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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. _____)

Filed by the Registrant ☑
Filed by a Party other than the Registrant ☐
Check the appropriate box:

☑ Preliminary Proxy Statement
☐ Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material Pursuant to§240.14a-12
☐ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2)

CNS RESPONSE, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☑ No Fee Required
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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing party:

(4) Date filed:

CNS RESPONSE, INC.

2755 Bristol Street, Suite 285
Costa Mesa, CA 92626

September __, 2009

Dear Stockholder:

As you may know, CNS's former CEO, Leonard J. Brandt, has been waging a campaign to try to remove our current directors and elect himself and his own nominees either at a stockholder meeting or through an action by written consent without a meeting. He has sent you a notice of a special meeting that he has purportedly called for September 4, 2009, together with a proxy card.

CNS believes that Mr. Brandt cannot call or hold this meeting and that any action he purports to take on September 4, 2009 will be invalid. We outline those reasons in our enclosed proxy statement, but suffice it to say that it is a long list. We believe that Mr. Brandt's attempt to hold this meeting is an attempt to achieve his personal goals at the expense of CNS and all the rest of its stockholders. We do not believe that the proxy card Mr. Brandt sent to you will be usable for any validly called stockholder meeting or any valid purpose.

Moreover, if you fill out and return the proxy card you receive from Mr. Brandt, it may result in a quorum at one of the purported meetings he calls. That would allow him to claim he can take a vote at the meeting, which is exactly what he wants. Therefore simply by returning the proxy card you may be unintentionally assisting Mr. Brandt in his efforts to take control of the company, even if the proxy card you send includes a vote against him. In other words, if you return the proxy card to him at all – **no matter how you vote** – you will be helping him in his efforts.

We are sending you this proxy statement to urge you not to return a proxy card to Mr. Brandt. Even (or particularly) if you want to vote against him and his proposed director nominees at the meeting he purports to have called, we urge you not to return any proxy card to him. We will have our own validly called Annual Meeting of all CNS stockholders on September 29, and at that meeting you will have the opportunity to decide who will serve as your directors for the coming year.

If you have already returned a proxy card to Mr. Brandt, we urge you to revoke your proxy immediately. You have the right to revoke your proxy at any time before it is exercised at Mr. Brandt's purported special meeting on Friday, September 4. Time is short, so we urge you to act immediately.

You may revoke your proxy by:

- executing a written notice of revocation of proxy or notice of revocation of written consent and delivering the same by fax, email or physical delivery (whether by hand delivery or overnight express) to CNS Response, Inc., 2755 Bristol Street, Suite 285, Costa Mesa, California 92626, Fax Number: (866) 294-2611 Email Address: gcarpenter@cnsresponse.com.

- you may also revoke your proxy by executing a written notice of revocation of proxy or notice of revocation of written consent and delivering the same to Mr. Brandt at 31878 Del Obispo Street, Suite 118-131, San Juan Capistrano, California 92675 or by fax to (949) 743-2785.

Please be aware that you will not be disenfranchised by not returning Mr. Brandt's proxy or participating in his purported meeting. As we have previously announced, our plan is to hold the CNS annual meeting of stockholders on Tuesday, September 29, 2009, at 10:00 a.m. PDT at the Island Hotel in Newport Beach, California. The first annual meeting in the Company's history, it will be open to all stockholders of record as of August 27, 2009. At that meeting we plan to elect directors. When we have filed definitive proxy materials for that annual meeting with the Securities and Exchange Commission, we will deliver to you further information about the meeting, together with a proxy card.

CNS's senior management and directors have been actively working to improve the Company's financial position and planning for our future. A lot of good things have happened since Mr. Brandt was removed as our CEO in April and I hope you have been keeping up with our press releases announcing significant developments. Most recently, we closed a $2 million private placement, and in addition to the inflow of needed cash, this financing also resulted in the conversion of $1.7 million of our debt into equity and removed the related liens that affected our valuable assets. Following the closing, we also added Tommy Thompson and John Pappajohn to our board of directors, and we are very excited to have them join CNS at this critical time in our development. Messrs. Thompson and Pappajohn are two of the six nominees we are proposing for election as directors at the board-called September 29 meeting. The other nominees – me, Henry Harbin, David Jones and Jerry Vaccaro – also are current directors.

Our board of directors believes that it is in the best interests of CNS and its stockholders to elect our nominees and reject Mr. Brandt's attempts to seize control. If you wish to elect our nominees or simply to resist Mr. Brandt's plans for the Company, you should not return any proxy card or any written consent form to Mr. Brandt -- *especially* if your intent is to vote against his nominees or proposal. These matters are more fully described in the accompanying proxy statement.

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU DO NOT RETURN A PROXY CARD OR WRITTEN CONSENT FORM TO MR. BRANDT, EVEN IF YOUR INTENT IS TO VOTE AGAINST HIM.

OUR BOARD OF DIRECTORS RECOMMENDS THAT IF YOU ALREADY HAVE RETURNED SUCH A CARD, THE BOARD OF DIRECTORS URGES YOU TO REVOKE THE PROXY OR CONSENT.

WE ARE RECOMMENDING THAT YOU NOT VOTE AT ALL AT THIS PURPORTED MEETING AND THAT YOU VOTE ONLY AT THE ANNUAL MEETING OF STOCKHOLDERS WE HAVE CALLED AND CURRENTLY INTEND TO HOLD ON SEPTEMBER 29, 2009. WE ARE NOT SOLICITING YOUR VOTE YET FOR THAT ANNUAL MEETING – WE WILL ONLY DO SO AFTER WE HAVE FILED DEFINITIVE PROXY MATERIALS WITH THE SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO THAT MEETING.

It is extremely important that you not vote in connection with Mr. Brandt's purported meeting. If you already have returned a proxy card to Mr. Brandt, it is extremely important that you revoke that proxy, whether you voted for or against Mr. Brandt's nominees, or abstained.

Very truly yours,

/s/ George Carpenter
George Carpenter
Chairman of the Board of Directors and
Chief Executive Officer

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CNS RESPONSE, INC.

2755 Bristol Street, Suite 285
Costa Mesa, CA 92626

PROXY STATEMENT

SPECIAL MEETING IN LIEU OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD SEPTEMBER 4, 2009

CALLED BY LEONARD BRANDT AND CERTAIN OTHER STOCKHOLDERS IN THEIR CAPACITIES AS STOCKHOLDERS

ABOUT THE MEETING

As you may know, CNS Response, Inc.'s ("CNS," the "Company," "we," "our," or "us") former CEO, Leonard J. Brandt, has been waging a campaign to try to remove our current directors and elect himself and his own nominees either at a stockholder meeting or through an action by written consent without a meeting. He has sent you a notice of a special meeting that he has purportedly called for September 4, 2009 at 1:00 P.M. to be held at the registered office of the Company, United Corporate Services, Inc., 874 Walker Road, Suite C, Dover, Delaware 19904. CNS believes that Mr. Brandt cannot call or hold this meeting and that any action he purports to take on September 4, 2009 will be invalid. We outline those reasons below.

Mr. Brandt claims to have set a record date of August 24, 2009 and intends to use that date to determine those CNS stockholders entitled to attend and vote at the special meeting. We believe that is the incorrect date, as the board of directors had previously set a record date of August 27, 2009 as the record date for any meeting attempted to be called by Mr. Brandt. We believe that the use of any date other than August 27, 2009 could render any action taken at the special meeting invalid. It is our intention to have votes counted by the inspector of elections based on an August 27 record date. We may also have votes counted by the inspector of elections based on an August 24 record date in order to have a complete record of actions purportedly taken at the special meeting.

Although we do not believe that the proxy card Mr. Brandt sent to you will be usable for any validly called shareholder meeting or any valid purpose, if you fill out and return the card you receive from Mr. Brandt, it may result in Mr. Brandt claiming that a quorum was present at one of the purported meetings he calls and attempting to call a vote on his proposals. Therefore simply by returning the card you may be unintentionally assisting Mr. Brandt in his efforts to take control of the Company, even if you vote against him.

Therefore, we are sending you this proxy statement to urge you not to return a proxy card to Mr. Brandt, even (or particularly) if you desire to vote against his proposed director nominees at the meeting he purports to have called.

If you have already returned a proxy card to Mr. Brandt, we urge you to revoke your proxy. You have the right to revoke your proxy at any time before it is exercised at Mr. Brandt's purported special meeting. This may be done by executing a written notice of revocation of proxy or notice of revocation of written consent and delivering the same by fax, email or physical delivery (whether by hand delivery or overnight express) to CNS Response, Inc., 2755 Bristol Street, Suite 285, Costa Mesa, California 92626. Fax: (866) 294-2611 Email: gcarpenter@cnsresponse.com. You may also revoke your proxy by executing a written notice of revocation of proxy or notice of revocation of written consent and delivering the same to Mr. Brandt at 31878 Del Obispo Street, Suite 118-131, San Juan Capistrano, California 92675 or by fax to (949) 743-2785.

Please be aware that you will not be disenfranchised by not returning Mr. Brandt's proxy. As we have previously announced, our plan is to hold the CNS annual meeting of stockholders on Tuesday, September 29, 2009, at 10:00 a.m. PDT at the Island Hotel in Newport Beach, California. The first annual meeting in the Company's history, it will be open to all stockholders of record as of August 27, 2009. At that meeting we plan to elect directors. When we have filed definitive proxy materials for that annual meeting with the Securities and Exchange Commission, we will deliver to you further information about the meeting, together with a proxy card.

CNS's senior management and directors have been actively working to improve the Company's financial position and planning for our future. A lot of good things have happened since Mr. Brandt was removed as our CEO in April and we hope you have been keeping up with our press releases announcing significant developments. Most recently, we closed a $2 million private placement, and in addition to the inflow of needed cash, this financing also resulted in the conversion of $1.7 million of our debt into equity and removed the related liens that affected our valuable assets. Following the closing, we also added Tommy Thompson and John Pappajohn to our board of directors, and we are very excited to have them join CNS at this critical time in our development. Messrs. Thompson and Pappajohn are two of the six nominees we are proposing for election as directors at the board-called September 29 meeting. The other nominees – George Carpenter, Henry Harbin, David Jones and Jerry Vaccaro – also are current directors.

Our board of directors believes that it is in the best interests of CNS and its stockholders to elect our nominees and reject Mr. Brandt's attempts to seize control. If you wish to elect our nominees or simply to resist Mr. Brandt's plans for the Company, you should not return any proxy card or any written consent form to Mr. Brandt -- *especially* if your intent is to vote against his nominees or proposal. These matters are more fully described below.

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU DO NOT RETURN A PROXY CARD OR WRITTEN CONSENT FORM TO MR. BRANDT, EVEN IF YOUR INTENT IS TO VOTE AGAINST HIM.

OUR BOARD OF DIRECTORS RECOMMENDS THAT IF YOU ALREADY HAVE RETURNED SUCH A CARD, THE BOARD OF DIRECTORS URGES YOU TO REVOKE THE PROXY OR CONSENT.

WE ARE RECOMMENDING THAT YOU NOT VOTE AT ALL AT THIS PURPORTED MEETING AND THAT YOU VOTE ONLY AT THE ANNUAL MEETING OF STOCKHOLDERS WE HAVE CALLED AND CURRENTLY INTEND TO HOLD ON SEPTEMBER 29, 2009. WE ARE NOT SOLICITING YOUR VOTE YET FOR THAT ANNUAL MEETING – WE WILL ONLY DO SO AFTER WE HAVE FILED DEFINITIVE PROXY MATERIALS WITH THE SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO THAT MEETING.

It is extremely important that you not vote in connection with Mr. Brandt's purported meeting. If you already have returned a proxy card to Mr. Brandt, it is extremely important that you revoke that proxy, whether you voted for or against Mr. Brandt's nominees, or abstained.

Our board of directors believes that it is in the best interest of CNS and its stockholders to elect the nominees identified above at our annual meeting to be held on September 29, 2009. We oppose the election of Mr. Brandt and any of his director nominees and any attempt by him to cause the removal of our current directors. **THEREFORE, OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU NOT VOTE IN CONNECTION WITH MR. BRANDT'S PURPORTED MEETING AND REVOKE ANY PROXY OR WRITTEN CONSENT THAT YOU HAVE PROVIDED TO BRANDT.**

BACKGROUND OF OUR SOLICITATION

As you know, CNS made an important change in April 2009 when the board of directors dismissed Leonard J. Brandt as our CEO and replaced him with George Carpenter, who had been serving as our President. The board decided to make this change for a number of reasons, but the primary reason was a fundamental disagreement between the other directors and Mr. Brandt regarding the Company's strategy. Mr. Brandt, after 12 months of being unsuccessful in his efforts to secure acceptable financing for CNS, recommended that we reduce staff, discontinue payroll, notify our clinical trial sites that further payments would be delayed or suspended, and use bridge loans to "drip feed" CNS on a month-to-month basis. Our other directors disagreed with this recommendation, and determined that Mr. Carpenter was better qualified to lead our efforts to secure additional financing to complete the clinical trial, continue to lay the groundwork for commercialization and place CNS on a sound financial footing that we expect will allow us to implement our business plan.

