

**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): **October 7, 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 1.01 Entry into a Material Definitive Agreement.

The description of the Purchase Agreement and the Security Agreement (both as defined below) are incorporated by reference to Item 2.03 of the current report on Form 8-K of CNS Response, Inc. (the "Company") filed on October 7, 2010. The description of the Engagement Agreement (as defined below) is incorporated by reference to Item 2.03 of this Form 8-K.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On October 1, 2010, CNS Response Inc. (the "Company") entered into a Note and Warrant Purchase Agreement (the "Purchase Agreement") with two investors. The Purchase Agreement provides for the issuance and sale of secured convertible promissory notes (the "Notes"), for cash or in exchange for outstanding convertible notes, in the aggregate principal amount of up to \$3,000,000 plus an amount corresponding to accrued and unpaid interest on any exchanged notes, and warrants to purchase a number of shares corresponding to 50% of the number of shares issuable on conversion of the Notes (the "Warrants"). The obligations of the Company under the terms of the Notes are secured by a security interest in the tangible and intangible assets of the Company, pursuant to a security agreement, dated as of October 1, 2010, by and between the Company and John Pappajohn, as administrative agent for the holders of the Notes (the "Security Agreement"). The first closing pursuant to the Purchase Agreement occurred on October 1, 2010.

On October 7 and October 12, 2010, a third and fourth investor, respectively, executed the Purchase Agreement. In connection therewith, the Company issued Notes in the aggregate principal amount of \$600,000 and Warrants to purchase up to 999,999 shares of common stock of the Company, to such investors on such dates. The Company received \$588,000 in net proceeds from these investors. Monarch Capital Group LLC ("Monarch") acted as non-exclusive placement agent with respect to the placement of Notes in the aggregate principal amount of \$100,000 and related Warrants, pursuant to an engagement agreement, dated September 30, 2010, between the Company and Monarch (the "Engagement Agreement"). Under the Engagement Agreement, in return for its services as non-exclusive placement agent, Monarch is entitled to receive (a) a cash fee equal to 10% of the gross proceeds raised from the sale of Notes to investors introduced to the Company by Monarch; (b) a cash expense allowance equal to 2% of the gross proceeds raised from the sale of Notes to such investors; and (c) five-year warrants (the "Placement Agent Warrants") to purchase common stock of the Company equal to 10% of the shares issuable upon conversion of Notes issued to such investors. The Placement Agent Warrants have an exercise price equal to 110% of the conversion price of the Notes. The terms of the Placement Agent Warrants, except for the exercise price and period, are identical to the terms of the Warrants. In connection with the October 12, 2010 closing, Monarch received a cash fee of \$10,000 and a cash expense allowance of \$2,000 and will receive Placement Agent Warrants to purchase 33,333 shares of the Company's common stock at an exercise price of \$0.33 per share.

A more detailed description of the Notes, the Warrants, the Purchase Agreement and the Security Agreement is included in Item 2.03 of the Company's current report on Form 8-K filed on October 7, 2010 (File No. 000-26285)(the "October 7, 2010 8-K"), the Form of Note, Form of Warrant, Purchase Agreement and Security Agreement are filed as exhibits to such Form 8-K, and such description and exhibits are hereby incorporated herein by reference. The description of the Engagement Agreement is qualified by reference to the agreement filed as Exhibit 10.3 to this Form 8-K, which is hereby incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

The description of the Notes and the Warrants is incorporated herein by reference to Item 2.03 hereof and the full text of the form of Note and form of Warrant attached as Exhibits 4.1 and 4.2 to the October 7, 2010 8-K.

The Notes and Warrants were issued by the Company under the exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended, and Regulation D promulgated thereunder, as they were issued to accredited investors, without a view to distribution, and were not issued through any general solicitation or advertisement.

Item 9.01 **Financial Statements and Exhibits.**

Exhibit 4.1 Form of Note.*

Exhibit 4.2 Form of Warrant.*

Exhibit 10.1 Note and Warrant Purchase Agreement, dated as of October 1, 2010.*

Exhibit 10.2 Security Agreement, dated as of October 1, 2010.*

Exhibit 10.3 Engagement Agreement, dated September 30, 2010, between the Company and Monarch Capital Group, LLC.

* Incorporated herein by reference to the corresponding exhibits to the Company's current report on Form 8-K filed on October 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.

