters to expedite or facilitate the underwritten disposition of such Registrable Securities (including making its officers and management team available for investor road shows, sales events, marketing activities and other meetings) and in connection therewith in any underwritten offering, (i) make such representations and warranties to the underwriters and the Holders with respect to the business of the Company and its subsidiaries, and the Registration Statement, prospectus and documents incorporated or deemed to be incorporated by reference therein, in each case, in customary form and confirm the same if and when requested, (ii) furnish opinions of counsel to the Company, addressed to the underwriters covering the matters customarily covered in such opinions requested in underwritten offerings, (iii) obtain "comfort" letters from the independent certified public accountants as may be reasonably requested including of the Company and any other independent certified public accountants of any business acquired by the Company for which financial statements or financial data are included in the Registration Statement who have certified the financial statements included in the Registration Statement, addressed to the underwriters, such letters to be in customary form and covering matters of the type customarily covered in "comfort" letters and (iv) deliver such documents and certificates as may be reasonably requested by the Holders of the Registrable Securities being sold in connection therewith, their counsel and the underwriters to evidence the continued validity of the representations and warranties made pursuant to clause (i) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company;

(f) promptly notify each Holder: (i) when the Registration Statement, the prospectus or any prospectus supplement related thereto or post-effective amendment to the Registration Statement has been filed, and, with respect to the Registration Statement or any post-effective amendment thereto, when the same has become effective; (ii) of any request by the Commission for amendments or supplements to the Registration Statement or the prospectus used in connection with the Registration Statement or any additional information; (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings by any Person for that purpose; and (iv) of the receipt by the Company of any written notification with respect to the suspension of the qualification of any Registrable Securities for sale in any jurisdiction or the initiation or overt threat of any proceeding for such purpose;

(g) notify each Holder, at any time when a prospectus relating thereto is required to be delivered under U.S. Securities Laws, of the happening of any event as a result of which the prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and promptly prepare a post-effective amendment to such Registration Statement or a supplement to the related prospectus and file any other required document, and prepare and furnish to the Holders and underwriters a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary, so that, as thereafter delivered to the Holders and any underwriters, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(h) use its reasonable best efforts to prevent the issuance or obtain the withdrawal of any order suspending the effectiveness of any Registration Statement at the earliest practicable time;

(i) if any such Registration Statement refers to any Holder by name or otherwise as the holder of any securities of the Company, and if such Holder is advised by counsel that it is or may be deemed to be a control person in relation to, or an Affiliate of, the Company, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance reasonably satisfactory to such Holder, to the effect that the holding by such Holder is not to be construed as a recommendation by such Holder of the investment quality of the Company's securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Company, or (ii) in the event that such reference to such Holder by name or otherwise is not, based on the advice of counsel to the Company, such Holder and if applicable, the underwriters, required by the Securities Act or any similar federal statute then in force, the deletion of the reference to such Holder;

(j) if requested by the Requester, the underwriters or the placement agent, include in a prospectus supplement or amendment to the Registration Statement such information as may be reasonably requested or required in order to market the securities being sold and permit the intended method of distribution of the Registrable Securities and make all required filings of such prospectus supplement or such amendment as soon as practicable after the Company's receipt of such request;

(k) provide a transfer agent and registrar for all Registrable Securities Registered pursuant to the Registration Statement and, where applicable, a number assigned by the Committee on Uniform Securities Identification Procedures for all those Registrable Securities, in each case not later than the effective date of the Registration;

(l) make available for inspection by the Holders, any underwriters participating in any disposition pursuant to a Registration Statement and any attorneys or accountants or other agents retained by any such underwriters or selected by the Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such Holder, underwriters, attorneys, accountants, or agents, in each case, as necessary or advisable to verify the accuracy of the information in such Registration Statement and to conduct appropriate due diligence in connection therewith;

(m) use its reasonable best efforts to cause the transfer agent to remove restrictive legends on certificates representing the securities covered by such Registration Statement, as appropriate and settle any offering or sale of Registrable Securities, including with respect to the transfer of physical stock certificates into book-entry form in accordance with any procedures reasonably requested by the Holders or underwriters;

(n) cooperate with the Holders and the underwriters to facilitate the timely delivery of Registrable Securities to be sold and to enable such Registrable Securities to be issued in such denominations and registered in such names as such Holders may reasonably request at least two (2) Business Days prior to the closing of any sale of Registrable Securities;

(o) cause the Registrable Securities to be listed on the Applicable Exchange; and

(p) ensure that, at all times after any Registration Statement covering a public offering of Securities of the Company under the Securities Act shall become effective, its insider trading policy shall provide that the Company's directors may implement a trading program under Rule 10b5-1 of the Exchange Act.