We believe that Mr. Carpenter has made great progress over the last four months, as evidenced by a variety of positive developments, including our successful capital raising efforts that to date have resulted in over $2 million in additional cash investment and the elimination of $1.7 million in indebtedness through the automatic conversion of outstanding notes upon the completion of the financing. He also has been instrumental in our efforts in getting Messrs. Thompson and Pappajohn to join our board of directors. The addition of Messrs. Thompson and Pappajohn, and their many years of relevant experience in business, finance and government, strengthens our board's ability to face the challenges we anticipate as CNS continues its growth.

Unfortunately, Mr. Brandt has spent the last four months reacting to his removal and engaging in a number of activities that we believe had the goals of preventing our financing initiatives and restoring himself to power. So far, those efforts have not benefited CNS or our stockholders – they have just caused us to incur significant legal and related expenses and have caused our management and directors to spend valuable time contending with Mr. Brandt. As you may know, to date Mr. Brandt has attempted to call, hold, adjourn and/or reconvene purported special meetings on seven occasions since June and has made a number of SEC filings which we believe have contained falsehoods and misleading statements and we have been vigorously contesting these actions in both state and federal court.

As part of his campaign, Mr. Brandt has made a number of statements suggesting that his purpose in calling his many meetings has been to allow CNS stockholders to exercise their right to elect directors. In that vein, he has criticized CNS for not holding a stockholder meeting to allow stockholders to elect directors – implying that CNS itself and other CNS directors have been standing in the way of a stockholder meeting. He chooses not to highlight some relevant facts, however, when he makes these statements – like the fact that he was CNS's Chairman for more than three years and, as Chairman, could have called a meeting at any time during his tenure, a procedure that does not require the approval of any of the other directors; or, during his entire tenure as a director, he has never made a motion at any meeting of directors to call a stockholder meeting. We believe that his purpose in purporting to call a meeting in his capacity as a stockholder was to try to catch the Company by surprise, act quickly to change the board and then tell the rest of the stockholders what he had done. It was only after seven failed attempts to get a quorum for those purported meetings that he finally delivered a proxy statement to CNS stockholders and invited everyone to participate in the meeting – not just those of you who were inclined to travel to Dover, Delaware on a holiday, a Sunday or any of the other five occasions Mr. Brandt's designee stood in the hallway of an office building and claimed he or she was convening a stockholder meeting.

We intend to participate in the purported September 4 meeting to object to any action Mr. Brandt or his proxies or designees attempt to take and in order to oppose the election of Mr. Brandt and his slate of nominees. As noted above, we believe that Mr. Brandt cannot call or hold this meeting and that any action he purports to take on September 4, 2009 will be invalid. While we do not believe that an exhaustive treatment addressing Delaware law and the Company's governing instruments is appropriate, we do believe that the following summary gives you an accurate overview of the reasons for our belief.

Inability to Call September 4 Meeting as a "Reconvened" Meeting

Delaware law allows a stockholder meeting to be adjourned once it has been called. When a properly-adjourned meeting is then properly reconvened, that reconvened meeting is simply a continuation of the original meeting – it is not considered to be a new meeting. The significance of this is that a new notice need not be sent to stockholders and a new record date need not be set. However, if the attempt to adjourn a meeting is not properly carried out, the meeting comes to an end and it cannot be reconvened afterwards. As a result, any meeting that is to be called and held after the improperly adjourned meeting ended would have to be called and held as a new meeting – it would not be a continuation of the original meeting. This would require that a new notice be sent to stockholders and a new record date established.

At Brandt's purported July 3 meeting, his designee failed to properly adjourn the meeting. This caused the meeting to end and, as a result, the September 4 meeting cannot be a reconvened meeting that relates back to the original July 3 meeting through the chain of other purportedly called and adjourned meetings on July 12, July 21, July 30, August 17 and August 26.

The result, in the Company's view, is that any meeting called by Mr. Brandt subsequent to July 3 can only be called and held as a new meeting. Although some of the statements included in Mr. Brandt's proxy materials and other public statements suggest that the September 4 meeting is reconvening the earlier meetings, his action of sending out a new notice of meeting on August 26 would appear to indicate that Brandt believes that the September 4 meeting is a new meeting. However, as Mr. Brandt is aware, Company bylaws that took effect in June that apply to any new meeting specifically state that a special meeting cannot be called by stockholders for the purpose of electing directors. Therefore, the Company believes that any action to elect directors at the September 4 meeting will be invalid.

In addition, even if the July 3 adjournment was proper, the meeting came to an end on one or more of the other occasions Mr. Brandt purportedly reconvened that meeting. For example, Delaware law allows notices of meetings to be used for no more than 60 days – after that time period, the notice becomes stale and a new notice must be given for a new meeting. Mr. Brandt sent notices on June 20 and June 23 (which notice arguably replaced the June 20 notice). As a result, the notice became stale on August 21, so any meeting held after August 21 cannot be a meeting that is a continuation of the July 3 meeting. As discussed above, the Company's bylaws apply to any new meeting – including the September 4 meeting – and specifically state that a special meeting cannot be called by stockholders for the purpose of electing directors. Therefore, the Company believes that any action to elect directors at the September 4 meeting will be invalid.

The Company also believes that a meeting cannot be held on September 4 because there are not at least 10 days between the record date of August 27 and the meeting date of September 4. Under Delaware law, the record date for a stockholder meeting must be not less than 10 days nor more than 60 days prior to the date of the meeting. As discussed below, Mr. Brandt indicates in his proxy materials that the record date for the purported September 4 meeting is August 24, 2009 when he is aware that the board of directors had set August 27, 2009 as the record date. We believe Mr. Brandt is deliberately attempting to circumvent the board's valid action and Delaware law by attempting to hold a meeting using a record date other than August 27. We also believe that the August 27 record date makes it impossible for the meeting to be held on September 4 without violating Delaware law and that any vote or other action taken based on a record date other than August 27 could be held to be invalid.

Use of an Invalid Record Date

Mr. Brandt indicates in his proxy materials that the record date for the purported September 4 meeting is August 24, 2009. As Mr. Brandt knows, because he attended the relevant board of directors meeting, on July 20 the board of directors set August 27, 2009 as the record for any meeting of stockholders Mr. Brandt attempts to call. We believe that Mr. Brandt's choice of August 24 is a deliberate attempt to disenfranchise the stockholders who acquired our shares in the private placement that closed on August 26 and the holders of our notes, who Mr. Brandt knew would receive shares of common stock upon the automatic conversion of the notes when the financing closed.

Delaware law empowers the board of directors to set the record date for stockholder meetings, whether the meeting is called by the company itself or by another person under relevant charter or bylaw provisions, as is the case here with Mr. Brandt's attempts to call a meeting. CNS, therefore, believes that only August 27 is a valid record date and, therefore, any vote or other action taken based on a record date other than August 27 could be held to be invalid.

QUESTIONS AND ANSWERS REGARDING THE MEETING

Why am I receiving these materials?

Mr. Brandt has purportedly called a special meeting for September 4, 2009 at 1:00P.M. to be held at the registered office of the Company, United Corporate Services, Inc., 874 Walker Road, Suite C, Dover, Delaware 19904. Although we do not believe that the proxy card Mr. Brandt sent to you will be usable for any validly called stockholder meeting or any other valid purpose, we are sending you this proxy statement to urge you not to return a proxy card to Mr. Brandt, even (or particularly) if you desire to vote against his proposed director nominees at the meeting he purports to have called.

Who is soliciting my vote?

Mr. Brandt is soliciting your vote in connection with his purported meeting. We are recommending that you not vote at all at this purported meeting and that you vote only at the Annual Meeting of Stockholders we have called and currently intend to hold on September 29, 2009. We are not soliciting your vote yet for that Annual Meeting – we will only do so after we have filed definitive proxy materials with the Securities and Exchange Commission with respect to that meeting.

What am I being asked to vote on?

- Mr. Brandt is asking you to vote in favor of himself and his other director nominees.
- OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU DO NOT RETURN A PROXY CARD OR WRITTEN CONSENT FORM TO MR. BRANDT, EVEN IF YOUR INTENT IS TO VOTE AGAINST HIM.
- OUR BOARD OF DIRECTORS ALSO RECOMMENDS THAT IF YOU ALREADY HAVE RETURNED SUCH A CARD, THAT YOU SHOULD REVOKE THE PROXY OR CONSENT, USING THE INSTRUCTIONS PROVIDED BELOW.

As we have previously announced, our plan is to hold the CNS annual meeting of stockholders on Tuesday, September 29, 2009, at 10:00 a.m. PDT at the Island Hotel in Newport Beach, California. The first annual meeting in the Company's history, it will be open to all shareholders of record as of August 27, 2009. At that meeting we plan to elect directors. When we have filed definitive proxy materials for that annual meeting with the Securities and Exchange Commission, we will deliver to you further information about the meeting, together with a proxy card. Please also be aware that you cannot vote for our nominees on any proxy card or consent form provided by Leonard J. Brandt.

What should I do if I have questions about how to ensure that my shares are voted for the director nominees that I desire?

If you have any questions about how to ensure that your shares are voted in accordance with your wishes, please contact:

George Carpenter, CEO CNS Response, Inc.
gcarpenter@cnsresponse.com

What should I do if I receive a proxy card or form of consent from Leonard J. Brandt?

As you may know, CNS's former CEO, Leonard J. Brandt, has been soliciting proxies and written consents in an attempt to remove our current directors and elect himself and his own nominees either at a stockholder meeting or through an action by written consent without a meeting. As a result, you may receive or may have already received proxy materials and a proxy card and/or consent solicitation materials and a form of written consent from Mr. Brandt. (And in some cases, those materials may even have been mailed by us pursuant to Securities and Exchange Commission rules requiring us to do so). Mr. Brandt and his nominees have NOT been endorsed by our Board, our Board does not recommend their election, and we are not responsible for the accuracy or adequacy of any information provided by or relating to Mr. Brandt or his nominees that is contained in any proxy or consent solicitation materials filed or disseminated by, or on behalf of, Mr. Brandt or his nominees or any other statements that Mr. Brandt or his nominees may otherwise make.

WE URGE YOU NOT TO SIGN OR RETURN ANY PROXY CARD OR WRITTEN CONSENT TO MR. BRANDT.

Simply by returning the card you may be unintentionally assisting Mr. Brandt in his efforts to take control of the company, even if you vote against him. Please be aware that you will not be disenfranchised by not returning Mr. Brandt's proxy. As we have previously announced, our plan is to hold the CNS annual meeting of stockholders on Tuesday, September 29, 2009, at 10:00 a.m. PDT at the Island Hotel in Newport Beach, California. The annual meeting will be open to all shareholders of record as of August 27, 2009. At that meeting we plan to elect directors. When we have filed definitive proxy materials for that annual meeting with the Securities and Exchange Commission, we will deliver to you further information about the meeting, together with a proxy card.

Can I revoke a proxy or written consent that I have already given to Leonard J. Brandt?

You may revoke a proxy you have already given to Mr. Brandt at any time before your proxy is voted at the special meeting. You also may revoke any written consent that you have already given to Mr. Brandt at any time before he delivers written consents representing a majority of our outstanding common stock to us.

IF YOU HAVE GIVEN HIM BOTH A PROXY AND A WRITTEN CONSENT, YOU MUST REVOKE BOTH THE PROXY AND THE WRITTEN CONSENT IF YOUR INTENT IS TO VOTE IN FAVOR OF OUR DIRECTOR NOMINEES AT OUR ANNUAL MEETING.

- **Revoking a proxy given to Mr. Brandt**. If you hold your CNS shares as a record holder, you may revoke a proxy you provided to Mr. Brandt at any time before your proxy is voted at Brandt's purported special meeting by:
  - delivering to Mr. Brandt a signed written notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked; or
  - delivering to CNS a signed written notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked.

If you hold your CNS shares in street name, you may change your vote by submitting new votinginstructions to your broker, bank or other nominee. You must contact your broker, bank or other nomineeto find out how to do so.