By: /s/ Paul Buck

Paul Buck

Chief Financial Officer

October 13, 2010

September 30, 2010

CNS Response, Inc.
Attn: George Carpenter, CEO
85 Enterprise, Suite 410
Aliso Vejo, CA 92656

Dear Mr. Carpenter:

This letter agreement (the "Agreement") confirms the engagement of Monarch Capital Group LLC ("MONARCH") by CNS Response, Inc. a Delaware company ("CNS" or the "Company"), to act as a non-exclusive placement agent to the Company in connection with a proposed Private Placement (as defined herein) of the Company's convertible notes and/or other securities or rights to purchase securities of the Company (the "Securities"). The term "Private Placement" means the proposed offering and sale by private placement of up to \$1.5 million of Securities to be made in accordance with the exemption from the registration requirements of the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (collectively, the "Act") provided by Regulation D under the Act ("Regulation D") and the qualification and registration requirements of applicable state and foreign securities or blue sky laws and regulations pursuant to a private placement memorandum and/or other disclosure materials consisting of transaction documentation (as amended and supplemented, the "Disclosure Materials"). Investors in the Private Placement will be persons who qualify as "accredited investors" under Regulation D. The exact price, type and amount of Securities will be determined through negotiations between the Company and MONARCH, on the one hand, and the investors, on the other hand.

1. Engagement. CNS hereby engages MONARCH during the Term (as hereinafter defined) as its non-exclusive placement agent with respect to the Private Placement. In its capacity as placement agent, MONARCH will provide the Company with assistance in connection with the Private Placement, which may include working with the Company in identifying potential investors and using MONARCH's reasonable efforts to assist in arranging sales of the Securities to investors. CNS reserves the right to retain other properly licensed and registered broker-dealers to act as agents on its behalf. The Company will be responsible for updating, amending and supplementing the Disclosure Materials prior to the closing of the Private Placement as required by applicable laws. MONARCH shall have no authority to bind CNS to any specific terms of a Private Placement or any other obligation and CNS shall have the right to reject any proposed terms for a Private Placement or refuse to consummate the Private Placement without incurring any obligation to MONARCH except as provided in this Agreement. The purchase price payable by investors will be deposited in an escrow account with a bank mutually agreeable to the Company and MONARCH.

2. Success Fee. The Company agrees to pay MONARCH as compensation for its services under this engagement, the following fees on all sales of Securities made in the Private Placement upon each closing:

- (a) A cash fee equal to 10% of the gross proceeds raised from the sale of Securities in the Private Placement to purchasers introduced to CNS by MONARCH.
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(b) 5- year warrants (the "Placement Agent Warrants") to purchase Securities equal to 10% of the gross amount of Securities sold to purchasers introduced to CNS by MONARCH at the applicable closing of the Private Placement. The Placement Agent Warrants related to shares of common stock issued in the Private Placement shall have an exercise price equal to 110% of the per share price of the common stock sold in the Private Placement or (110%) of conversion or exercise price if the Private Placement is for convertible notes or other rights to purchase common stock. To the extent warrant coverage is included with the Securities, the Placement Agent warrants issued to the Placement Agent shall contain the same provisions (including anti-dilution protections and registration rights) afforded to the investors in the Private Placement. MONARCH may designate any of its employees, officers or agents to receive any part of its Placement Agent Warrants.

3. Expenses. CNS shall bear all of its expenses in connection with the Private Placement. In addition, if the Private Placement is consummated, the Company will pay to MONARCH a non-accountable expense allowance equal to two percent (2%) percent of the gross proceeds from each closing received from purchasers introduced to CNS by MONARCH. The provisions of this paragraph shall survive the closing and any termination of the Private Placement.