4.2 Expenses of Registration. All expenses incurred in connection with Registrations, filings or qualifications pursuant to a Registration, including (i) all registration and filing fees (including fees and expenses with respect to (A) all Commission, stock exchange or trading system and FINRA registration, listing, filing and qualification and any other fees associated with such filings, including with respect to counsel for the underwriters and any qualified independent underwriter in connection with FINRA qualifications, (B) rating agencies and (C) compliance with securities or "blue sky" Laws, including any fees and disbursements of counsel for the underwriters in connection with "blue sky" qualifications of the Registrable Securities), (ii) fees and expenses of the financial printer, (iii) messenger, telephone and delivery expenses of the Company, (iv) fees and disbursements of counsel for the Company, (v) fees and disbursements of all independent certified public accountants, including the expenses of any special audits and/or "comfort letters" required by or incident to such performance and compliance) and (vi) all reasonable fees and expenses of one counsel retained by the Holders of Registrable Securities included in such Registration shall be borne by the Company, not to exceed $50,000 in the aggregate, whether or not any Registration Statement is filed or becomes effective, provided that any underwriters' discounts and selling commissions, in each case related to Registrable Securities Registered in accordance with this Agreement, shall be borne by the Holders of Registrable Securities included in such Registration on a *pro rata* basis based on such Holders' relative percentage of Registrable Securities included in such Registration. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on the Applicable Exchange or any other securities exchange as required hereunder.

5. INDEMNIFICATION.

5.1 Company Indemnity.

(a) To the extent permitted by applicable Law, the Company will indemnify and hold harmless each Holder, the officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees of each of them, each Person who controls each such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees of each such controlling person, each underwriter, if any, and each Person who controls (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) such underwriter, from and against all losses, claims, costs, damages or liabilities (whether joint or several) to which they may become subject under applicable Laws or otherwise, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (each a "**Violation**"): (i) any untrue statement (or alleged untrue statement) of a material fact contained in such Registration Statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission (or alleged omission) to state in the Registration Statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, a material fact required to be stated therein or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of U.S. Securities Laws, or any rule or regulation promulgated under U.S. Securities Laws. The Company will reimburse any Person intended to be indemnified pursuant to this Section 5.1 for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action.

(b) The indemnity agreement contained in this Section 5.1 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld or delayed), nor shall the Company be liable for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such Registration by any such Holder, underwriter or controlling Person.

(c) The foregoing indemnity of the Company is subject to the condition that, insofar as they relate to any defect in a preliminary prospectus but such defect has been eliminated or remedied in the amended prospectus on file with the Commission at the time the applicable Registration becomes effective (the "**Final Prospectus**"), such indemnity shall not inure to the benefit of any Person if a copy of the Final Prospectus was timely furnished to the Holder or underwriter and was not furnished to the Person asserting the loss, liability, claims or damages at or prior to the time such action is required by the Securities Act.

5.2 Holder Indemnity.

(a) To the extent permitted by applicable Law, each Holder that has included Registrable Securities in a Registration will, severally and not jointly, indemnify and hold harmless the Company, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act) and each their respective officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees from and against all losses, claims, costs, damages or liabilities (whether joint or several) to which any of the foregoing Persons may become subject, under U.S. Securities Laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based on any untrue statement (or alleged untrue statement) of a material fact contained in any such Registration Statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse any Person intended to be indemnified pursuant to this Section 5.2 for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such Registration Statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, in reliance upon and in conformity with written information furnished to the Company and signed by such Holder and intended to be specifically for use therein.

(b) The indemnity contained in this Section 5.2 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of such Holder (which consent shall not be unreasonably withheld), and in no event shall the aggregate indemnity under this Section 5.2 (including any reimbursement of any expenses) exceed the net proceeds (less underwriting discounts and selling commissions) from the offering received by such Holder. A Holder will not be required to enter into any agreement or undertaking in connection with any Registration providing for any indemnification or contribution on the part of such Holder greater than the Holder's obligations under this Section 5.2.

5 . 3 Notice of Indemnification Claim. Promptly after receipt by an indemnified party under Section 5.1 or Section 5.2 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under Section 5.1 or Section 5.2, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly notified, to assume the defense thereof with counsel reasonably satisfactory to the indemnifying party. An indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonably incurred fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 5, but the omission to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 5.

5 . 4 Contribution. If any indemnification provided for in Section 5.1 or Section 5.2 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and of the indemnified party, on the other hand, in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5.4 were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 5.4, an indemnifying party that is a Holder shall not be required to contribute any amount in excess of the amount that such indemnifying party has otherwise been, or would otherwise be, required to pay pursuant to Section 5.2 by reason of such untrue or alleged untrue statement or omission or alleged omission.