- **Revoking a written consent given to Mr. Brandt**. If you hold your CNS shares as a record holder, you may revoke a written consent you provided to Mr. Brandt at any time before your consent is delivered by him to the Company in connection with an action by written consent by:
  - delivering to Mr. Brandt a signed written notice of revocation, bearing a date later than the date of the consent, stating that the consent is revoked; or
  - delivering to CNS a signed written notice of revocation, bearing a date later than the date of the consent, stating that the consent is revoked.

A written notice of revocation of proxy or notice of revocation of written consent may be delivered by fax, email or physical delivery (whether by hand delivery or overnight express) to CNS Response, Inc., 2755 Bristol Street, Suite 285, Costa Mesa, California 92626. Fax: (866) 294-2611 Email: gcarpenter@cnsresponse.com. You may also revoke your proxy by executing a written notice of revocation of proxy or notice of revocation of written consent and delivering the same to Mr. Brandt at 31878 Del Obispo Street, Suite 118-131, San Juan Capistrano, California 92675 or by fax to (949) 743-2785.

Who pays for the solicitation of proxies?

We will pay the cost of preparing this proxy statement as well as any other materials that may be distributed on behalf of our board. We may use the services of our directors, officers, employees and others to solicit proxies, personally or by mail, telephone, or facsimile. Appendix I to this proxy statement sets forth information about the directors and other individuals who, under rules promulgated by the Securities and Exchange Commission, are "participants" in our solicitation of proxies in connection with the special meeting. We also make arrangements with brokers, banks and other custodians, nominees, fiduciaries and stockholders of record to forward solicitation material to the beneficial owners of stock held of record by such persons. We may reimburse such individuals or firms for reasonable out-of-pocket expenses incurred by them in soliciting proxies, but we will not pay any compensation for their services.

May I access the proxy materials for the special meeting on the Internet?

Under recently implemented rules of the Securities and Exchange Commission, we are providing access to our proxy materials both by sending you this full set of proxy materials and by notifying you of the availability of our proxy materials on the Internet. This proxy statement is available at www.CNSResponse.com.

CNS Annual Stockholder Meeting

As we have previously announced, our plan is to hold the CNS annual meeting of stockholders on Tuesday, September 29, 2009, at 10:00 a.m. PDT at the Island Hotel in Newport Beach, California. The first annual meeting in the Company's history, it will be open to all shareholders of record as of August 27, 2009. At that meeting we plan to elect six directors –John Pappajohn, Tommy Thompson, George Carpenter, Henry Harbin, David Jones and Jerry Vaccaro. When we have filed definitive proxy materials for that annual meeting with the Securities and Exchange Commission, we will deliver to you further information about the meeting, together with a proxy card.

Our board of directors believes that it is in the best interests of CNS and its stockholders to elect our nominees at our annual meeting to be held on September 29, 2009 and reject Mr. Brandt's attempts to seize control. If you wish to elect our nominees or simply to resist Mr. Brandt's plans for the Company, you should not return any proxy card or any written consent form to Mr. Brandt -- *especially* if your intent is to vote against his nominees or proposal.

It is extremely important that you not vote in connection with Mr. Brandt's purported meeting. If you already have returned a proxy card to Mr. Brandt, it is extremely important that you revoke that proxy, whether you voted for or against Mr. Brandt's nominees, or abstained.

WE ARE RECOMMENDING THAT YOU NOT VOTE AT ALL AT THIS PURPORTED MEETING AND THAT YOU VOTE ONLY AT THE ANNUAL MEETING OF STOCKHOLDERS WE HAVE CALLED AND CURRENTLY INTEND TO HOLD ON SEPTEMBER 29, 2009. WE ARE NOT SOLICITING YOUR VOTE YET FOR THAT ANNUAL MEETING – WE WILL ONLY DO SO AFTER WE HAVE FILED DEFINITIVE PROXY MATERIALS WITH THE SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO THAT MEETING.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND COMMITTEES AND COMPANY MANAGEMENT

DIRECTOR NOMINEES

The following table sets forth the name, age and position of each of our directors that are nominees for election at our annual stockholder meeting to be held on September 29, 2009 and the current positions that they hold with us. The information in the table below is as of August 31, 2009:

Name	Age	Position Held
George Carpenter	51	Chairman, Chief Executive Officer and Secretary
Dr. Henry T. Harbin	62	Director
David B. Jones	65	Director
John Pappajohn	81	Director
Tommy Thompson	66	Director
Jerome Vaccaro, M.D.	53	Director

George Carpenter, Chairman of the Board, Chief Executive Officer, Secretary

George Carpenter has served as our Chief Executive Officer since April 10, 2009 and prior to that date served as our President since October 1, 2007. Prior to joining us, Mr. Carpenter was the President & CEO of WorkWell Systems, Inc., a national physical medicine firm that manages occupational health programs for Fortune 500 employers. Prior to his position at WorkWell Systems, Mr. Carpenter founded and served as Chairman and CEO of Core, Inc., a company focused on integrated disability management and work-force analytics. Core was acquired in 2001 by Assurant, Inc. From 1984 to 1990, Mr. Carpenter was a Vice President of Operations with Baxter Healthcare, served as a Director of Business Development and as a strategic partner for Baxter's alternate site businesses. Mr. Carpenter began his career at Inland Steel where he served as a Senior Systems Consultant in manufacturing process control. Mr. Carpenter holds an MBA in Finance from the University of Chicago and a BA with Distinction in International Policy & Law from Dartmouth College.

Henry T. Harbin, M.D., Director

Henry Harbin, M.D. joined our Board of directors on October 17, 2007. Dr. Harbin is a Psychiatrist with over 30 years of experience in the behavioral health field. He has held a number of senior positions in both public and private health care organizations. He worked for 10 years in the public mental health system in Maryland serving as Director of the state mental health authority for three of those years. He has been CEO of two national behavioral healthcare companies - Greenspring Health Services and Magellan Health Services. At the time he was CEO of Magellan, it was the largest managed behavioral healthcare company managing the mental health and substance abuse benefits of approximately 70 million Americans including persons who were insured by private employers, Medicaid and Medicare. In 2002 and 2003, he served on the President's New Freedom Commission on Mental Health. As a part of the Commission he was chair of the subcommittee for the Interface between Mental Health and General Medicine. In 2005, he served as co-chair of the National Business Group on Health's work group that produced the Employer's Guide to Behavioral Health Services in December 2005. Since 2004, Dr. Harbin has been providing health care consulting services to a number of private and public organizations.

David B. Jones, Director

David B. Jones has been a director of CNS California since August 2006, and became a director of the company upon completion of our merger with CNS California on March 7, 2007. Mr. Jones currently serves as a partner of Sail Venture Partners, L.P., a position which he has held since 2003. From 1998 to 2004, Mr. Jones served as Chairman and Chief Executive Officer of Dartron, Inc., a computer accessories manufacturer. From 1985 to 1997, Mr. Jones was a general partner of InterVen Partners, a venture capital firm with offices in Southern California and Portland, Oregon. From 1979 to 1985, Mr. Jones was President and Chief Executive Officer of First Interstate Capital, Inc., the venture capital affiliate of First Interstate Bancorp. Mr. Jones is a graduate of Dartmouth College and holds Masters of Business Administration and law degrees from the University of Southern California.

John Pappajohn, Director

John Pappajohn joined the CNS board of directors on August 26, 2009. Since 1969, Mr. Pappajohn has been the President and sole owner of Pappajohn Capital Resources, a venture capital firm, and President and sole owner of Equity Dynamics, Inc., a financial consulting firm, both located in Des Moines, Iowa. He serves as a director on the boards of the following public companies: American CareSource Inc., Dallas, TX since 1994; since 1996; PharmAthene, Inc., Annapolis, MD., since 2007; Spectrascience, Inc., San Diego, CA, since 2007; CareGuide, Inc., Florida, (formerly Patient Infosystems, Inc.), since 1996; and ConMed Healthcare Management, Inc., Hanover, MD since 2005.

Tommy Thompson, Director

Tommy G. Thompson joined the CNS board of directors on August 26, 2009. Mr. Thompson is the former Health and Human Services Secretary and four-term Governor of Wisconsin is a partner at the law firm of Akin Gump Strauss Hauer & Feld. He serves on the boards of CR Bard and Centene Corporation, both which are public companies, and is Chairman of AGA Medical Corporation, a privately-held company. Thompson served as HHS Secretary from 2001 to 2005 and is one of the nation's leading advocates for the health and welfare of all Americans. He is the 19th individual to serve as Secretary of the department, which employs more than 60,000 personnel and has a fiscal year 2005 budget of $584 billion. Thompson has dedicated his professional life to public service and served as Governor of Wisconsin from 1987 to 2001. Thompson was re-elected to office for a third term in 1994 and a fourth term in 1998. At HHS, Thompson led the Administration’s efforts to pass and implement a new Medicare law that is for the first time providing a drug benefit to America’s seniors. As governor, Thompson created the nation's first parental school choice program in 1990, allowing low-income Milwaukee families to send children to the private or public school of their choice. He created Wisconsin's Council on Model Academic Standards, which implemented high academic standards for English language arts, math, science and social studies. Thompson began his career in public service in 1966 as a representative in Wisconsin's state Assembly. He was elected assistant Assembly minority leader in 1973 and Assembly minority leader in 1981. Thompson has received numerous awards for his public service, including the Anti-Defamation League's Distinguished Public Service Award. In 1997, Thompson received Governing Magazine's Public Official of the Year Award, and the Horatio Alger Award in 1998. Thompson served as chairman of the National Governors' Association, the Education Commission of the States and the Midwestern Governors' Conference. Thompson also served in the Wisconsin National Guard and the Army Reserve.

Jerome Vaccaro, M.D., Director

Jerome Vaccaro, M.D., joined the Board of directors of CNS California in 2006 and became a director of the company upon completion of our merger with CNS California on March 7, 2007. Dr. Vaccaro is President and Chief Operating Officer of APS Healthcare, Inc, (APS) a privately held specialty healthcare company. Prior to his appointment as president of APS, Mr. Vaccaro served as Senior Vice President with United Health Group’s Specialized Care Services. He has served in a number of health care executive roles, most recently as Chief Executive Officer of United Behavioral Health, and before that as President and Chief Executive Officer of PacifiCare Behavioral Health (“PBH”). Dr. Vaccaro has also served as Medical Director of PBH (1996-2001), Chief Executive Officer of PacifiCare Dental and Vision (2002-2004), and Senior Vice President for the PacifiCare Specialty Health Division (2002-2004). Dr. Vaccaro has an extensive background in community mental health and public sector work, including editing the textbook, “Practicing Psychiatry in the Community,” which is hailed as the definitive community psychiatry text. Dr. Vaccaro completed medical school and a Psychiatry Residency at the Albert Einstein College of Medicine in New York City. After his training, Dr. Vaccaro served on the full-time faculty of the University of Hawaii (1985-1989) and UCLA (1989-1996) Departments of Psychiatry.

OTHER EXECUTIVE OFFICERS

Daniel Hoffman, Chief Medical Officer and President

Dr. Hoffman, 61, became our President on April 10, 2009 and our Chief Medical Officer on January 15, 2008 upon our acquisition of Neuro-Therapy Clinic, P.C, which at the time of the acquisition was our largest customer. Dr. Hoffman is a Neuropsychiatrist with over 25 years experience treating general psychiatric conditions such as depression, bipolar disorder and anxiety. He provides the newest advances in diagnosing and treating attentional and learning problems in children and adults. Dr. Hoffman has authored over 40 professional articles, textbook chapters, poster presentations and letters to the editors on various aspects of neuropsychiatry, Quantitative EEG, LORETA, Referenced EEG, advances in medication management, national position papers and standards, Mild Traumatic Brain Injury, neurocognitive effects of Silicone Toxicity, sexual dysfunction and other various topics. Dr. Hoffman has given over 58 major presentations and seminars, including Grand Rounds at Universities and Hospitals, workshops and presentations at national society meeting (such as American Psychiatric Association and American Neuropsychiatric Association, national CME conferences, insurance companies, national professional associations, panel member discussant, and presenter of poster sessions. Dr Hoffman has a Bachelor of Science in Psychology from the University of Michigan, an MD from Wayne State University School of Medicine and conducted his Residency in Psychiatry at the University of Colorado Health Sciences Center. During the past five years, Dr. Hoffman has served as the President and CEO of Neuro-Therapy Clinic, P.C., a wholly-owned subsidiary of the company that is focused on discovering ways to integrate technology into the creation of better business practices.

BOARD COMPOSITION AND COMMITTEES AND DIRECTOR INDEPENDENCE

Our board of directors currently consists of seven members: George Carpenter, Henry Harbin, David Jones, John Pappajohn, Tommy Thompson, Jerome Vaccaro and Leonard Brandt. Messrs. Pappajohn and Thompson just recently joined our board of directors on August 26, 2009; they were not members of the board during our last fiscal year, which ended on September 30, 2008.

