

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): **July 5, 2010**

CNS RESPONSE, INC.

(Exact name of Company as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

0-26285
(Commission File No.)

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

85 Enterprise, Suite 410
Aliso Viejo, CA 92656
(Address of principal executive offices)

(714) 545-3288
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On July 5, 2010, CNS Response Inc. (the "Company") issued two unsecured promissory notes (each, a "Note") in the aggregate principal amount of \$250,000 to Deerwood Partners LLC and Deerwood Holdings LLC (collectively, the "Investors"), with each Investor purchasing a Note in the aggregate principal amount of \$125,000. The Notes mature on December 15, 2010. The Company received \$250,000 in gross proceeds from the issuance of the Notes.

On July 5, 2010, SAIL Venture Partners L.P. (the "Guarantor"), of which the Company's director David Jones is a managing partner, issued an unconditional guaranty (each, a "Guaranty") to each Investor, guaranteeing the prompt and complete payment when due of all principal, interest and other amounts under each Note. The obligations under each Guaranty are independent of the Company's obligations under the Notes and separate actions may be brought against the Guarantor. The Company has agreed to indemnify the Guarantor and grant to the Guarantor a security interest in its assets in connection with the Guaranties.

Each Note accrues interest at a rate of 9% per annum which will be paid together with the repayment of the principal amount at the earliest of (i) the maturity date; (ii) prepayment of the Note at the option of the Company (iii) closing of a financing in which the aggregate proceeds to the Company are not less than \$3,000,000 or (iv) the occurrence of an Event of Default (as defined in the Note). In addition, pursuant to a separate agreement that the Company is entering into with each Investor (the "Conversion Agreement"), each Investor will have the right to convert their Note into shares of the Company's common stock at a conversion price of \$0.50, subject to customary anti-dilution adjustments. The Company has also agreed to grant an equivalent right to John Pappajohn, a member of the Board of Directors of the Company (the "Board"), in connection with his loan dated June 3, 2010.

The managing members of each of Deerwood Partners LLC and Deerwood Holdings LLC are George J. Kallins, M.D. and his spouse Bettina Kallins. As disclosed in Item 5.02 hereof, Dr. Kallins was appointed to the Board on July 5, 2010.

The foregoing description of the Notes and Guaranties does not purport to be complete and is qualified in its entirety by reference to the full text of the form of Note and form of Guaranty, which are filed as Exhibits 4.1 and 4.2 hereto. The foregoing description of the Conversion Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the agreement, which is to be filed or incorporated as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended September 30, 2010.

Item 3.02 Unregistered Sales of Equity Securities.

The description of the conversion feature of the Notes is incorporated herein by reference to Item 2.03 hereof and the full text of the Conversion Agreement. The Notes were issued by the Company under the exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended, as transactions by the Company not involving a public offering.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On July 5, 2010, the Board appointed George J. Kallins, M.D. to serve as a member of the Board.

In connection with his appointment, Dr. Kallins was granted a stock option to purchase 250,000 shares of the Company's common stock at an exercise price of \$0.40, the most recent transaction price quoted for the Company's common stock as of July 5, 2010. The stock option vests in 36 equal monthly installments over a three year period commencing on July 5, 2010.

The description of Dr. Kallins' relationship to the Investors is incorporated herein by reference to Item 2.03 hereof.

Item 8.01 Other Events.

On July 7, 2010, the Company issued a press release announcing the publication of an article in the Journal of Psychiatric Research regarding the use of Referenced-EEG® in pharmacotherapy. The text of the release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

4.1	Form of Unsecured Promissory Note
4.2	Form of Guaranty
99.1	Press Release of the Company, dated July 7, 2010

SIGNATURES

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

CNS Response, Inc

July 9, 2010

By: /s/ George Carpenter

George Carpenter

Chief Executive Officer

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED AND MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THIS NOTE UNDER SAID ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