4. Term. The term of this Agreement ("Term") shall commence on the date hereof and shall continue for a six (6) month period thereafter; provided, however that either party shall have the right to terminate this Agreement at any time prior to the expiration of the Term, with or without cause, upon ten (10) days' prior written notice thereof to the other party. Notwithstanding anything to the contrary herein, if, during the term of the Private Placement hereunder, an investor is informed of the Private Placement by the MONARCH and if (i) the Private Placement hereunder does not close and such investor purchases from the Company any privately placed securities of the Company within 12 months after the termination of the Private Placement or (ii) the Private Placement hereunder closes and such investor makes an investment in the Private Placement and subsequently purchases from the Company within 12 months after the closing of the Private Placement any privately placed securities of the Company, MONARCH shall be entitled to Cash Compensation and Warrant Compensation as set forth in Section 2 and 3 of this Agreement with respect to purchases by such investor. The provisions of this paragraph shall survive the Closing, expiration and any termination of the Private Placement or this Agreement

5. Further Representations and Covenants of CNS.

(a) The Company represents and agrees that (i) it has the corporate power and authority to enter into and perform this Agreement and all corporate action necessary for the authorization, execution, delivery and performance of this Agreement has been taken, (ii) this Agreement constitutes a legal, valid and binding obligation of CNS enforceable in accordance with its terms, (iii) the execution and performance of this Agreement by the Company and the offer and sale of the Securities in the Private Placement will not violate any provision of the Company's charter or bylaws or conflict with any agreement or other instrument to which the Company is a party or by which it is bound and (iv) any necessary approvals, governmental and private, will be obtained by the Company before the closing of the Private Placement.

(b) The Company represents and warrants that the Disclosure Materials will not as of the date of the offer or sale of the Securities or the closing date of any such sale, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein or previously made, in light of the circumstances under which they were made not misleading. The Company will advise MONARCH immediately of the occurrence of any event or any other change known to the Company which results in the Disclosure Materials containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein or previously made, in light of the circumstance under which they were made, not misleading. MONARCH agrees to cease providing the Disclosure Materials to prospective purchasers of the Securities promptly upon receiving any notice of an inaccuracy or omission in the Disclosure Materials, until such time as the Company provides it with the supplement or amendment correcting such.

(c) The Company acknowledges and agrees that MONARCH's obligations to commence the Private Placement may be subject to execution of a Placement Agency Agreement on customary terms and incorporating the principal terms hereof. In the absence of such Placement Agency Agreement, the Company agrees that MONARCH may rely upon, and will be named as a third party beneficiary of, the representations and warranties, and applicable covenants, set forth in any stock purchase agreement or subscription agreement that the Company executes with investors in the Private Placement. The Company will, at the closing of the Private Placement, furnish MONARCH with a favorable opinion of its outside counsel. Such opinion will be in customary form and will include customary items contained in legal opinions rendered in connection with private financing transactions, including, among other things, opinions on matters relating to organization and good standing, capitalization, corporate power and authority, non-contravention and exemption of the Financing. In addition, at the closing of the Private Placement, the Company will provide MONARCH with such other certification, opinions and documents as MONARCH or its counsel are customarily provided in connection with private financing transactions, all in customary form and substance.

(d) The Company agrees to provide MONARCH with due diligence materials upon request and will provide copies of due diligence materials which may be provided to investors in the Private Placement.

(e) The Company will file appropriate notices on Form D with the SEC, as well as all filings required to be made with respect to state and foreign securities or blue sky laws and regulations.

6. Indemnification. CNS agrees to indemnify and hold harmless MONARCH in accordance with the agreement set forth on Exhibit A attached hereto, the terms of which are specifically incorporated herein by reference.

7. Miscellaneous.

(a) Governing Law; Jurisdiction. This Agreement shall be governed by and construed under the laws of the State of New York, without giving effect to principles of conflict of laws.

(b) Notices. Whenever notice is required to be given pursuant to this Agreement, such notice shall be in writing and shall either be mailed by certified first class mail, postage prepaid, delivered personally, delivered by fax (with answerback confirmed), or sent by recognized overnight courier, addressed to the parties at the respective addresses set forth above. Notice shall be deemed given, if sent by mail, on the third day after deposit in a United States post office receptacle, or if delivered personally, by fax or by courier, upon receipt. Any party may change such address by like notice.

(c) Entire Agreement; Binding Effect. This Agreement constitutes the entire agreement between CNS and MONARCH with respect to the subject matter hereof and supersedes and cancels any other agreements, oral or written, with respect thereto. This Agreement may not be assigned by either party without the prior written consent of the other party. This Agreement shall be binding on the parties and their respective successors and permitted assigns.

(d) No Commitment. The execution of this Agreement does not constitute a commitment by MONARCH or the Company to consummate any transaction contemplated hereunder and does not ensure the successful placement of securities of the Company or the success of MONARCH with respect to securing any financing on behalf of the Company. No promises or representations have been made except as expressly set forth in this Agreement and the parties have not relied on any promises or representations except as expressly set forth in this Agreement.