Currently, we do not have any committees, including an audit committee, compensation committee, or nominating and corporate governance committee and the functions customarily delegated to these committees are performed by our full board of directors. In addition, we do not have any charters that relate to the functions traditionally performed by these committees. We are not a "listed company" under SEC rules and are therefore not required to have separate committees comprised of independent directors. We have, however, determined that David Jones, Jerome Vaccaro, David Jones, John Pappajohn and Tommy Thompson are "independent" as that term is defined in Section 5600 of the Nasdaq Listing Rules as required by the NASDAQ Stock Market. In addition, although our full board of directors functions as our audit committee, we have determined that Jerome Vaccaro, David Jones, John Pappajohn and Tommy Thompson are "independent" for purposes of Rule 5605-4 of the Nasdaq Listing Rules as required by the NASDAQ Stock Market.

We have also determined that David Jones qualifies as an "audit committee financial expert" within the meaning of the rules and regulations of the SEC and that each of our other board members are able to read and understand fundamental financial statements and have substantial business experience that results in that member's financial sophistication. Accordingly, our board of directors believes that each of its members has sufficient knowledge and experience necessary to fulfill the duties and obligations that an audit committee would have.

FURTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS

Meetings and Committees. The Board of directors held six meetings during its fiscal year ended September 30, 2008. All directors then serving, with the exception of Mr. Vaccaro, attended 75% or more of all of the meetings of the Board of directors during such fiscal year. The Company has not established a specific policy with respect to members of the board of directors attending annual stockholder meetings.

With respect to our 2009 Annual Meeting of Stockholders, the board of directors appointed a committee consisting of George Carpenter, Henry Harbin and David Jones to review the director nominees and make recommendations to the full board of directors regarding those candidates who will be the nominees for election or re-election to our board of directors. This committee determined to recommend George Carpenter, Henry Harbin, David Jones, John Pappajohn, Tommy Thompson and Jerome Vaccaro as the nominees. The committee determined not to recommend Leonard Brandt. The nominees were subsequently approved by the board of directors. The methods used by the committee and the board of directors for identifying candidates for election as directors (other than those proposed by our stockholders, as discussed below) include the solicitation of ideas for possible candidates from a number of sources—members of the board of directors; our senior management; individuals personally known to the members of the board of directors; and other research. We may also from time to time retain one or more third-party search firms to identify suitable candidates. The board also considers outside candidates for possible nomination for election.

A CNS stockholder may nominate one or more persons for election as a director at an annual meeting of stockholders if the stockholder complies with the requisite provisions contained in our Bylaws. In addition, the notice must be made in writing and set forth as to each proposed nominee who is not an incumbent Director (i) their name, age, business address and, if known, residence address, (ii) their principal occupation or employment, (iii) the number of shares of stock of the Company beneficially owned and (iv) any other information concerning the nominee that must be disclosed respecting nominees in proxy solicitations pursuant to Rule 14(a) of the Exchange Act of 1934. The recommendation should be addressed to our Secretary.

Among other matters, our full board of directors which serves as the nominating and governance committee:

- Reviews the desired experience, mix of skills and other qualities to assure appropriate Board composition, taking into account the current Board members and the specific needs of CNS Response and the Board;

- Conducts candidate searches, interviews prospective candidates and conducts programs to introduce candidates to our management and operations, and confirms the appropriate level of interest of such candidates;

- Recommends qualified candidates who bring the background, knowledge, experience, independence, skill sets and expertise that would strengthen and increase the diversity of the Board; and

- Conducts appropriate inquiries into the background and qualifications of potential nominees.

Compensation of Directors and Officers. Our full board of directors determines the compensation to be paid to our officers and directors, with recommendations from management as to the amount and/or form of such compensation. While our board may in the future utilize the services of consultants in determining or recommending the amount or form of executive and director compensation, we do not at this time employ consultants for this purpose.

Stockholder Communications. Stockholder may send communications to the board of directors via email to board@cnsresponse.com or by telephoning the Secretary at the Company's principal executive offices, who will then relay the communications to the board of directors.

Code of Ethics. Our board of directors has adopted a Code of Ethical Conduct (the "Code of Conduct") which constitutes a "code of ethics" as defined by applicable SEC rules and a "code of conduct" as defined by applicable NASDAQ rules. We require all employees, directors and officers, including our principal executive officer, principal financial officer and principal accounting officer to adhere to the Code of Conduct in addressing legal and ethical issues encountered in conducting their work. The Code of Conduct requires that these individuals avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in our best interest. The Code of Conduct contains additional provisions that apply specifically to our principal financial officer and other financial officers with respect to full and accurate reporting. The Code of Conduct is available on our website at www.cnsresponse.com and is also filed as an exhibit to our Annual Report on Form 10-K/A.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

As we do not have a designated compensation committee, our full board of directors oversees matters regarding executive compensation. The Board is responsible for, among other functions: (1) reviewing and approving corporate goals and objectives relevant to the compensation of our executive officers and evaluating the performance of such executive officers in light of these corporate goals and objectives; (2) administering our 2006 Stock Incentive Plan and other equity incentive plans that we may adopt from time to time; and (3) negotiating, reviewing and setting the annual salary, bonus, stock options and other benefits, direct and indirect, of the Chief Executive Officer, and other current and former executive officers. The Board also has the authority to select and/or retain outside counsel, compensation and benefits consultants, or any other consultants to provide independent advice and assistance in connection with the execution of its responsibilities. Our "named executive officers" for our fiscal year ending September 30, 2008 were as follows:

- George Carpenter, President;
- Horace Hertz, Chief Financial Officer (resigned as of August 31, 2008);
- Brad Luce, Principal Financial Officer (resigned as of December 19, 2008);
- Daniel Hoffman, Chief Medical Officer; and
- Leonard Brandt, Chief Executive Officer

Compensation Philosophy

Because we are a small company with a total of 15 full-time and 4part-time employees, we do not have a formal comprehensive executive compensation policy. As we expand our operations, we intend to establish such policies to further our corporate objectives. Generally, we compensate our executive officers with a compensation package that is designed to drive company performance to maximize shareholder value while meeting our needs and the needs of our executives. The following are objectives we consider:

- Alignment - to align the interests of executives and shareholders through equity-based compensation awards;
- Retention - to attract, retain and motivate highly qualified, high performing executives to lead our growth and success; and
- Performance - to provide, when appropriate, compensation that is dependent upon the executive's achievements and the company's performance.

In order to achieve the above objectives, our executive compensation philosophy is guided by the following principles:

- Rewards under incentive plans are based upon our short-term and longer-term financial results and increasing shareholder value;
- Executive pay is set at sufficiently competitive levels to attract, retain and motivate highly talented individuals who are necessary for us to strive to achieve our goals, objectives and overall financial success;
- Compensation of an executive is based on such individual's role, responsibilities, performance and experience, taking into account the desired pay relationships within the executive team; and
- Annual performance of our company and the executive are taken into account in determining annual bonuses with the goal of fostering a pay-for-performance culture.

Compensation Elements

We compensate our executives through a variety of components, which may include a base salary, annual performance based incentive bonuses, equity incentives, and benefits and perquisites, in order to provide our executives with a competitive overall compensation package. The mix and value of these components are impacted by a variety of factors, such as responsibility level, individual negotiations and performance and market practice. The purpose and key characteristics for each component are described below.

Base Salary

Base salary provides executives with a steady income stream and is based upon the executive's level of responsibility, experience, individual performance and contributions to our overall success, as well as negotiations between the company and such executive officer. Competitive base salaries, in conjunction with other pay components, enable us to attract and retain talented executives. The Board typically sets base salaries for our executives at levels that it deems to be competitive, with input from our Chief Executive Officer.

Annual Incentive Bonuses

Annual incentive bonuses are a variable performance-based component of compensation. The primary objective of an annual incentive bonus is to reward executives for achieving corporate and individual goals and to align a portion of total pay opportunities for executives to the attainment of our company's performance goals. Annual incentive awards, when provided, act as a means to recognize the contribution of our executive officers to our overall financial, operational and strategic success.

Equity Incentives

Equity incentives are intended to align executive and shareholder interests by linking a portion of executive pay to long-term shareholder value creation and financial success over a multi-year period. Equity incentives may also be provided to our executives to attract and enhance the retention of executives and to facilitate stock ownership by our executives. The Board considers individual and company performance when determining long-term incentive opportunities.

Health & Welfare Benefits

The executive officers participate in health and welfare, and paid time-off benefits which we believe are competitive in the marketplace. Health and welfare and paid time-off benefits help ensure that we have a productive and focused workforce.

Severance and Change of Control Arrangements

We do not have a formal plan for severance or separation pay for our employees, but we typically include a severance provision in the employment agreements of our executive officers that have written employment agreements with us. Generally, such provisions are triggered in the event of involuntary termination of the executive without cause or in the event of a change in control. Please see the description of our employment agreements with each of George Carpenter and Daniel Hoffman below for further information.

Other Benefits

In order to attract and retain highly qualified executives, we may provide our executive officers with automobile allowances, consistent with current market practices.

Accounting and Tax Considerations

We consider the accounting implications of all aspects of our executive compensation strategy and, so long as doing so does not conflict with our general performance objectives described above, we strive to achieve the most favorable accounting (and tax) treatment possible to the company and our executive officers.

Process for Setting Executive Compensation; Factors Considered

When making pay determinations for named executive officers, the Board considers a variety of factors including, among others: (1) actual company performance as compared to pre-established goals, (2) individual executive performance and expected contribution to our future success, (3) changes in economic conditions and the external marketplace, (4) prior year's bonuses and long-term incentive awards, and (5) in the case of executive officers, other than Chief Executive Officer, the recommendation of our Chief Executive Officer. No specific weighing is assigned to these factors nor are particular targets set for any particular factor. Ultimately, the Board uses its judgment and discretion when determining how much to pay our executive officers and sets the pay for such executives by element (including cash versus non-cash compensation) and in the aggregate, at levels that it believes are competitive and necessary to attract and retain talented executives capable of achieving the Company's long-term objectives.

Summary Compensation Table

The following table provides disclosure concerning all compensation paid for services to us in all capacities for our fiscal years ending September 30, 2008, 2007 and 2006 (i) as to each person serving as our principal executive officer ("PEO") or acting in a similar capacity during our fiscal year ended September 30, 2008, (ii) as to each person serving as our principal financial officer ("PFO") or acting in a similar capacity during our fiscal year ended September 30, 2008, and (iii) as to our two most highly compensated executive officers other than our PEO and PFO who were serving as executive officers at the end of our fiscal year ended September 30, 2008, whose compensation exceeded $100,000. The people listed in the table below are referred to as our "named executive officers".

Subsequent to our fiscal year ended September 30, 2008, on April 10, 2009, our board of directors elected George Carpenter, at the time our President, to the position of Chief Executive Officer and elected Daniel Hoffman, MD, to the position of President in addition to his previous role as Chief Medical Officer of the company. On the same date, our Board removed Mr. Brandt from his position as our Chief Executive Officer.

Name and Principal Position	Fiscal Year Ended September 30,	Salary ($)	Bonus ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Leonard Brandt (Chief Executive Officer, Principal Executive Officer, Director)(1)	2008	175,000	0	0	19,000(9)	194,000
	2007	175,000	0	1,025,600(4)	18,000	1,218,600
	2006	175,000	10,000	196,500(5)	59,700	441,200
Daniel Hoffman (Chief Medical Officer)	2008	108,100	0	0	39,200(10)	147,300
Horace Hertz (former Chief Financial Officer, former Principal Financial Officer)(2)	2008	157,900	0	0	0	157,900
	2007	143,750	0	515,400(6)	0	659,150
Brad Luce (former Principal Financial Officer)(3)	2008	7,700	0	159,500(7)	0	167,200
George Carpenter (President)	2008	180,000	0	680,700(8)	16,300(9)	877,000

(1) For the fiscal years ended 2005 and 2006, Mr. Brandt agreed to forgo payment of his salary and allow CNS California to accrue such compensation. In August 2006, Mr. Brandt agreed to settle his claims for compensation through September 30, 2006 in the aggregate amount of $1,106,900 in exchange for the issuance of 298,437 shares of CNS California common stock, which were exchanged for 298,437 shares of our common stock upon the closing of our merger with CNS California on March 7, 2007.

(2) Mr. Hertz resigned on August 31, 2008.

(3) Mr. Luce resigned on December 19, 2008.

(4) The fair value of options was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: grant date fair value of $1.09; dividend yield of 0; risk free interest rate of 4.72%; expected volatility of 91% and an expected life of 5 years.