CNS RESPONSE, INC.
PROMISSORY NOTE

\$125,000.00

July 5, 2010
Aliso Viejo, California

FOR VALUE RECEIVED, CNS Response, Inc., a Delaware corporation (the “**Company**”), promises to pay to [] (“**Investor**”, or “**Noteholder**”), or its registered assigns, in lawful money of the United States of America, the principal sum of One Hundred Twenty Five Thousand Dollars (\$125,000.00), together with a single payment of accrued interest calculated based on the actual days outstanding and a 360 day year at a rate of nine percent (9%). Such interest shall be paid pursuant to Section 2 below (“**Interest Payment**”). All unpaid principal, together with the accrued interest and other amounts payable under this Secured Promissory Note (this “**Note**”) shall be due and payable, on the earliest of (i) the maturity date of December 15, 2010 (“**Maturity Date**”), (ii) upon prepayment of this Note pursuant to Section 3 below, (iii) the closing of a financing in which the aggregate proceeds to the Company are not less than \$3,000,000 (which, for the purposes of clarity, shall include a financing transaction that involves multiple closings), or (iv) when, upon or after the occurrence of an Event of Default (as defined below), such amounts are made due and payable in accordance with the terms hereof. Repayment of the outstanding debt of this Note is guaranteed by SAIL Venture Partners, LP (“**Guarantor**” see Guarantee Agreement).

The following is a statement of the rights of Investor and the conditions to which this Note is subject, and to which the Company and Investor agree:

1. Definitions. As used in this Note, the following capitalized terms have the following meanings:

(a) “**Company**” includes the corporation initially executing this Note and any Person which shall succeed to or assume the obligations of the Company under this Note.

(b) “**Exchange Act Filings**” shall mean the filings made by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, including but not limited to the Company’s Annual Report on Form 10-K for the year ended September 30, 2009, the Quarterly Reports on Form 10-Q for the periods ended December 31, 2009 and March 31, 2010 and all periodic reports on Form 8-K.

(c) “**Investor**” shall mean the Person specified in the introductory paragraph of this Note or any other Person who is the registered holder of this Note.

(d) “**Outstanding Debt**” shall mean, as of a particular time, the sum of (i) the then outstanding principal amount of this Note and (ii) the amount of interest due pursuant to the Interest Payment.

(e) “**Person**” shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

(f) “**Securities Act**” shall mean the Securities Act of 1933, as amended.

2. Interest Payment. Subject to Section 3, the Interest Payment shall be payable at the same time the principal amount of the Note is repaid as described in the first paragraph hereof.

3. Prepayment. This Note may be prepaid, in whole or part, at any time by the Company. All prepayment amounts shall first be applied to any accrued interest with the remainder applied towards the outstanding principal (“**Full Prepayment**” or “**Partial Prepayment**”). Investor agrees to deliver the original of this Note (or a notice to the effect that the original Note has been lost, stolen or destroyed along with an indemnity with respect thereto in a form satisfactory to the Company) at the closing of the Full Prepayment for cancellation or Partial Prepayment for the appropriate principal adjustment; *provided, however*, that upon Full Prepayment of the amounts set forth above with respect to the Outstanding Debt, the Outstanding Debt shall be deemed satisfied and paid in full and the Company shall have no other obligation with respect to the Outstanding Debt, whether or not this Note is delivered for cancellation as set forth in the preceding sentence.

4. Notice of Defaults. The Company shall furnish to Investor written notice of the occurrence of any Event of Default hereunder promptly following the occurrence thereof.

5. Events of Default.

(a) The occurrence of any of the following shall constitute an “**Event of Default**”:

(i) Failure of the Company to pay the principal or the Interest Payment on this Note when due.

(ii) Failure of the Company to perform or observe any covenant or agreement as required by this Note and continuation of such failure for a period of ten (10) days following written notice from Investor.

(iii) The Company makes a general assignment for the benefit of creditors.

(iv) Any proceeding is instituted by or against the Company seeking to adjudicate it bankrupt or insolvent, and such proceeding is not dismissed within sixty (60) days.

(v) The entry against the Company of a final judgment, decree or order for the payment of money in the excess of \$25,000 and the continuance of such judgment, decree or order unsatisfied for a period of thirty (30) days without a stay of execution.

(vi) Any representation or warranty of the Company made in this Note is proven not to have been true and correct in any material respect as of the date of this Note.

(b) If an Event of Default occurs and is continuing, Investor may exercise any or all of the following rights and remedies:

(i) Declare the Note and the Interest Payment be immediately due and payable, and upon such declaration, the Note and the Interest Payment shall immediately be due and payable, without presentment, demand, protest or any notice of any kind, all of which are expressly waived.

(ii) Exercise any and all other rights and remedies available to Investor and otherwise available to creditors at law and in equity.

6. Successors and Assigns. Subject to the restrictions on transfer described in Sections 8 and 10 below, the rights and obligations of the Company and Investor shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

7. Waiver and Amendment. Any provision of this Note may be amended, waived or modified upon the written consent of the Company and Investor. Any such amendment, waiver or modification effected in accordance with this paragraph shall be binding upon the Company and Investor.