(e) Confidentiality. All material non-public information identified as such and that has been or is given to MONARCH concerning the Company will be used by MONARCH solely in the course of the performance of its services hereunder and will be treated as strictly confidential by MONARCH except (a) for disclosure of such information to its officers, employees and retained professionals as necessary in order to perform its services hereunder, (b) as such information becomes publicly available through no fault of MONARCH in violation of the terms hereof or (c) as otherwise required by law or judicial or regulatory process (provided that MONARCH will give the Company prior written notice of any such required disclosure). Except for any Private Placement documents (including all schedules and exhibits thereto), any document the Company authorizes MONARCH to deliver to potential investors, and any other information the Company deems necessary for MONARCH's use in introducing the Company to potential investors, MONARCH shall not distribute or use non-public information without the Company's written consent or such third party's agreement to maintain the confidentiality of the non-public information. MONARCH's confidentiality and non-use obligations under this Agreement shall survive the termination of this Agreement for a period of two (2) years.

(f) Other Services. In the event that other services are required and/or transactions which are the result of MONARCH's efforts that are not as contemplated herein, the parties hereto shall negotiate in good faith to determine a mutually acceptable level of compensation in such an eventuality.

(g) Severability. If any provision of this Agreement is determined to be invalid or unenforceable in any respect, then such determination will not affect such provision in any other respect or any other provision of this Agreement, which will remain in full force and effect. No material provision of this Agreement shall be deemed waived and no breach excused, unless such waiver or consent excusing the breach shall be in writing and signed by the party to be charged with such waiver or consent.

(h) Independent Contractor. In carrying out its responsibilities under this letter, the parties agree that MONARCH shall be an independent contractor with complete supervision and control over its own activities, and shall have no right or authority to assume or create any obligation on behalf of the Company and MONARCH's engagement by the Company shall not create any partnership, joint venture or similar business relationship between the Company and MONARCH. MONARCH shall have no restrictions on its ability to provide services to companies other than the Company, except as stated herein. MONARCH shall be under no obligation hereunder to make an independent appraisal of assets or investigation or inquiry as to any information regarding, or any representations of, the Company and shall have no liability hereunder in regard thereto.

(i) Advice Given; Public Announcements. The Company agrees that all advice given by MONARCH in connection with its engagement hereunder is for the benefit and use of the Company in considering the Private Placement to which such advice relates, and the Company agrees that no such advice shall be used for any other purpose or be disclosed, reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose, nor shall any public references to MONARCH be made by or on behalf of the Company, in each case without MONARCH's prior written consent, which consent shall not be unreasonably withheld.

(j) Counterparts. This Agreement may be executed in one or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

(k) Investor Contact. Before MONARCH contacts potential investors, the Company must first determine that the potential investor has not been contacted by any other party to which the Company has an agreement similar to this Agreement.

Please confirm your agreement to the foregoing below whereupon this letter shall constitute a binding agreement between us.

Very truly yours,

Monarch Capital

By: /s/ Michael Potter

Name: Michael Potter

Title: Chairman/CEO

Confirmed and agreed to
as of the date set forth above:

CNS Response, Inc.

By: /s/ George Carpenter

Name: George Carpenter

Title: CEO

EXHIBIT A

September 30, 2010

Monarch Capital
500 5th Avenue, Suite 2240
New York, NY 10110

Gentlemen:

In connection with our engagement of Monarch Capital ("MONARCH") as our non-exclusive placement agent, we hereby agree to indemnify and hold harmless MONARCH and its affiliates, and the respective controlling persons, directors, officers, shareholders, agents (including sub-agents) and employees of any of the foregoing (collectively the "Indemnified Persons"), from and against any and all claims, actions, suits, proceedings, damages, liabilities and expenses (including the reasonable fees and expenses of counsel) incurred by any of them (collectively a "Claim"), which relate to or arise in any manner out of any transaction, financing, or any other matter (collectively, the "Matters") contemplated by the engagement letter of which this Exhibit A forms a part and the performance by MONARCH of the services contemplated thereby, and will promptly reimburse each Indemnified Person for all reasonable expenses (including reasonable fees and expenses of legal counsel) as incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party. We will not, however, be responsible to any Indemnified Person for any Claim which is finally judicially determined to have resulted primarily from the gross negligence or willful misconduct of any Indemnified Person.