6. ADDITIONAL UNDERTAKINGS.

6.1 Reports under the Exchange Act. With a view to making available to the Holders the benefits of Rule 144 or pursuant to a Registration on a Shelf gistration Statement, the Company agrees to:

(a) file with the Commission in a timely manner all reports and other documents required of the Company under all U.S. Securities Laws;

(b) promptly furnish to any Holder, upon any Holder's request (i) a written statement by the Company that it has complied with the reporting requirements of all U.S. Securities Laws at any time after it has become subject to such reporting requirements or, at any time after so qualified, that it qualifies as a registrant whose securities may be resold pursuant to a Shelf Registration Statement, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents as may be filed by the Company with the Commission, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the Commission, that permits the selling of any such securities without Registration or pursuant to a Shelf Registration Statement; and

(c) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Common Stock held by such Holder without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act, including providing any legal opinions.

6.2 Business Combinations. The Company agrees that in connection with any restructuring, business combination, reorganization, merger or other similar transaction in which the Common Stock are replaced by other equity securities, the Company shall ensure that this agreement shall be assumed by the issuer of such replacement security.

7. MISCELLANEOUS.

7.1 Termination.

(a) This Agreement may be terminated by written agreement among the parties.

(b) The right of any Holder to request Registration or inclusion of Registrable Securities in any Registration under this Agreement shall terminate when all Registrable Securities of such Holder may be sold without restriction or limitation under Rule 144; and

(c) In the event of the termination of this Agreement in accordance with this Section 7.1, this Agreement shall thereafter terminate and cease to have effect, and no party hereto shall have any liability to the other parties hereto or their respective Affiliates, directors, officers or employees, except for the obligations in this Section 7 and provided that termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the parties prior to such termination, unless otherwise agreed in writing by the parties.

7.2 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission and electronic mail ("**e-mail**") transmission, so long as a receipt of such e-mail is requested and received) and shall be given,

if to [ ], to:

[_____]
[_____]
[_____]
Attention: [_____]
Fax: [_____]

with a copy to:

[ ]
[ ]
[ ]
[ ]
Attention: [ ]
Fax: [ ]

if to the Company:

CNS Response, Inc.
85 Enterprise, Suite 410
Aliso Viejo, CA 92656
Attention: Paul Buck

Fax: (866) 294-2611

with a copy to:

Dentons US LLP
1221 Avenue of the Americas
New York, New York 10020
Attention: Jeffrey A. Baumel
Fax: (973) 912-7199

or such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto.

7 . 3 **Assignment**. The rights and obligations of a Holder under this Agreement may be assigned by any Holder to any transferee or assignee of such Holder's Registrable Securities; provided that: (i) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the Securities with respect to which such registration rights are being assigned and (ii) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement.

7.4 Submission to Jurisdiction.

(a) The Company irrevocably submits to the non-exclusive jurisdiction of any **California** or United States Federal court sitting in **Orange County, California** over any suit, action or proceeding arising out of or relating to this Agreement. The Company irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. To the extent that the Company has or hereafter may acquire any immunity (on the grounds of sovereignty or otherwise) from the jurisdiction of any court or from any legal process with respect to itself or its property, the Company irrevocably waives, to the fullest extent permitted by law, such immunity in respect of any such suit, action or proceeding.

(b) The Company hereby appoints [Paul Buck, Chief Financial Officer of the Company], as its agent for service of process in any suit, action or proceeding described the preceding paragraph and agrees that service of process in any such suit, action or proceeding may be made upon it at the office of such agent. The Company waives, to the fullest extent permitted by law, any other requirements of or objections to personal jurisdiction with respect thereto. The Company represents and warrants that such agent has agreed to act as its agent for service of process. To the extent that the Company determines to appoint a new agent for service of process, the Company agrees to promptly notify the Representatives of the name and address of such new agent for service of process.

(c) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder into any currency other than U.S. dollars, the parties hereto agree, to the fullest extent permitted by law, that the rate of exchange used shall be the rate at which in accordance with normal banking procedures the parties could purchase U.S. dollars with such other currency in The City of New York on the business day preceding that on which final judgment is given. The obligation of the Company with respect to any sum due from it to any person under this Agreement shall, notwithstanding any judgment in a currency other than U.S. dollars, not be discharged until the first business day following receipt by such person of any sum in such other currency, and only to the extent that such Underwriter or controlling person may in accordance with normal banking procedures purchase U.S. dollars with such other currency. If the U.S. dollars so purchased are less than the sum originally due to such person hereunder, the Company agrees as a separate obligation and notwithstanding any such judgment, to indemnify such person against such loss. If the U.S. dollars so purchased are greater than the sum originally due to such person hereunder, such person agrees to pay to the Company, as applicable, an amount equal to the excess of the U.S. dollars so purchased over the sum originally due to such person hereunder.