8. Transfer of this Note. With respect to any offer, sale or other disposition of this Note, Investor will give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of Investor's counsel, or other evidence if reasonably satisfactory to the Company, to the effect that such offer, sale or other distribution may be effected without registration or qualification (under any federal or state law then in effect, as applicable). Upon receiving such written notice and reasonably satisfactory opinion, if so requested, or other evidence, the Company, as promptly as practicable, shall notify Investor that Investor may sell or otherwise dispose of this Note, all in accordance with the terms of the notice delivered to the Company. This Note thus transferred shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with the Act, unless in the opinion of counsel for the Company such legend is not required in order to ensure compliance with the Securities Act. The Company may issue stop transfer instructions to its transfer agent in connection with such restrictions. Subject to the foregoing, transfers of this Note shall be registered upon registration books maintained for such purpose by or on behalf of the Company. Prior to presentation of this Note for registration of transfer, the Company shall treat the registered holder hereof as the owner and holder of this Note for the purpose of receiving all payments of principal and the Premium Payment and for all other purposes whatsoever, whether or not this Note shall be overdue and the Company shall not be affected by notice to the contrary. Notwithstanding the foregoing, Investor may assign this Note to an affiliated entity without the prior written consent of the Company so long as such assignment complies with applicable law.

9. Representations and Warranties.

(a) Investor represents and warrants to the Company that:

(i) *Authorization.* Investor has full power and authority to enter into this Note. This Note constitutes a valid and legally binding obligation of Investor, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

(ii) *Accredited Investor.* Investor is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act.

(iii) Investor has had an opportunity to read and review all Exchange Act Filings of the Company, has had an opportunity to ask questions of management of the Company and is fully aware of the risks attendant to an investment in the Note.

(b) The Company represents and warrants to Investor that:

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

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

(iii) *No Stockholder Approval Required.* No approval of the Company's stockholders is required for the issuance of this Note or the granting of the security interest hereunder.

(iv) *Binding Obligation.* This Note is a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally and to general equitable principles.

(v) *Litigation.* Except as previously disclosed to Investor and described in the Exchange Act Filings, no litigation or governmental proceeding is pending or threatened against the Company which may have a materially adverse effect on the financial condition, operations or prospects of the Company, and to the knowledge of the Company, no basis therefore exists.

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

10. Assignment by the Company. Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, in whole or in part (other than by operation of law) by the Company without the prior written consent of Investor.

11. Notices. All notices, requests, demands, consents, instructions or other communications required or permitted hereunder shall be in writing and faxed, mailed or delivered to each party at the respective addresses of the parties as set forth on the signature page hereto, or at such other address or facsimile number as a party shall have furnished to the other party in writing. All such notices and communications will be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) one business day after being delivered by facsimile (with receipt of appropriate confirmation), (iv) one business day after being deposited with an overnight courier service of recognized standing or (v) four days after being deposited in the U.S. mail, first class with postage prepaid.

12. Employees and Agents. Investor may take any action hereunder by or through agents or employees so long as such agents or employees are duly authorized to so act on behalf of the Investor.

13. Payment. Payment shall be made in lawful tender of the United States.

14. Expenses; Waivers. If this Note is not paid when due and Investor takes any action to enforce Investor's rights hereunder, the Company shall promptly pay upon demand by Investor all such reasonable costs of collection, including reasonable attorneys' fees, whether or not litigation is commenced. The Company hereby waives notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor and all other notices or demands relative to this instrument. The Company also shall pay for all attorney's fees incurred by Investor related to the drafting and preparation of this Note.

15. Governing Law. This Note and all actions arising out of or in connection with this Note shall be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of law provisions of the State of California, or of any other state.

16. Effectiveness. This Note shall become effective upon the execution by the Company and Investor.

[Remainder of Page Intentionally Left Blank]

The Company has caused this Note to be issued as of the date first written above and agrees to all the terms set forth above.

CNS RESPONSE, INC.

By: _____
Name: George Carpenter
Its: Chief Executive Officer

Address: 85 Enterprise, Suite 410
Aliso Viejo, CA 92656

Accepted and agreed:

INVESTOR:

Name and Position

Address:

GUARANTY

This Guaranty (this "Guaranty") is entered into as of July 5, 2010, by the person or entity listed on the signature page hereto as the "Guarantor" (the "Guarantor"), in favor of _____ ("Investor").