We also agree that no Indemnified Person shall have any liability (whether direct or indirect, in contract or tort or otherwise) to us related to, arising out of, or in connection with, any Matters, the engagement of MONARCH pursuant to, or the performance by MONARCH of the services contemplated by, our engagement letter, except to the extent any loss, claim, damage or liability if found in a final judgment by a court of competent jurisdiction to have resulted primarily from MONARCH's gross negligence or willful misconduct.

We further agree that we will not, without the prior written consent of MONARCH, settle, compromise or consent to the entry of any judgment in any pending or threatened Claim in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is an actual or potential party to such Claim), unless such settlement, compromise or consent includes an unconditional, irrevocable release of each Indemnified Person hereunder from any and all liability arising out of such Claim.

Promptly upon receipt by an Indemnified Person of notice of any complaint or the assertion or institution of any Claim with respect to which indemnification is being sought hereunder, such Indemnified Person shall notify us in writing of such complaint or of such assertion or institution but failure to so notify us shall not relieve us from any obligation we may have hereunder, unless and only to the extent such failure results in the actual material harm to us or materially prejudices our ability to defend such Claim on behalf of such Indemnified Person. If we so elect or are requested by such Indemnified Person, we will assume the defense of such Claim, including the employment of counsel reasonably satisfactory to such Indemnified Person and the payment of the fees and expenses of such counsel. In the event, however, that legal counsel to such Indemnified Person reasonably concludes (based upon advice of counsel to the Indemnified Person) and provides written correspondence to us, that having common counsel would present such counsel with a conflict of interest or if the defendant in, or target of, any such Claim, includes an Indemnified Person and us, and legal counsel to such Indemnified Person reasonably concludes that there may be legal defenses available to it or other Indemnified Persons different from or in addition to those available to us, then such Indemnified Person may employ its own separate counsel to represent or defend it in any such Claim and we shall pay the reasonable fees and expenses of such counsel; provided, however, that in no event shall we be required to pay fees, disbursements and other charges of separate counsel for more than one firm of attorneys representing all Indemnified Persons unless the defense of one Indemnified Person is unique or separate from that of another Indemnified Person subject to the same claim or action and such Indemnified Person provides written notice to us of such circumstance (based upon advice of the counsel to the Indemnified Person). Notwithstanding anything herein to the contrary, if we fail timely or diligently to defend, contest, or otherwise protect against any Claim, the Indemnified Party shall have the right, but not the obligation, to defend, contest, compromise, settle, assert crossclaims or counterclaims or otherwise protect against the same, and shall be fully indemnified by us therefor, including without limitation, for the reasonable fees and expenses of its counsel and all amounts paid as a result of such Claim or the compromise or settlement thereof. In any Claim in which we assume the defense, the Indemnified Person shall have the right to participate in such Claim and to retain its own counsel at its own expense.

We agree that if any indemnity sought by an Indemnified Person hereunder is unavailable for any reason then (whether or not MONARCH is the Indemnified Person), we and MONARCH shall contribute to the Claim for which such indemnity is held unavailable in such proportion as is appropriate to reflect the relative benefits to us, on the one hand, and MONARCH on the other, in connection with MONARCH's engagement referred to above, subject to the limitation that in no event shall the amount of MONARCH's contribution to such Claim exceed the amount of fees actually received by MONARCH from us pursuant to MONARCH's engagement. We hereby agree that the relative benefits to us, on the one hand, and MONARCH on the other, with respect to MONARCH's engagement shall be deemed to be in the same proportion as (a) the total value paid or proposed to be paid or received by us pursuant to the Private Placement for which MONARCH is engaged to render services bears to (b) the fee paid or proposed to be paid to MONARCH in connection with such engagement.

Our indemnity, reimbursement and contribution obligations under this Agreement shall be in addition to, and shall in no way limit or otherwise adversely affect any rights that any Indemnified Party may have at law or at equity.

The provisions of this Agreement shall remain in full force and effect following the completion or termination of MONARCH's engagement.

Very truly yours,

CNS Response, Inc.

By: /s/ George Carpenter

Name: George Carpenter

Title: CEO

Monarch Capital Group LLC

By: /s/ Michael Potter

Name: Michael Potter

Title: Chairman/CEO