7.5 Cumulative Remedies. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. The said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

7.6 Binding Effect. This Agreement shall be binding upon and inure to the benefit of all of the parties and, to the extent permitted by this Agreement, their successors, executors, administrators, heirs, legal representatives and assigns.

7.7 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect for so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement are consummated as originally contemplated to the greatest extent possible.

7.8 Entire Agreement. This Agreement, together with the Purchase Agreement, the Notes and that certain Security Agreement, dated on or about the date hereof, by and among the parties, constitutes the entire agreement of the parties hereto with respect to the subject matter hereof as of the date hereof and supersedes all prior agreements and undertakings, both written and oral, among the parties hereto with respect to the subject matter hereof.

7.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of laws rules stated therein.

7.10 Specific Performance. The parties hereto acknowledge and agree that the parties hereto would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached and that any non-performance or breach of this Agreement by any party hereto could not be adequately compensated by monetary damages alone and that the parties hereto would not have any adequate remedy at law. Accordingly, in addition to any other right or remedy to which any party hereto may be entitled, at law or in equity (including monetary damages), such party shall be entitled to enforce any provision of this Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent breaches or threatened breaches of any of the provisions of this Agreement without posting any bond or other undertaking.

7.11 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

7.12 Expenses. Except to the extent provided otherwise herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

7.13 Amendments and Waivers. The provisions of this Agreement may only be amended, modified, supplemented or waived with the prior written consent of the Company and the Majority Holders (as defined in the Purchase Agreement). No waiver by any party or parties shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. Except as otherwise set forth in this Agreement, no failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

7.14 No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of, and be enforceable by, only the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person (other than an indemnified party solely with respect to Section 5) any right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Agreement.

7.15 Construction. Each party hereto acknowledges and agrees it has had the opportunity to draft, review and edit the language of this Agreement and that no presumption for or against any party arising out of drafting all or any part of this Agreement will be applied in any controversy, claim or dispute relating to, in connection with or involving this Agreement. Accordingly, the parties hereto hereby waive the benefit of any rule of Law or any legal decision that would require, in cases of uncertainty, that the language of a contract should be interpreted most strongly against the party who drafted such language.

7.16 Counterparts. This Agreement may be executed and delivered (including by facsimile or other means of electronic transmission, such as by electronic mail in "pdf" form) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Registration Rights Agreement on the date first written above.

CNS RESPONSE, INC.

By: _____
Name:
Title:

_____

By: _____
Name:
Title:

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of CNS Response, Inc.
85 Enterprise, Suite 410
Aliso Viejo, CA 92656

We hereby consent to the incorporation by reference in the Registration Statement on Form S8 No. 333-166394 of CNS Response, Inc. of our report dated December 29, 2014, relating to the consolidated financial statements which appear in this Form 10-K .

/s/ Anton & Chia, LLP
Newport Beach, California
December 29, 2014

Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to SEC Rule 13a-14(a)/15d-14(a)

I, George Carpenter, certify that:

1. I have reviewed this Form 10-K of CNS Response, Inc. for the fiscal year ended September 30, 2014;

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(s) 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 statement 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(s) 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.

December 29, 2014

/s/ George Carpenter
Name: **George Carpenter**
Title: **Chief Executive Officer (Principal Executive Officer)**

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to SEC Rule 13a-14(a)/15d-14(a)

I, Paul Buck, certify that:

1. I have reviewed this Form 10-K of CNS Response, Inc. for the fiscal year ended September 30, 2014;

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(s) 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 statement 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(s) 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.

December 29, 2014

/s/ Paul Buck
Name: **Paul Buck**
Title: **Chief Financial Officer (Principal Financial Officer)**

Exhibit 32.1

Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

In connection with the Annual Report on Form 10-K of CNS Response, Inc. (the "Company") for the fiscal year ended September 30, 2014, as filed with the Securities and Exchange Commission (the "Report"), I, George Carpenter, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act.

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ George Carpenter
George Carpenter
Chief Executive Officer (Principal Executive Officer)
December 29, 2014

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Exhibit 32.2

Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

In connection with the Annual Report on Form 10-K of CNS Response, Inc. (the "Company") for the fiscal year ended September 30, 2014, as filed with the Securities and Exchange Commission (the "Report"), I, Paul Buck, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act.

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul Buck
Paul Buck
Chief Financial Officer (Principal Financial Officer)
December 29, 2014

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.