Recitals

A. Concurrently herewith, CNS Response, Inc. a Delaware corporation ("Borrower"), is issuing to Investor a Promissory Note dated as of the date hereof (the "Note"), pursuant to which Investor has agreed to loan to Borrower the aggregate principal amount of \$125,000 (the "Loan"), subject to the terms and conditions set forth therein.

B. In consideration of the agreement of Investor to make the Loan to Borrower under the Note, Guarantor is willing to guaranty the full payment and performance by Borrower of all of its obligations thereunder, all as further set forth herein.

C. Guarantor will obtain substantial direct and indirect benefit from the Loan made by Investor to Borrower under the Note.

Now, Therefore, to induce Investor to enter into the Note and to make the Loan, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, Guarantor hereby represents, warrants, covenants and agrees as follows:

Section 1. **Guaranty.**

1.1 Unconditional Guaranty of Payment In consideration of the foregoing, Guarantor hereby irrevocably, absolutely and unconditionally guarantees to Investor the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all principal, interest and other amounts under the Note (collectively, the "Obligations"). Guarantor agrees that it shall execute such other documents or agreements and take such action as Investor shall reasonably request to effect the purposes of this Guaranty.

1.2 Separate Obligations. These obligations are independent of Borrower's obligations and separate actions may be brought against Guarantor (whether action is brought against Borrower or whether Borrower is joined in the action).

Section 2. **Representations and Warranties.**

Guarantor hereby represents and warrants that:

(a) Guarantor: (i) if an entity, is duly organized and validly existing under the laws of its jurisdiction of formation; (ii) if an entity, is duly qualified to do business in every jurisdiction where the nature of its business requires it to be so qualified (except where the failure to so qualify would not have a material adverse effect on Guarantor's condition, financial or otherwise, or on Guarantor's ability to pay or perform its obligations hereunder); and (iii) has all requisite power and authority to execute and deliver this Guaranty being entered into and to perform its obligations thereunder and hereunder.

(b) The execution, delivery and performance by Guarantor of this Guaranty (i) are within Guarantor's powers and have been duly authorized by all necessary action on the part of Guarantor; (ii) do not contravene Guarantor's charter documents (if applicable) or any law or any contractual restriction binding on or affecting Guarantor or by which Guarantor's property may be affected; (iii) do not require any authorization or approval or other action by, or any notice to or filing with, any governmental authority or any other Person under any indenture, mortgage, deed of trust, lease, agreement or other instrument to which Guarantor is a party or by which Guarantor or any of its property is bound, except such as have been obtained or made; and (iv) do not result in the imposition or creation of any lien or encumbrance upon any property of Guarantor.

(c) This Guaranty is a valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, except as the enforceability thereof may be subject to or limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors generally.

(d) There is no action, suit or proceeding affecting Guarantor pending or threatened before any court, arbitrator, or governmental authority, domestic or foreign, which may have a material adverse effect on the ability of Guarantor to perform its obligations under this Guaranty.

(e) Guarantor's obligations hereunder are not subject to any offset or defense against Investor or Borrower of any kind.

(f) The incurrence of Guarantor's obligations under this Guaranty will not cause Guarantor to (i) become insolvent; (ii) be left with unreasonably small capital for any business or transaction in which Guarantor is presently engaged or plans to be engaged; or (iii) be unable to pay its debts as such debts mature.

Section 3. **General Waivers.** Guarantor waives:

(a) Any right to require Investor to (i) proceed against Borrower or any other person; (ii) proceed against or exhaust any security, or (iii) pursue any other remedy. Investor may exercise or not exercise any right or remedy it has against Borrower without affecting Guarantor's liability hereunder.

(b) Any defenses from disability or other defense of Borrower or from the cessation of Borrower's liabilities.

(c) Any setoff, defense or counterclaim against Investor.

(d) Any defense from the absence, impairment or loss of any right of reimbursement or subrogation or any other rights against Borrower. Until Borrower's obligations to Investor have been paid, Guarantor has no right of subrogation or reimbursement or other rights against Borrower.

(e) Any right to enforce any remedy that Investor has against Borrower.

(f) The benefit of any act or omission by Investor which directly or indirectly results in or aids the discharge of Borrower from any of the Obligations by operation of law or otherwise.