(5) Represents options to purchase 2,124,740 shares of our common stock for which the CNS California common stock underlying the originally issued options were exchanged upon the closing of our merger with CNS California. As of September 30, 2008, the options were fully vested and exercisable at $0.132 per share. The fair value of options was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: grant date fair value of $0.132; dividend yield of 0; risk free interest rate of 5.5%; expected volatility of 100% and an expected life of 5 years. Subsequent to our year ended September 30, 2008, Mr. Brandt exercised the aforementioned options.

(6) The fair value of options was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: grant date fair value of $1.09; dividend yield of 0; risk free interest rate of 4.72%; expected volatility of 91% and an expected life of 5 years. On August 31, 2008, upon the termination of his services to the company, options to purchase 352,757 shares of common stock held by Mr. Hertz were cancelled.

(7) The fair value of options was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: grant date fair value of $0.59; dividend yield of 0; risk free interest rate of 3.41%; expected volatility of 211% and an expected life of 5 years. On December 19, 2008, upon the termination of his services to the company, options to purchase 257,813 shares of common stock held by Mr. Luce were cancelled.

(8) The fair value of options was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: grant date fair value of $0.80; dividend yield of 0; risk free interest rate of 4.60%; expected volatility of 105.87% and an expected life of 5 years.

(9) Relates to healthcare insurance premiums paid on behalf of executive officers by the company.

(10) Relates to healthcare insurance premiums of $15,300 and automobile expenses of $8,900 paid on behalf of Dr. Hoffman by the company, as well as $15,000 in consulting fees paid to Dr. Hoffman for services rendered to the company prior to his employment.

Grant of Plan Based Awards in the Fiscal Year Ending September 30, 2008

The following table provides information about equity awards granted to each named executive officer that received awards in our fiscal year ending September 30, 2008 under our 2006 Stock Incentive Plan, which is the only plan pursuant to which awards were granted in such fiscal year.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards ($/share)	Grant Date Fair Value of Option Awards ($)(1)
George Carpenter	10/01/2007	533,694(2)	$0.89	375,000
	10/01/2007	435,181(3)	$0.89	305,800
Brad Luce	09/17/2008	275,000(4)	$0.51	159,500

(1) The grant date fair value is generally the amount the company would expense in its financial statements over the award's service period, but does not include a reduction for forfeitures.

(2) Options to purchase 112,359 shares of the company's common stock vested immediately on the date of grant. Options to purchase 112,356 shares of the company's common stock vest in equal monthly installments of 12,484 shares over 9 months commencing on April 30, 2008. Options to purchase 308,979 shares of the company's common stock vest in equal monthly installments of 9,363 shares over 33 months commencing on January 31, 2009.

(3) Options to purchase 8,750 shares of the company's common stock vested immediately on the date of grant. Options to purchase 69,300 shares of the company's common stock vest in equal monthly installments of 7,700 shares over 9 months commencing on April 30, 2008. Options to purchase 346,272 shares of the company's common stock vest in equal monthly installments of 10,821 shares over 32 months commencing on January 31, 2009. The remaining options to purchase 10,859 shares vest on September 30, 2011.

(4) The options were to vest in equal monthly installments of 5,729 shares over 47 months commencing on October 15, 2008, with the remaining options to purchase 5,737 shares of common stock vesting on November 15, 2012. On December 19, 2008, Mr. Luce resigned from the company, and all unvested options were cancelled.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

As we desired to retain our cash to fund our growth, we did not pay any bonuses to our executive officers during our fiscal years ended September 30, 2008 and 2007. The bonuses paid to our executive officers in fiscal year ended 2006 were determined by our board of directors, and were based on the performance of the executive officer and the company. As discussed, we do not have a formal plan for determining the compensation of our executive officers. Instead, each named executive officer negotiates the terms of their employment with us, taking into account our compensation philosophy outlined above. The following is a summary of each employment agreement that we have entered into with respect to our named executive officers, which summary includes, where applicable, a description of all payments the company is required to make to such named executive officers at, following or in connection with the resignation, retirement or other termination of such named executive officers, or a change in control of our company or a change in the responsibilities of such named executive officers following a change in control.

Employment Agreements

George Carpenter

On October 1, 2007, after our 2007 fiscal year end, we entered into an Employment Agreement (the "Employment Agreement") with George Carpenter pursuant to which Mr. Carpenter serves as our President. During the period of his employment, Mr. Carpenter will receive a base salary of no less than $180,000 per annum, which is subject to upward adjustment at the discretion of our board of directors. In addition, pursuant to the terms of the Employment Agreement, on October 1, 2007, Mr. Carpenter was granted an option to purchase 968,875 shares of our common stock at an exercise price of $0.89 per share pursuant to our 2006 Stock Incentive Plan, which vests pursuant to the terms earlier described. In the event of a change of control transaction, a portion of Mr. Carpenter's unvested options equal to the number of unvested options at the date of the corporate transaction times the ratio of the time elapsed between October 1, 2008 and the date of the corporate transaction over the vesting period (48 months) will automatically accelerate, and become fully vested. Mr. Carpenter will be entitled to four weeks vacation per annum, health and dental insurance coverage for himself and his dependents, and other fringe benefits that we may offer our employees from time to time.

Mr. Carpenter's employment is on an "at-will" basis, and Mr. Carpenter may terminate his employment with us for any reason or for no reason. Similarly, we may terminate Mr. Carpenter's employment with or without cause. If we terminate Mr. Carpenter's employment without cause or Mr. Carpenter involuntarily terminates his employment with us (an involuntary termination includes changes, without Mr. Carpenter's consent or pursuant to a corporate transaction, in Mr. Carpenter's title or responsibilities so that he is no longer serving in his current position), Mr. Carpenter shall be eligible to receive as severance his salary and benefits for a period equal to six months payable in one lump sum of $98,100 upon termination. If Mr. Carpenter is terminated by us for cause, or if Mr. Carpenter voluntarily terminates his employment, he will not be entitled to any severance.

Daniel Hoffman

On January 11, 2008, we entered into an Employment Agreement with Daniel Hoffman pursuant to which Dr. Hoffman began serving as our Chief Medical Officer effective January 15, 2008. During the period of his employment, Dr. Hoffman will receive a base salary of $150,000 per annum, which is subject to upward adjustment. Dr. Hoffman will also have the opportunity to receive bonus compensation, if and when approved by our board of directors. Dr. Hoffman's employment is on an "at-will" basis, and Dr. Hoffman may terminate his employment with us for any reason or for no reason. Similarly, we may terminate Dr. Hoffman's employment with or without cause. If we terminate Dr. Hoffman's employment without cause or Dr. Hoffman involuntarily terminates his employment with us (an involuntary termination includes changes, without Dr. Hoffman's consent or pursuant to a corporate transaction, in Dr. Hoffman's title or responsibilities so that he is no longer the Chief Medical Officer of the company), Dr. Hoffman will be eligible to receive as severance his salary and benefits for a period equal to six months payable in one lump sum of $92,000 upon termination. If Dr. Hoffman is terminated by us for cause, or if Dr. Hoffman voluntarily terminates his employment, he will not be entitled to any severance. Dr. Hoffman will be entitled to four weeks vacation per annum, health and dental insurance coverage for himself and his dependents, and other fringe benefits that we may offer our employees from time to time.

Prior to his employment, from October 1, 2007 to January 15, 2008 Dr. Hoffman earned $15,000 for consulting services rendered to the company. In addition, as compensation for his services to us as a consultant, Dr. Hoffman was granted options to purchase an aggregate of 814,062 shares of our common stock at an exercise price of $1.09 on August 7, 2007. In accordance with the terms of his employment agreement, the terms of Dr. Hoffman's option grant were amended to provide that in the event of a change of control transaction, a portion of Dr. Hoffman's unvested options equal to the number of unvested options at the date of the corporate transaction times the ratio of the time elapsed between August 7, 2007 and the date of corporate transaction over the vesting period (42 months), will automatically accelerate, and become fully vested.

The Company has no other employment agreements with its executive officers.

2006 Stock Incentive Plan

On August 3, 2006, CNS California adopted the CNS California 2006 Stock Incentive Plan (the "2006 Plan"). On March 7, 2007, in connection with the closing of the merger transaction with CNS California, we assumed the CNS California stock option plan and all of the options granted under the plan at the same price and terms. The following is a summary of the 2006 Plan, which we use to provide equity compensation to employees, directors and consultants to the company.

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 nonstatutory stock options (NSO)), stock appreciation rights and stock unit grants to eligible employees, directors and consultants and is administered by the board of directors. A total of 10 million shares of stock are reserved for issuance under the 2006 Plan. As of September 30, 2008, there were 8,964,567 options and 183,937 restricted shares outstanding under the 2006 Plan and 851,496 shares available for issuance of awards. The 2006 Plan provides that in any calendar year, no eligible employee or director shall be granted an award to purchase more than 3 million shares of stock. The option price for each share of stock subject to an option shall be (i) no less than the fair market value of a share of stock on the date the option is granted, if the option is an ISO, or (ii) no less than 85% of the fair market value of the stock on the date the option is granted, if the option is a NSO; provided, however, if the option is an ISO granted to an eligible employee who is a 10% shareholder, the option price for each share of stock subject to such ISO shall be no less than 110% of the fair market value of a share of stock on the date such ISO is granted. Stock options have a maximum term of ten years from the date of grant, except for ISOs granted to an eligible employee who is a 10% shareholder, in which case the maximum term is five years from the date of grant. ISOs may be granted only to eligible employees.

Outstanding Equity Awards at Fiscal Year-End 2008

The following table presents information regarding outstanding options held by our named executive officers as of the end of our fiscal year ended September 30, 2008. None of the named executive officers exercised options during the fiscal year ended September 30, 2008.

Name	Number of Securities Underlying Unexercised Options (#)		Option Exercise Price ($)	Option Expiration Date
	Exercisable	Unexercisable		
Leonard Brandt [(1)]	2,124,740	0	0.132	August 11, 2011
	145,953	187,658	1.20	August 8, 2012
	586,274	382,615	1.09	August 8, 2017
George Carpenter [(2)]	242,213	726,662	0.89	October 1, 2017
Daniel Hoffman [(3)]	305,276	419,786	1.09	August 8, 2017
	119,013	0	0.12	August 11, 2016
Horace Hertz [(4)]	298,492	0	1.09	August 8, 2017
Brad Luce [(5)]	17,187	0	0.51	September 17, 2018

(1) On August 8, 2007, Mr. Brandt was granted options to purchase 1,302,500 shares of our common stock. The options are exercisable at $1.20 per share as to 333,611 shares and $1.09 per share as to 968,889 shares. The options to purchase 333,611 shares vest as follows: options to purchase 83,403 shares vested on August 8, 2007, the date of grant; options to purchase 243,250 shares vest in equal monthly amounts of 6,950 shares over 35 months commencing on January 31, 2008; the remaining options to purchase 6,958 shares vest on December 31, 2010. The options to purchase 968,889 shares vest as follows: options to purchase 269,357 shares vested on August 8, 2007, the date of grant; options to purchase 135,675 shares vest in equal monthly amounts of 27,135 shares over 5 months beginning on August 31 2007; options to purchase 543,726 shares vest in equal monthly amounts of 20,138 shares over 27 months beginning on January 31, 2008; the remaining options to purchase 20,131 shares vest on April 30, 2010. Subsequent to our year ended September 30, 2008, Mr. Brandt exercised his options to purchase 2,124,740 shares of the company’s common stock at an exercise price of $0.132 per share.

(2) The vesting terms of Mr. Carpenter's options are described above.

(3) On August 8, 2007, Dr. Hoffman was granted options to purchase 814,062 shares of our common stock. The options are exercisable at $1.09 per share and vest as follows: options to purchase 203,516 shares vested on March 8, 2008; options to purchase 593,600 shares vest in equal monthly installments of 16,960 shares over 35 months commencing on April 30, 2008; the remaining options to purchase 16,946 shares vest on March 31, 2011. In accordance with the terms of his employment agreement, the terms of Dr. Hoffman's option grant were amended to provide that in the event of a change of control transaction, a portion of Dr. Hoffman's unvested options equal to the number of unvested options at the date of the corporate transaction times the ratio of the time elapsed between August 7, 2007 and the date of corporate transaction over the vesting period (42 months), will automatically accelerate, and become fully vested.

On August 11, 2006, Dr. Hoffman was granted an option to purchase 119,013 shares of common stock, which are now fully exercisable at an exercise price of $0.12 per share.