Section 4. **Reinstatement.** Notwithstanding any provision of the Note to the contrary, the liability of Guarantor hereunder shall be reinstated and revived and the rights of Investor shall continue if and to the extent that for any reason any payment by or on behalf of Guarantor or Borrower is rescinded or must be otherwise restored by Investor, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, all as though such amount had not been paid. The determination as to whether any such payment must be rescinded or restored shall be made by Investor in its sole discretion; *provided, however*, that if Investor chooses to contest any such matter at the request of Guarantor, Guarantor agrees to indemnify and hold harmless Investor from all costs and expenses (including, without limitation, reasonable attorneys' fees) of such litigation. To the extent any payment is rescinded or restored, Guarantor's obligations hereunder shall be revived in full force and effect without reduction or discharge for that payment.

Section 5. **Withholding.** In the event any payments are received by Investor from Guarantor hereunder, such payments will be made subject to applicable withholding for any taxes, levies, fees, deductions, withholding, restrictions or conditions of any nature whatsoever. Specifically, if at any time any governmental authority, applicable law or regulation requires Guarantor to make any such withholding or deduction from any such payment or other sum payable hereunder to Investor, Guarantor hereby covenants and agrees that the amount due from Guarantor with respect to such payment or other sum payable hereunder will be increased to the extent necessary to ensure that, after the making of such required withholding or deduction, Investor receives a net sum equal to the sum which it would have received had no withholding or deduction been required and Guarantor shall pay the full amount withheld or deducted to the relevant governmental authority. Guarantor will, upon request, furnish Investor with proof satisfactory to Investor indicating that Guarantor has made such withholding payment, provided, however, that Guarantor need not make any withholding payment if the amount or validity of such withholding payment is contested in good faith by appropriate and timely proceedings and as to which payment in full is bonded or reserved against by Guarantor. The agreements and obligations of Guarantor contained in this Section shall survive the termination of this Guaranty.

Section 6. **No Waiver; Amendments.** No failure on the part of Investor to exercise, no delay in exercising and no course of dealing with respect to, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. This Guaranty may not be amended or modified except by written agreement between Guarantor and Investor, and no consent or waiver hereunder shall be valid unless in writing and signed by Investor.

Section 7. **Compromise and Settlement.** No compromise, settlement, release, renewal, extension, indulgence, change in, waiver or modification of any of the Obligations or the release or discharge of Borrower from the performance of any of the Obligations shall release or discharge Guarantor from this Guaranty or the performance of the obligations hereunder.

Section 8. **Notice.** Any notice or other communication herein required or permitted to be given shall be in writing and may be delivered in person or sent by facsimile transmission, overnight courier, or by United States mail, registered or certified, return receipt requested, postage prepaid and addressed as follows:

If to Guarantor: _____

If to Investor: _____

or at such other address as may be substituted by notice given as herein provided. Every notice, demand, request, consent, approval, declaration or other communication hereunder shall be deemed to have been duly given or served on the date on which personally delivered or sent by facsimile transmission or three (3) business days after the same shall have been deposited in the United States mail. If sent by overnight courier service, the date of delivery shall be deemed to be the next business day after deposited with such service.

Section 9. **Entire Agreement.** This Guaranty constitute and contain the entire agreement of the parties and supersedes any and all prior and contemporaneous agreements, negotiations, correspondence, understandings and communications between Guarantor and Investor, whether written or oral, respecting the subject matter hereof and thereof.

Section 10. **Severability.** If any provision of this Guaranty is held to be unenforceable under applicable law for any reason, it shall be adjusted, if possible, rather than voided in order to achieve the intent of Guarantor and Investor to the extent possible. In any event, all other provisions of this Guaranty shall be deemed valid and enforceable to the full extent possible under applicable law.

Section 11. **Assignment; Governing Law.** This Guaranty shall be binding upon and inure to the benefit of Guarantor and Investor and their respective successors and assigns, except that Guarantor shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Investor, which may be granted or withheld in Investor's sole discretion. Any such purported assignment by Guarantor without Investor's written consent shall be void. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of California without regard to principles thereof regarding conflict of laws.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Guaranty as of the day and year first written above.

GUARANTOR:

SAIL VENTURE PARTNERS, L.P.

By: _____
Name:
Title:

Investors:

Marty Tullio, Managing Partner
McCloud Communications, LLC
949.553.9748
marty@mccloudcommunications.com

Media:

Chris Stern
Washington Media Group
202-628-1280
cstern@washingtonmedia.com

Referenced-EEG (rEEG®) Shows Significant Improvement in Pharmacotherapy, According to *Journal of Psychiatric Research* Article

Journal of Psychiatric Research. rEEG® Significantly Improves Successful Outcomes for Treatment-Resistant Patients Suffering From Depression

ALISO VIEJO, CA - July 7, 2010 – CNS Response (OTCBB:CNSO) today announced that physicians using Referenced-EEG (rEEG®), had “success” rates reaching 65 percent for patients with treatment-resistant depression, according to an article published today in the *Journal of Psychiatric Research*.

Referenced-EEG showed “significant improvement” in informing pharmacotherapy for treatment-resistant patients in a 12-week study, according to the *Journal of Psychiatric Research* article. The study, conducted at 12 medical sites including Harvard, Stanford and Cornell, shows that rEEG can provide important information for patients who have failed first-line treatment.

The difference, or separation, between rEEG and the control groups was 50 and 101 percent for the study’s two primary endpoints. Commonly, separation between a new treatment and a control group falls below 10 percent in antidepressant studies.

Referenced-EEG, developed by CNS Response, Inc., is a patented system that analyzes an individual patient’s brain waves against an extensive patient outcomes database. By reducing guesswork, rEEG offers the potential to curtail needless treatment delays and adverse drug reactions from ineffective therapies.

The journal article concludes that rEEG “would represent an easy, relatively inexpensive, predictive, objective office procedure that builds upon clinical judgment..”

To read the full study, go to www.cnsresponse.com

Personalized Medicine

In all other fields of medicine, there are tools deemed critical to finding effective treatment for individual patients. There are, to name only a few, blood tests, x-rays, MRIs, and many other ways of getting physiological information from patients. Experts have long hoped that “personalized medicine” – a way to identify the right medications for the right patients – would offer something for psychiatry.

- more -

Recent studies confirm the need: a clinical trial called STAR*D with 4,000 subjects, the largest study ever conducted evaluating pharmacotherapy for depression, was designed to provide guidance in selecting the best "next step" treatment. It reported in 2006 that after failing their third medication, most patients (55 percent) either dropped out or relapsed, and 80 percent of those who exited had not improved at the time of their exit. After the first two medications, the study could offer no predictions beyond "trial and error" as to which medications might work on any given patient. The study published today by the *Journal of Psychiatric Research* on rEEG showed significant improvements over the Star*D trial.

The Need for rEEG

Depression is a devastating, debilitating condition. One in three people with depression fail to improve with standard antidepressant therapy. On average these sufferers spend 10 years finding the right doctor and medicine and \$8,500 more per year on health care than those with ordinary depression. They log more time in hospitals and more time in recovery. Depression costs U.S. employers \$83 billion annually and is a major problem in the military for those returning from combat.

Referenced-rEEG is a novel assessment tool that helps physicians understand the unique brain function of each patient, as measured by EEG electrophysiology. EEG or electroencephalography is a painless, non-invasive 20-minute procedure, which measures brain activity at specific points. That information is processed and then compared to CNS Response's reference database, which generates a report doctors can use in evaluating treatment options. In 12 previous studies – and in use by practicing physicians – doctors report better results than trial and error.

To view the *Journal of Psychiatric Research* article on rEEG visit www.cnsresponse.com

The rEEG® Study

The study was co-authored by Dr. Charles DeBattista, Stanford University School of Medicine, Dr. Gustavo Kinrys, Cambridge Health Alliance, Dr. Daniel Hoffman, CNS Response Inc., Dr. Corey Goldstein, Rush University Medical Center, Dr. John Zajecka, Rush University Medical Center, Dr. James Kocsis, New York Presbyterian Hospital, Dr. Martin Teicher, Harvard Medical School, Dr. Steven Potkin, UCI School of Medicine, Dr. Adrian Preda, UCI School of Medicine, Dr. Gurmeet Multani, Shanti Clinical Trials, Dr. Mark Schiller, Mind Therapy Clinic, Dr. Dan Iosifescu, Massachusetts General Hospital and Dr. Maurizio Fava, Massachusetts General Hospital.

About CNS Response

Today, most physicians are able to base treatment on objective test data, such as EKGs, MRIs, blood tests, etc. Broadly speaking, such advances have not yet come to those physicians practicing psychiatry.

Referenced-rEEG was developed by physicians to provide objective, personalized, statistical data on patient neurophysiology. In clinical trials, physicians using rEEG data have consistently achieved superior clinical results compared to physicians using Trial and Error pharmacotherapy.

- more -

To read more about the benefits this patented technology provides physicians, patients and insurers, please visit the CNS Response website, www.cnsresponse.com.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Except for the historical information contained herein, the matters discussed are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. These forward-looking statements involve risks and uncertainties as set forth in the Company's filings with the Securities and Exchange Commission. These risks and uncertainties could cause actual results to differ materially from any forward-looking statements made herein.

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