(4) On August 8, 2007, Mr. Hertz was granted options to purchase 651,249 shares of our common stock. The options are exercisable at $1.09 per share and vest as follows: options to purchase 162,812 vested on October 15, 2007; options to purchase 474,880 shares vest in equal monthly amounts of 13,568 over 35 months beginning November 30, 2007; the remaining options to purchase 13,557 vest on October 15, 2010. On August 31, 2008, Mr. Hertz resigned from the company, and his unvested options to purchase 352,757 shares of the company's common stock were forfeited.

(5) Consists of options to purchase shares of common stock which vested prior to Mr. Luce's resignation on December 19, 2008.

Director Compensation

During our fiscal year ended September 30, 2008, except as described below, our non-employee directors did not receive compensation for their services on our board. We do not pay management directors for board service in addition to their regular employee compensation. The full board of directors has the primary responsibility for reviewing and considering any revisions to director compensation, but may receive suggestions on this matter from our Chief Executive Officer. Going forward, we intend to compensate our non-employee directors for their service on our Board with a combination of cash payments and option grants.

Non-Employee Director Compensation

Name	Fiscal Year Ended September 30,	Option Awards ($)	All Other Compensation ($)	Total ($)
Jerome Vaccaro	2008	0	0	0
Henry Harbin	2008	13,200(1)	68,960(2)	82,160
David Jones	2008	0	0	0

(1) As compensation for his services as a director, on December 19, 2007, we granted Mr. Harbin options to purchase 20,000 shares of our common stock at an exercise price of $0.80 per share under our 2006 Stock Incentive Plan. The options expire on December 19, 2017. The options vest in equal installments of 5,000 shares on each of June 19, 2008, December 19, 2008, June 19, 2009, and December 19, 2009. The fair value of options was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: grant date fair value of $0.80; dividend yield of 0; risk free interest rate of 4.0%; expected volatility of 115% and an expected life of 5 years.

(2) On April 15, 2008, we entered into a consulting agreement with Mr. Harbin which expired on December 31, 2008. Pursuant to the agreement, we paid Mr. Harbin a consulting fee of $24,000 in cash and granted Mr. Harbin options to purchase 56,000 shares of our common stock at an exercise price of $0.96 per share under our 2006 Stock Incentive Plan. The options expire on April 15, 2018. Option to purchase 14,000 shares vested on the grant date, options to purchase 37,328 shares vested in eight equal monthly installments of 4,666 options commencing on April 30, 2008, and the remaining options to purchase 4,672 shares vested on December 31, 2008. The fair value of options was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: grant date fair value of $0.96; dividend yield of 0; risk free interest rate of 3.78%; expected volatility of 172% and an expected life of 5 years.

Most recently, on March 17, 2009, we entered into a consulting agreement with Mr. Harbin which expires on December 31, 2009 pursuant to which Dr. Harbin will be paid an aggregate of $24,000 as compensation for his consulting services. In addition, as further compensation, we granted Mr. Harbin options to purchase 56,000 shares of our common stock at an exercise price of $0.40 per share, with the option vesting in equal monthly installments over a twelve month period commencing on January 1, 2009.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth certain information regarding our equity compensation plans as of September 30, 2008.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (c)
Equity compensation plans approved by security holders	8,964,567	$0.60	851,496
Equity compensation plans not approved by security holders	0	$0	0
Total	8,964,567	$0.60	851,496

TRANSACTIONS WITH RELATED PERSONS, PROMOTERS OR CERTAIN CONTROL PERSONS

Except as follows, since September 30, 2006, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we are or will be a party:

- in which the amount involved exceeds the lesser of $120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years; *and*
- in which any director, executive officer, other stockholders of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

Transactions with Leonard Brandt

From August 2000 through February 2003, Leonard J. Brandt, a current director of the corporation and our former Chief Executive Officer, together with Meyerlen, LLC, a company in which Mr. Brandt owned a controlling interest, loaned CNS California a total of approximately $718,900 and purchased warrants to purchase approximately 945,750 shares of CNS California common stock, pursuant to the terms of certain Note and Warrant Purchase Agreements. In October 2006, Mr. Brandt agreed to cancel the promissory notes and convert the loans, including all outstanding principal and accrued interest thereon, into 1,218,741 shares of CNS California's Series A-1 Preferred Stock and 255,306 shares of CNS California's Series A-2 Preferred Stock. At the closing of the merger transaction on March 7, 2007 pursuant to which CNS California became a wholly owned subsidiary of ours, the 1,218,741 shares of CNS California's Series A-1 Preferred Stock and 255,306 shares of CNS California's Series A-2 Preferred Stock converted into an aggregate of 1,474,047 shares of our common stock.

In addition, please see the discussion below under the heading "*Transaction with Sail Venture Partners LP (formerly known as Odyssey Venture Partner II, L.P.)*" for a summary of a bridge financing transaction which closed on March 30, 2009, in which Mr. Brandt participated.

Transaction with Sail Venture Partners LP (formerly known as Odyssey Venture Partner II, L.P.)

In May 2005, April 2006 and July 2006, Odyssey Venture Partners II, L.P. of which David Jones is an affiliate, loaned CNS California an aggregate of approximately $999,400 and purchased warrants to purchase approximately 523,305 shares of CNS California common stock, pursuant to the terms of certain Note and Warrant Purchase Agreements. In October 2006 Odyssey Venture Partners II, L.P. agreed to cancel the promissory notes and convert the loans, including all outstanding principal and accrued interest thereon, into 1,693,899 shares of CNS California's Series A-1 Preferred Stock and 52,907 shares of CNS California's Series A-2 Preferred Stock. At the closing of the merger transaction on March 7, 2007 pursuant to which CNS California became a wholly owned subsidiary of ours, the 1,693,899 shares of CNS California's Series A-1 Preferred Stock and 255,306 shares of CNS California's Series A-2 Preferred Stock converted into an aggregate of 1,949,205 shares of our common stock.

In October 2006, Odyssey Venture Partner II, L.P. invested $800,000 in CNS California's mezzanine financing and received 792,080 shares of CNS California's Series B Preferred Stock and warrants to purchase 475,248 shares of CNS California's common stock. David B. Jones is one of the two board members that were designated by the holders of CNS California's Series B Preferred Stock pursuant to a Voting Agreement entered into in connection with the mezzanine financing and note conversion transaction. At the closing of the merger transaction on March 7, 2007 pursuant to which CNS California became a wholly owned subsidiary of ours, David B. Jones was appointed as a director of the company.

On March 7, 2007, Odyssey Venture Partners II, L.P. invested an aggregate of $447,000 in the first closing of our private placement transaction in which we sold 5,840,374 "Investment Units" at $1.20 per Investment Unit to institutional investors and other high net worth individuals, and received gross proceeds of approximately $7.0 million. Each Investment Unit consists of one share of our common stock, and a five year non-callable warrant to purchase three-tenths of one share of our common stock, at an exercise price of $1.80 per share. In exchange for its investment, Odyssey Venture Partners II, L.P. was issued 372,500 shares of our common stock and a warrant to purchase 111,750 shares of our common stock at an exercise price of $1.80 per share.

On March 30, 2009, we executed two senior secured convertible promissory notes each in the principal amount of $250,000 with SAIL Venture Partners, LP ("SAIL") and Brandt Ventures, GP ("Brandt"). David Jones, a member of our board of directors, is one of four managing members of Sail Venture Partners, LLC, which is the general partner of SAIL. Leonard Brandt, also a member of our board of directors and our former Chief Executive Officer, is the general partner of Brandt.

These notes accrue interest at the rate of 8% per annum and are due and payable upon a declaration by the note holder(s) requesting repayment, unless sooner converted into shares of our common stock (as described below), upon the earlier to occur of: (i) June 30, 2009 or (ii) an Event of Default (as defined in the notes), which includes the default that occurred as a result of Mr. Brandt no longer serving as our Chief Executive Officer effective as of April 10, 2009. The notes are secured by a lien on substantially all of our assets (including all intellectual property). In the event of a liquidation, dissolution or winding up of the company, unless Brandt and/or Sail informs us otherwise, we shall pay such investor an amount equal to the product of 250% multiplied by the principal and all accrued but unpaid interest outstanding on the note.

In concert with an equity financing transaction of at least $1,500,000 (excluding any and all other debt that is converted), the principal and all accrued, but unpaid interest outstanding under the notes shall be automatically converted into the securities issued in the equity financing by dividing such amount by 90% of the per share price paid by the investors in such financing.

On May 14, 2009, we entered into a Bridge Note and Warrant Purchase Agreement with SAIL.

Pursuant to the Purchase Agreement, on May 14, 2009, SAIL purchased a Secured Promissory Note in the principal amount of $200,000 from us. In order to induce SAIL to purchase the note, we issued to SAIL a warrant to purchase up to 100,000 shares of our common stock at a purchase price equal to $0.25 per share. The warrant expires on the earlier to occur of May 31, 2016 or a change of control of the company.

The Purchase Agreement also provides that, at any time on or after June 30, 2009, and provided that certain conditions are satisfied by us, SAIL will purchase from us a second Secured Convertible Promissory Note in the principal sum of $200,000 and will be issued a second warrant identical in terms to the warrant described above. The aforementioned conditions include our entry into a term sheet in which investors commit to participate in an equity financing by us of not less than $2,000,000 (excluding any and all other debt that are to be converted).

The notes issued or issuable pursuant to the Purchase Agreement accrue interest at the rate of 8% per annum and are due and payable, unless sooner converted into shares of our common stock (as described below), upon the earlier to occur of: (i) a declaration by SAIL on or after June 30, 2009 or (ii) an Event of Default as defined in the notes. The note(s) are secured by a lien on substantially all of our assets (including all intellectual property). In the event of a liquidation, dissolution or winding up of the company, unless SAIL informs us otherwise, we shall pay SAIL an amount equal to the product of 250% multiplied by the principal and all accrued but unpaid interest outstanding on the note(s).

In the event we consummates an equity financing transaction of at least $1,500,000 (excluding any and all other debt that is converted), then the principal and all accrued, but unpaid interest outstanding under the note(s) shall be automatically converted into the securities issued in the equity financing by dividing such amount by 85% of the per share price paid by the investors in such financing.

In addition, in the event we issue preferred stock that is not part of an equity financing described above, SAIL may, at its option, convert the principal and all accrued, but unpaid interest outstanding under the note(s) into preferred stock by dividing such amount by 85% of the per share price paid by the purchasers' of our preferred stock.

On August 26, 2009, the Company completed an equity financing transaction of approximately $2 million. As a result of the financing, each of the notes described above that were held by SAIL and Brandt automatically converted into common stock, with SAIL receiving 1,758,356 shares and Brandt receiving 956,164 shares. In addition, pursuant to the terms of the notes, SAIL was issued a non-callable five year warrant to purchase 879,178 shares of common stock at an exercise price of $0.30 per share and Brandt was issued a non-callable five year warrant to purchase 478,082 shares of common stock at an exercise price of $0.30 per share.

In connection with the equity financing referred to above, on August 26, 2009, SAIL purchased 6 Units for $324,000. Each Unit consists of 180,000 shares of common stock and a five year non-callable warrant to purchase an additional 90,000 shares of common stock at an exercise price of $0.30 per share. The shares of common stock and warrants comprising the Units are immediately separable and were issued separately.

Transaction with Henry Harbin

Prior to his appointment as a Director, Dr. Harbin participated in the first closing of our private placement transaction, pursuant to which we received gross proceeds of approximately $7.0 million from institutional investors and other high net worth individuals. Mr. Harbin received 8,334 shares of our common stock and a warrant to purchase 2,501 shares of our common stock as a result of his investment in the company.

In addition, since June 2007, Dr. Harbin has acted as a strategic advisor to the company, and has advised us on our marketing initiatives. As compensation for his services as an advisor, on August 8, 2007, we granted Dr. Harbin a non-qualified option to purchase 24,000 shares of our common stock at an exercise price of $1.09 per share. Options to purchase 6,000 shares vested on the date of grant, and the remaining 18,000 shares vested in equal installments of 2,000 shares on each monthly anniversary of the grant date for a period of nine months.

Subsequently, on April 15, 2008, we entered into a consulting agreement which expired on December 31, 2008 pursuant to which Dr. Harbin was paid an aggregate of $24,000 and was granted options to purchase 56,000 shares of our common stock at an exercise price of $0.96 per share, with options to purchase 14,000 shares vesting on the date of grant, options to purchase 37,328 shares vesting in eight equal monthly installments of 4,666 options commencing on April 30, 2008, and the remaining options to purchase 4,672 shares vesting on December 31, 2008.

Most recently, on March 17, 2009, we entered into a consulting agreement with Mr. Harbin which expires on December 31, 2009 pursuant to which Dr. Harbin will be paid an aggregate of $24,000 as compensation for his consulting services. In addition, as further compensation, we granted Mr. Harbin options to purchase 56,000 shares of our common stock at an exercise price of $0.40 per share, with the option vesting in equal monthly installments over a twelve month period commencing on January 1, 2009.

Transactions with Daniel Hoffman

On January 11, 2008, we, through our wholly owned subsidiary, Colorado CNS Response, Inc. and pursuant to the terms of a Stock Purchase Agreement, acquired all of the outstanding common stock of Neuro-Therapy Clinic, PC, a Colorado professional medical corporation wholly owned by Dr. Hoffman ("NTC") in exchange for a non-interest bearing note of $300,000 payable in equal monthly installments over 36 months. At the time of the transaction, NTC was our largest customer. Upon the completion of the acquisition, Dr. Hoffman was appointed our Chief Medical Officer. The Stock Purchase Agreement provides that upon the occurrence of certain events, as defined in the purchase agreement, Dr. Hoffman has a repurchase option for a period of three years subsequent to the closing, as well as certain rights of first refusal, in relation to the assets and liabilities we acquired.

Prior to his employment with us, Dr. Hoffman participated in our private placement transaction which closed on May 16, 2007. In the private placement, we received gross proceeds of approximately $7.8 million from institutional investors and other high net worth individuals, including $50,000 from Dr. Hoffman. In exchange for his investment, Dr. Hoffman was issued 41,667 shares of our common stock, and a fully-vested five year non-callable warrant to purchase 12,501 shares of our common stock at an exercise price of $1.80 per share.

In addition, Dr. Hoffman has acted as a consultant to the corporation on various matters since 2003. Prior to August of 2006, Dr. Hoffman was compensated for his services through the issuance of options to purchase an aggregate of 119,013 shares of our common stock at $0.12 per share, and through the issuance of 56,377 shares of our common stock. Subsequent to August of 2006, Dr. Hoffman has received cash payments of $63,750 in consideration for his services to us, as well as an option to purchase 814,062 shares of our common stock at an exercise price of $1.09 per share.

Transactions with John Pappajohn

On June 12, 2009, we entered into a Bridge Note and Warrant Purchase Agreement with Mr. John Pappajohn (“Pappajohn”).

Pursuant to the Purchase Agreement, on June 12, 2009, Pappajohn purchased a Secured Convertible Promissory Note in the principal amount of $1,000,000 from us. In order to induce Pappajohn to purchase the note, we issued to Pappajohn a warrant to purchase up to 3,333,333 shares of our common stock at a purchase price equal to $0.30 per share. The warrant expires on June 30, 2016.

The note issued pursuant to the Purchase Agreement provides that the principal amount of $1,000,000 together with a single Premium Payment of $90,000 which is due and payable, unless sooner converted into shares of our common stock (as described below), upon the earlier to occur of: (i) a declaration by Pappajohn on or after June 30, 2010 or (ii) an Event of Default as defined in the note. The note is secured by a lien on substantially all of our assets (including all intellectual property). In the event of a liquidation, dissolution or winding up of the company, unless Pappajohn informs us otherwise, we shall pay Pappajohn an amount equal to the product of 250% multiplied by the then outstanding principal amount of the note and the Premium Payment.

In the event we consummate an equity financing transaction of at least $1,500,000 (excluding any and all other debt that is converted), the then outstanding principal amount of the note (but excluding the Premium Payment, which will be repaid in cash at the time of such equity financing) shall be automatically converted into the securities issued in the equity financing by dividing such amount by the per share price paid by the investors in such financing.

On August 26, 2009, the Company completed an equity financing transaction of approximately $2 million. As a result of the financing, the note described above held by Mr. Pappajohn automatically converted into common stock, with Mr. Pappajohn receiving 3,333,334 shares. In addition, pursuant to the terms of the note, Mr. Pappajohn received a five year non-callable warrant to purchase 1,666,667 shares of common stock at an exercise price of $0.30 per share.

In connection with the equity financing referred to above, on August 26, 2009, Mr. Pappajohn invested an additional $1,000,000 in the Company. In exchange for his investment, the Company issued an additional 3,333,3334 shares of common stock to Mr. Pappajohn and a five year non-callable warrant to purchase 1,666,667 shares of common stock at an exercise price of $0.30 per share.

Transactions With Promoters And Control Persons

Prior to our merger with CNS California, which closed on March 7, 2007, Strativation, Inc. (now called CNS Response, 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.

Shares for Debt Agreement

Prior to our merger with CNS California, on January 11, 2007, we entered into a Shares For Debt Agreement with Richardson & Patel LLP ("R&P"), our former legal counsel, pursuant to which we agreed to issue and R&P agreed to accept 645,846 restricted shares of our common stock (the "Shares") as full and complete settlement of a portion of the total outstanding debt in the amount of $261,202 that we owed to R&P for legal services (the "Partial Debt"). On January 15, 2007, the company and R&P agreed to amend and restate the Shares for Debt Agreement to increase the number of Shares to be issued in settlement of such Partial Debt to 656,103 restricted shares of our common stock, which then represented 75.5% of our issued and outstanding common stock.

Registration Rights Agreement

On January 11, 2007, we entered into a Registration Rights Agreement in connection with the above referenced Shares For Debt Agreement with R&P and various other stockholders of the Corporation signatory thereto ("Majority Stockholders") in connection with the shares of the company acquired pursuant to the Shares For Debt Agreement and certain other transactions that took place on or around July 18, 2006. On January 15, 2007, the company and the Majority Stockholders agreed to amend and restate the Registration Rights Agreement to provide registration rights to the Majority Stockholders for up to 767,101 shares of our common stock held or to be acquired by them.

Merger Agreement

On January 16, 2007, we entered into an Agreement and Plan of Merger with CNS Response, Inc., a California corporation (or CNS California), and CNS Merger Corporation, a California corporation and our wholly-owned subsidiary that was formed to facilitate the acquisition of CNS California. On March 7, 2007, the merger with CNS California closed, CNS California became our wholly-owned subsidiary, and we changed our name from Strativation, Inc. to CNS Response, Inc.. At the Effective Time of the Merger (as defined in the Merger Agreement, as amended on February 23, 2007), MergerCo was merged with and into CNS California, the separate existence of MergerCo ceased, and CNS California continued as the surviving corporation at the subsidiary level. We issued an aggregate of 17,744,625 shares of our common stock to the stockholders of CNS California in exchange for 100% ownership of CNS California. Additionally, we assumed an aggregate of 8,407,517 options to purchase shares of common stock and warrants to purchase shares of common stock on the same terms and conditions as previously issued by CNS California. Pursuant to the Merger Agreement, our former sole director and executive officer, Silas Phillips, resigned as a director and executive officer of our company effective as of the closing of the merger, and the directors and officers of CNS California were appointed to serve as directors and officer of our company. Except for the Merger Agreement, as amended, and the transactions contemplated by that agreement, neither CNS California, nor the directors and officers of CNS California serving prior to the consummation of the Merger, nor any of their associates, had any material relationship with us, or any of our directors and officers, or any of our associates prior to the merger. Following the merger, the business conducted by the company is the business conducted by CNS California.

Pursuant to the terms of the Merger Agreement, we paid an advisory fee of $475,000 to Richardson & Patel, LLP, our former legal counsel and a principal shareholder, immediately upon the closing of the merger.

AUDIT RELATED MATTERS

Report of Board of Directors On Audit Committee Functions

We do not have an Audit Committee. For the fiscal year ended September 30, 2008, the Company's board of directors has performed the duties of an Audit Committee and is responsible for providing objective oversight of the Company's internal controls and financial reporting process.

In fulfilling its responsibilities for the financial statements for fiscal year 2008, the board of directors:

- Reviewed and discussed the audited financial statements for the year ended September 30, 2008 with management and Cacciamatta Accountancy Corporation (the “Auditors”), the Company’s independent auditors; and
- Received written disclosures and the letter from the Auditors regarding its independence as required by Independence Standards Board Standard No. 1. The Board discussed with the Auditors their independence.

In fulfilling its responsibilities for the financial statements for fiscal year 2008, the board of directors discussed with the Auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.

Based on the board of directors’ review of the audited financial statements and discussions with management and the Auditors, the board of directors approved the inclusion of the audited financial statements in the Corporation’s Annual Report on Form 10-K for the year ended September 30, 2008 for filing with the SEC.

The board of directors also considered the status of pending litigation and other areas of oversight relating to the financial reporting and audit process that the Board determined appropriate.

The board of directors has considered whether the provision of non-audit services is compatible with maintaining the principal accountant’s independence.

The information in this Report of board of directors shall not be deemed to be “soliciting material,” or to be “filed” with the Securities and Exchange Commission or to be subject to Regulation 14A or 14C as promulgated by the Securities and Exchange Commission, or to the liabilities of Section 18 of the Exchange Act.

BOARD OF DIRECTORS

Leonard Brandt
David Jones
Jerome Vaccaro
Henry Harbin

Services Provided by the Independent Auditors

Our board of directors plans to appoint Cacciamatta Accountancy Corporationas the independent registered public accounting firm to audit our financial statements for the fiscal year ending September 30, 2009. We do not expect representatives of Cacciamatta Accountancy Corporation to be present at the Annual Meeting. If they do attend, they will be available to respond to appropriate questions and will be given an opportunity to make a statement if they so desire.

Pre-Approval Policies and Procedures

Our board of directors does not have an Audit Committee. The functions customarily delegated to an Audit Committee are performed by our full board of directors. Our Audit Committee, which consists of our entire board of directors, is directly responsible for interviewing and retaining our independent accountant, considering the accounting firm's independence and effectiveness, and pre-approving the engagement fees and other compensation to be paid to, and the services to be conducted by, the independent accountant. During each of the fiscal years ended September 30, 2008 and September 30, 2007, respectively, our board of directors pre-approved 100% of the services described below.

Fees Paid to Independent Registered Public Accounting Firm

Audit Fees

The aggregate fees billed for professional services rendered by Cacciamatta Accountancy Corporation for professional services rendered for the audit of our annual financial statements and review of the financial statements included in our quarterly reports or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for fiscal years 2008 and 2007 were $102,500 and $137,000, respectively.

Audit-Related Fees

Cacciamatta Accountancy Corporation billed us an aggregate of approximately $0 and $0 in fees for assurance and related services related to the performance of the audit or review of our financial statements for the fiscal years ended September 30, 2008 and September 30, 2007, respectively.

Tax Fees

The aggregate fees to be billed by Cacciamatta Accountancy Corporation for professional services rendered for tax compliance, tax advice, and tax planning during our fiscal years ending September 30, 2008 and September 30, 2007 were $0 and $0, respectively.

All Other Fees

None.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents information regarding the beneficial ownership of our common stock as of August 31, 2009 by

- each of the named executive officers listed in the summary compensation table;
- each of our directors and director nominees;
- all of our directors and executive officers as a group; and
- each shareholder known to us to be the beneficial owner of more than 5% of our common stock.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of our common stock subject to options and warrants from the Company that are currently exercisable or exercisable within 60 days of August 31, 2009 are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

The information presented in this table is based on 41,781,129 shares of our common stock outstanding on August 31, 2009. Unless otherwise indicated, the address of each of the executive officers and directors and 5% or more shareholders named below is c/o CNS Response, Inc., 2755 Bristol St., Suite 285, Costa Mesa, CA 92626.

	Number of Shares Beneficially Owned	
Name of Beneficial Owner	**Number**	**Percentage of Shares Outstanding**
Named Executive Officers and Directors:		
George Carpenter Chief Executive Officer and Chairman of the Board (1)	504,605	1.2%
David B. Jones(2) Director	8,696,055	19.8%
Dr. Jerome Vaccaro Director (3)	20,000	*
Dr. Henry Harbin Director (4)	152,502	*
Daniel Hoffman President and Chief Medical Officer (5)	755,814	1.8%
Horace Hertz (6)	298,492	*
Brad Luce (7)	17,187	*
John Pappajohn (8)	12,333,335	26.0%
Tommy Thompson	0	0
Leonard Brandt (9) Director	11,054,894	25.2%
Executive Officers and Directors as a group (10 persons) (10)	33,832,883	63.2%
5% Stockholders:		
Sail Venture Partners LP (2)	8,696,055	19.8%
Heartland Advisors, Inc. (11)	2,340,000	5.5%
Brian MacDonald (12)	2,256,396	5.3%

* Less than 1%

(1) Consists of options to acquire 484,421 shares of common stock issuable upon the exercise of vested and exercisable options.

(2) Consists of (a) 6,471,067 shares of Common Stock and (b) 2,224,988 shares of Common Stock issuable upon the exercise of vested and exercisable warrants held by Sail Venture Partners, LP. Sail Venture Partners, LLC is the general partner of Sail Venture Partners, L.P.. The unanimous vote of the managing members of Sail Venture Partners, LLC (who are Walter Schindler, Alan Sellers, Thomas Cain, and David B. Jones), is required to voting and make investment decisions over the shares held by this selling stockholder. The address of Sail Venture Partners, L.P. is 600 Anton Blvd., Suite 1010, Costa Mesa, CA 92626.

(3) Consists of options to acquire 20,000 shares of common stock issuable upon the exercise of vested and exercisable options.

(4) Consists of (a) 8,333 shares of common stock, (b) 2,501 shares of common stock issuable upon the exercise of warrants to purchase common stock and (c) options to acquire 141,667 shares of common stock issuable upon the exercise of vested and exercisable options.

(5) Consists of (a) 98,544 shares of common stock, which includes 500 shares held by Mr. Hoffman's daughter (b) options to acquire 644,769 shares of common stock issuable upon the exercise of vested and exercisable options, and (c) warrants to acquire 12,501 shares of common stock.

(6) Consists of options to acquire 298,492 shares of common stock issuable upon the exercise of vested and exercisable options.

(7) Consists of options to acquire 17,187 shares of common stock issuable upon the exercise of vested and exercisable options.

(8) Consists of (a) 6,666,668 shares of common stock and (b) 5,666,667 shares of common stock issuable upon the exercise of vested and exercisable warrants to purchase common stock. The address of John Pappajohn is 2166 Financial Center, Des Moines, IA 50309.

(9) Consists of (a) 8,890,795 shares of common stock (including 540,000 shares owned by Mr. Brandt's children and 956,164 shares held by Brandt Ventures), (b) 1,079,728 shares reserved for issuance upon exercise of warrants to purchase common stock (including warrants to purchase 478,082 shares of common stock held by Brandt Ventures) and (c) 1,084,371 shares reserved for issuance upon exercise of options to purchase common stock held by Mr. Brandt.

(10) Consists of 22,135,407 shares of common stock and 11,650,204 shares of common stock issuable upon the exercise of vested and exercisable options and warrants.

(11) Consists of 1,800,000 shares of common stock and 540,000 shares reserved for issuance upon exercise of warrants to purchase common stock. Heartland Group Value Fund is affiliated with Hartland Investor Services, LLC, a registered broker/dealer and member of NASD. Heartland Group Value Fund purchased or otherwise acquired its shares in the ordinary course of business and, at the time of such purchase/acquisition, had no agreements or understandings, directly or indirectly, with any person, to distribute the securities to be resold. Mr.Paul T. Beste, Vice President & Secretary of Heartland Group Inc., exercises voting and investment authority over the shares held by this selling stockholder. The address of the selling stockholder is c/o Brown Brothers Harriman, 140 Broadway St., New York, NY 10005.

(12) Consists of 1,242,375 shares of common stock and 1,014,021 shares of common stock issuable upon the exercise of vested and exercisable options to purchase common stock. The address of Brian MacDonald is 4007 Beard Ave. South, Minneapolis, MN 55410.

OTHER MATTERS

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and the holders of more than 10% of our common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our equity securities. Based solely on our review of the copies of the forms received by us and written representations from certain reporting persons that they have complied with the relevant filing requirements, we believe that, during the year ended September 30, 2008, all of our executive officers, directors and the holders of 10% or more of our common stock complied with all Section 16(a) filing requirements, except for Henry Harbin who did not timely file a Form 3 and a Form 4 to report one transaction, and Brad Luce, who did not timely file a Form 4 to report one transaction.

Solicitation Of Proxies

It is expected that the solicitation of Proxies will be by mail. The cost of solicitation by management will be borne by the Company. The Company will reimburse brokerage firms and other persons representing beneficial owners of shares for their reasonable disbursements in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of our directors and officers, without additional compensation, personally or by mail, telephone, telegram or otherwise. To date, we have spent $25,000 in connection with the solicitation of security holders and we estimate that the total amount to be spent in connection with such activities will be $75,000.

Annual Report On Form 10-K

THE COMPANY'S ANNUAL REPORT ON FORM 10-K, WHICH HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR THE YEAR ENDED SEPTEMBER 30, 2008, WILL BE MADE AVAILABLE TO STOCKHOLDERS WITHOUT CHARGE UPON WRITTEN REQUEST TO CNS RESPONSE, INC., 2755 BRISTOL ST., SUITE 285, COSTA MESA, CALIFORNIA 92626 ATTN: GEORGE CARPENTER.

ON BEHALF OF THE BOARD OF DIRECTORS

/s/ George Carpenter

George Carpenter, Chairman of the Board and
Chief Executive Officer

2755 Bristol St. Suite 285
Costa Mesa, CA 92626
September __, 2009

APPENDIX I

ADDITIONAL INFORMATION CONCERNING PERSONS WHO MAY ASSIST IN THE SOLICITATION OF PROXIES BY THE COMPANY

Our board of directors (other than Leonard Brandt) and our named executive officers may assist the Company in soliciting proxies for our Annual Meeting. Under the rules of the Securities and Exchange Commission they are considered to be "participants" in the Company's solicitation of proxies for that meeting. We have included the name of each of these persons in the sections of the proxy statement entitled "CNS Annual Stockholder Meeting" and "Information Regarding the board of directors and Committees and Company Management." In the discussion below, we refer to these persons as "Company Representatives."

Information regarding the principal occupations and other matters regarding these Company Representatives who are our directors and director nominees is set forth in the section of the proxy statement entitled "CNS Annual Stockholder Meeting". Information regarding the principal occupations and other matters regarding these Company Representatives who are our executive officers is set forth in the section of the proxy statement entitled "Information Regarding the board of directors and Committees and Company Management." The principal business address for each Company Representative is c/o CNS Response, Inc., 2755 Bristol Street, Suite 285, Costa Mesa, CA 92626.

The number of shares of the Company's common stock directly or indirectly beneficially owned as of August 31, 2009 by each of the Company Representatives is set forth in the section of the proxy statement entitled "Security Ownership of Certain Beneficial Owners and Management." Except as may be disclosed in such section, none of the Company Representatives owns any of the Company's securities of record but not beneficially.

Information Regarding Transactions in the Company's Securities by Participants

The following table sets forth all purchases or sales of securities of the Company by the Company Representatives since August 31, 2007. Unless otherwise indicated, all transactions were in the public market or pursuant to our equity compensation plans and none of the purchase price or market value of those shares is represented by funds borrowed or otherwise obtained for the purpose of acquiring or holding such securities.

Name	Date	Title of Security	Amount Purchased/Sold
John Pappajohn	08/26/2009	Common stock and warrant to purchase common stock	(1)
David Jones	08/26/2009	Common stock and warrant to purchase common stock	(2)
John Pappajohn	08/26/2009	Common stock and warrant to purchase common stock	(3)
David Jones	08/26/2009	Common stock and warrant to purchase common stock	(4)
John Pappajohn	06/12/2009	Warrant to purchase common stock	3,333,333(5)
David Jones	05/14/2009	Warrant to purchase common stock	100,000(6)
David Jones	03/30/2009	Convertible promissory note	*(7)
Henry Harbin	03/17/2009	Option to purchase common stock	56,000
Henry Harbin	04/15/2008	Option to purchase common stock	56,000
Henry Harbin	12/19/2007	Option to purchase common stock	20,000
George Carpenter	10/01/2007	Option to purchase common stock	435,181
George Carpenter	10/01/2007	Option to purchase common stock	533,694

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(1) On August 26, 2009, the Company completed an equity financing transaction of approximately $2 million. Mr. Pappajohn invested $1,000,000 in the Company's equity financing. In exchange for his investment, the Company issued 3,333,3334 shares of common stock to Mr. Pappajohn and a five year non-callable warrant to purchase 1,666,667 shares of common stock at an exercise price of $0.30 per share. As of the date of this proxy statement, the warrant has not been exercised as to any shares.

(2) On August 26, 2009, SAIL Venture Partners, LP ("SAIL") invested $324,000 in the Company's equity financing. In exchange for its investment, the Company issued 1,080,000 shares of common stock to SAIL and a five year non-callable warrant to purchase 540,000 shares of common stock at an exercise price of $0.30 per share. Sail Venture Partners, LLC is the general partner of SAIL, and Mr. Jones is one of four managing members of Sail Venture Partners, LLC who unanimously make voting and investment decisions in relation to the securities held by SAIL. As of the date of this proxy statement, the warrant has not been exercised as to any shares.

(3) As a result of the Company completing an equity financing of approximately $2 million on August 26, 2009, the note described below in footnote (5) held by Mr. Pappajohn automatically converted into common stock, with Mr. Pappajohn receiving 3,333,334 shares. In addition, pursuant to the terms of the note, Mr. Pappajohn received a five year non-callable warrant to purchase 1,666,667 shares of common stock at an exercise price of $0.30 per share. As of the date of this proxy statement, the warrant has not been exercised as to any shares.

(4) As a result of the Company completing an equity financing of approximately $2 million on August 26, 2009, the notes described below in footnotes (6) and (7) held by SAIL automatically converted into common stock, with SAIL receiving an aggregate of 1,758,356 shares. In addition, pursuant to the terms of the notes, SAIL received five year non-callable warrants to purchase an aggregate of 879,178 shares of common stock at an exercise price of $0.30 per share. As of the date of this proxy statement, the warrants have not been exercised as to any shares.

(5) This warrant was issued in connection with Mr. Pappajohn's purchase of a Secured Convertible Promissory Note from the Company in the principal amount of $1,000,000. The exercise price of the warrant is $0.30 per share and the warrant expires on June 30, 2016. As of the date of this proxy statement, the warrant has not been exercised as to any shares. The amount indicated does not include shares of common stock issuable upon conversion of the Secured Convertible Promissory Note. In the event the Company completes an equity financing transaction of at least $1,500,000 (excluding any and all notes and other liabilities or indebtedness which are converted), the then-outstanding principal amount will automatically convert into the securities issued in such financing at the per share price paid by the investors in such financing. On August 26, 2009, the Company completed an equity financing of approximately $2 million, and this note was converted in shares of common stock. Please see footnote (3) above.

(6) This warrant was issued in connection with the purchase by SAIL of a Secured Convertible Promissory Note from the Company in the principal amount of $200,000. The exercise price of the warrant is $0.25 per share and the warrant expires on May 31, 2016. As of the date of this proxy statement, the warrant has not been exercised as to any shares. The amount indicated does not include shares of common stock issuable upon conversion of the Secured Convertible Promissory Note. In the event the Company completes an equity financing transaction of at least $1,500,000 (excluding any and all notes and other liabilities or indebtedness which are converted), the then-outstanding principal amount will automatically convert into the securities issued in such financing at 85% of the per share price paid by the investors in such financing. If the Company issues preferred stock not part of such a financing, SAIL has the option to convert the principal and all accrued, but unpaid interest outstanding into preferred stock issued in such financing at 85% of the per share price paid by the investors for the preferred stock. On August 26, 2009, the Company completed an equity financing of approximately $2 million, and this note was converted in shares of common stock. Please see footnote (4) above.

(7) The amount indicated does not include shares of common stock issuable upon conversion of the Secured Convertible Promissory Note. In the event the Company completes an equity financing transaction of at least $1,500,000 (excluding any and all notes and other liabilities or indebtedness which are converted), the then-outstanding principal amount will automatically convert into the securities issued in such financing at 90% of the per share price paid by the investors in such financing. On August 26, 2009, the Company completed an equity financing of approximately $2 million, and this note was converted in shares of common stock. Please see footnote (4) above.

Miscellaneous Information Regarding Participants

Except as described elsewhere in the proxy statement, there have been no transactions or series of similar transactions during the past year, nor is there any currently proposed transaction or series of similar transactions, (i) to which the Company was or is to be a party, (ii) in which the amount involved exceeds $120,000 and (iii) in which (A) any Company Representative or any of such person's associates, (B) any security holder known to the Company to own of record or beneficially more than 5% of the Company's voting securities, or (C) any member of the immediate family of any person specified in (A) or (B) had or will have a direct or indirect material interest.

Except as described elsewhere in the proxy statement, to our knowledge, no Company Representative or any of his associates has entered into any arrangement or understanding with any person with respect to any future employment with the Company or its affiliates or any future transactions to which the Company or any of its affiliates will or may be a party.

Except as described elsewhere in the proxy statement, no Company Representative has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting (and no other person who is a party to an arrangement or understanding pursuant to which a nominee for election as director is proposed to be elected, has any such interest).

During the past ten years, no Company Representative has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors.