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

FORM 10-Q
(Mark One)

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

For the quarterly period ended December 31, 2013

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

For the transition period from __________________ to _____________________.

Commission file number 001-35527

CNS Response, Inc.
(Exact name of registrant as specified in its charter)

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

85 Enterprise, Suite 410
Aliso Viejo, California 92656
(Address of principal executive offices) (Zip Code)

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

(Former name, former address, former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐

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

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

As of February 12, 2014, the issuerhad 98,962,942 shares of common stock, par value $.001 per share, issued and outstanding.

CNS RESPONSE, INC.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

CNS RESPONSE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended December 31, 2013	For the three months ended December 31, 2012
REVENUES		
Neurometric Services	$ 45,000	$ 28,200
OPERATING EXPENSES:		
Cost of Neurometric Service revenues	37,600	31,400
Research	31,700	55,800
Product development	326,600	87,100
Sales and marketing	91,500	91,500
General and administrative	521,500	461,300
Total operating expenses	1,008,900	727,100
OPERATING LOSS	(963,900)	(698,900)
OTHER INCOME (EXPENSE):		
Interest income (expense), net	(1,000)	(598,400)
Gain on extinguishment of debt	1,105,200	466,300
Financing fees	-	(31,700)
Loss on derivative liabilities	-	(97,600)
Total other income (expense)	1,104,200	(261,400)
INCOME(LOSS) BEFORE PROVISION FOR INCOME TAXES	140,300	(960,300)
Provision for income taxes	1,600	800
INCOME(LOSS) FROM CONTINUING OPERATIONS	138,700	(961,100)
Loss from discontinued operations	(3,600)	(12,200)
NET INCOME (LOSS)	$ 135,100	$ (973,300)
BASIC INCOME (LOSS) PER SHARE:		
From continuing operations	$ 0.00	$ (0.47)
From discontinued operations	(0.00)	(0.01)
Combined Net Income (Loss)	0.00	(0.48)
DILUTED INCOME (LOSS) PER SHARE:		
From continuing operations	$ 0.00	$ (0.47)
From discontinued operations	(0.00)	(0.01)
Combined Net Income (Loss)	0.00	(0.48)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	95,047,482	2,024,619
Diluted	107,847,965	2,024,619

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CNS RESPONSE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited As at December 31 2013	As at September 30, 2013
ASSETS		
CURRENT ASSETS:		
Cash	$ 663,000	$ 1,273,600
Accounts receivable (net of allowance for doubtful accounts of $5,900 and $5,900 as of December 31, 2013 and September 30, 2013 respectively)	18,400	26,600
Prepaids and other assets	32,700	63,700
Total current assets	714,100	1,363,900
Furniture and equipment, net	14,500	16,800
Other assets	21,000	21,500
TOTAL ASSETS	$ 749,600	$ 1,402,200
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable (including $31,600 and $66,700 to related parties as of December 31, 2013 and September 30, 2013 respectively)	$ 804,800	$ 2,493,200
Accrued liabilities	1,600	24,200
Accrued compensation (including $158,500 and $294,500 to related parties as of December 31, 2013 and September 30, 2013 respectively)	511,600	763,100
Current portion of capital lease	6,700	7,200
Liabilities of discontinued operation (including $0 and $0 to related parties as of December 31, 2013 and September 30, 2013 respectively)	253,400	268,500
Total current liabilities	1,578,100	3,556,200
LONG-TERM LIABILITIES		
Capital lease	4,800	6,000
Total long-term liabilities	4,800	6,000
TOTAL LIABILITIES	1,582,900	3,562,200
STOCKHOLDERS' DEFICIT:		
Common stock, $0.001 par value; authorized 150,000,000 shares; 96,062,942 and 92,716,562 shares issued and outstanding as of December 31, 2013 and September 30, 2013 respectively	96,100	92,700
Additional paid-in capital	55,486,200	54,298,000
Accumulated deficit	(56,415,600)	(56,550,700)
Total stockholders' deficit	(833,300)	(2,160,000)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 749,600	$ 1,402,200

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CNS RESPONSE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended December 31,	
	2013	2012
OPERATING ACTIVITIES:		
Net income (loss)	$ 135,100	$ (973,300)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Net loss from discontinued operations	3,600	12,200
Depreciation and amortization	2,800	4,000
Amortization of discount on bridge notes issued	-	423,800
Loss on derivative liability valuation	-	97,600
Stock-based compensation	364,000	355,500
Gain on extinguishment of debt	(1,105,200)	(466,300)
Non-cash interest expense	-	205,500
Changes in operating assets and liabilities		
Accounts receivable	8,200	(5,200)
Prepaids and other	31,000	25,900
Accounts payable and accrued liabilities	(244,200)	(136,300)
Deferred compensation	(251,500)	(98,100)
Net cash used in operating activities	(1,056,200)	(554,700)
INVESTING ACTIVITIES:		
Disposal of equipment	-	1,400
Net cash provided by investing activities	-	1,400
FINANCING ACTIVITIES:		
Repayment of a capital lease	(1,700)	(1,600)
Net proceeds from purchase of common stock	466,000	-
Net proceeds from bridge notes	-	1,368,300
Net cash provided by financing activities	464,300	1,366,700
Net cash provided by (used in) continuing operations	(591,900)	813,400
DISCONTINUED OPERATIONS		
Net Cash used in discontinued operations	(18,700)	-
NET INCREASE (DECREASE) IN CASH	(610,600)	813,400
Cash – beginning of period	1,273,600	7,700
Cash – end of period	663,000	$ 821,100
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 1,000	$ 800
Income taxes	$ 1,600	$ 800
Non-cash financing activities:		
Shares issued for officer salaries payable	-	7,900
Shares issued for accounts payable	$ 361,600	$ -

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CNS RESPONSE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012

For the three months ended December 31, 2013	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
BALANCE - September 30, 2013 (Audited)	92,716,562	$ 92,700	$ 54,298,000	$ (56,550,700)	(2,160,000)
Stock-based compensation	-	-	364,000	-	364,000
Stock issued for private placement shares purchases	1,900,000	1,900	464,100	-	466,000
Stock issued in lieu of cash to creditors	1,446,380	1,500	360,100		361,600
Net income for the three months ended December 31, 2013	-	-	-	135,100	135,100
Balance at December 31, 2013	96,062,942	$ 96,100	$ 55,486,200	$ (56,415,600)	$ (833,300)

For the three months ended December 31, 2012	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
BALANCE - September 30, 2012 (Audited)	1,914,175	$ 1,900	$ 32,566,700	$ (45,643,300)	$ (13,074,700)
Stock-based compensation	-	-	355,500	-	355,500
Stock issued for warrant exercise	165,790	200	7,700	-	7,900
Net loss for the three months ended December 31, 2012	-	-	-	(973,300)	(973,300)
Balance at December 31, 2012	2,079,965	$ 2,100	$ 32,929,900	$ (46,616,600)	$ (13,684,600)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CNS RESPONSE, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Organization and Nature of Operations

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

The Company is a clinical decision support company with a patented commercial neurometric platform to predict drug response for treatment of brain disorders, including depression, anxiety, bipolar disorder and post-traumatic stress disorder ("PTSD"). The Company has commenced a reimbursed 2,000 patient trial at Walter Reed National Military Medical Center ("Walter Reed") and Fort Belvoir Community Hospital focused on patients with depression, PTSD and mild traumatic brain injury in order to support clinical decisions in the treatment of depression and related disorders. We will be reimbursed by Walter Reed at study-specific rate which includes a prorated element for study expenses for each Psychiatric Electroencephalographic Evaluation Registry ("PEER") Outcome report rendered in the study.

In addition, the Company had acquired the Neuro-Therapy Clinic, Inc. ("NTC") on January 15, 2008, which provided behavioral health care services. However, due to NTC's inability to operate as a stand-alone entity, it was decided to discontinue its operation effective September 30, 2012, so that the Company could focus its limited cash and resources on the clinical trial at Walter Reed. NTC is accounted for as a discontinued operation as detailed in *Footnote 3.*

On May 23, 2013, the Company held its 2013 annual meeting of stockholders (the "2013 Annual Meeting"), the holders of the Company's common stock voted to elect each of the following directors to serve until the next annual meeting and until his successor is elected and qualified: Thomas Tierney, John Pappajohn, Walter Schindler, Zachary McAdoo, Richard Turner, Andrew Sassine and Robert Follman.

At the 2013 Annual Meeting the shareholders also approved the following proposals:

- To amend the Company's Amended and Restated Certificate of Incorporation, as amended (the "Charter") in order to increase the number of shares of common stock, par value $0.001 per share, authorized for issuance under the Charter from 100,000,000 to 150,000,000.
- To amend the Company's Charter in order to create one or more new series of preferred stock, par value $0.001 per share, and authorize 15,000,000 shares of such preferred stock for issuance.
- To adopt the Company's 2012 Omnibus Incentive Compensation Plan, as amended, to award grants of up to an aggregate of15,000,000 shares of common stock.
- To consider and provide an advisory (non-binding) vote to approve the compensation of the Company's named executive officers as described in the proxy statement (the "Say-on-Pay Vote") and to consider the frequency of holding the Say-on-Pay Vote (with shareholders approving a three year cycle).

The Company's Charter was amended for the first two of these items effective May 31, 2013.

Going Concern Uncertainty

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

The Company's continued operating losses and limited capital raise substantial doubt about its ability to continue as a going concern. The Company has limited cash resources for its operations and will need to raise additional funds to meet its obligations as they become due.

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

Between October 4, 2013 and November 14, 2013, the Company issued an aggregate of 1,900,000 shares of its common stock, par value $0.001 per share at a per share price of $0.25, in a private placement to an aggregate of 11 accredited investors. The gross proceeds to the Company were $475,000.

The private placements were made pursuant to an exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Regulation D thereunder, as the shares of common stock were issued to accredited investors, without a view to distribution, and not through any general solicitation or advertisement. The shares of common stock have not been, and will not be, registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

All share and per share numbers presented have been retroactively adjusted to reflect the 1-for-30 reverse stock split of the common stock on April 2, 2012 and a simultaneous reduction in authorized shares to 100,000,000.

The unaudited condensed consolidated financial statements of CNS Response, Inc. ("CNS," "we," "us," "our" or the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and include all the accounts of CNS and its wholly owned subsidiaries CNS California and NTC. Certain information and note disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted pursuant to such rules and regulations. The unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of our financial position as of December 31, 2013 and our operating results, cash flows, and changes in stockholders' deficit for the interim periods presented. The September 30, 2013 balance sheet was derived from our audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. These unaudited condensed consolidated financial statements and the related notes should be read in conjunction with our audited consolidated financial statements and notes for the year ended September 30, 2013 which are included in our current report on Form 10-K, filed with the Securities and Exchange Commission on December 23, 2013.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and revenues and expenses in the financial statements. Examples of estimates subject to possible revision based upon the outcome of future events include, among others, recoverability of long-lived assets and goodwill, stock-based compensation, the allowance for doubtful accounts, the valuation of equity instruments, use and other taxes. In the opinion of management, these unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments, except as otherwise indicated) necessary for fair presentation for the periods presented as required by regulation S-X, Rule 10-01. Actual results could differ from those estimates.

The results of operations for the three months ended December 31, 2013 are not necessarily indicative of the results that may be expected for future periods or for the year ending September 30, 2014.

Basis of Consolidation

The condensed consolidated financial statements include the accounts of CNS Response, Inc., an inactive parent company, and its wholly owned subsidiaries CNS California and NTC. All significant intercompany transactions have been eliminated in consolidation. NTC is accounted for as a discontinued operation (*see footnote 3).*

Use of Estimates

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

Cash

The Company deposits its cash with major financial institutions and may at times exceed federally insured limit of $250,000. At December 31, 2013 cash exceeded the federally insured limit by $413,000. The Company believes that the risk of loss is minimal. To date, the Company has not experienced any losses related to cash deposits with financial institutions.

Derivative Liabilities

The Company applies ASC Topic 815-40, "Derivatives and Hedging," which provides a two-step model to determine whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the scope exception in ASC 815-10-15-74. This standard triggers liability accounting on all instruments and embedded features exercisable at strike prices based on future equity-linked instruments issued at a lower rate. Using the criteria in ASC 815, the Company determines which instruments or embedded features that require liability accounting and records the fair values as a derivative liability. The changes in the values of the derivative liabilities are shown in the accompanying consolidated statements of operations as "gain (loss) on change in fair value of derivative liabilities."

Effective November 28, 2012 the Company, together with the majority of the note holders of each of the October 2010 Notes, the January 2011 Notes, the October 2011 Notes and the February 2011 Note (see Note 4 below) agreed to amend all the Notes, pursuant to the terms of the Amended and Restated Consent, Note Amendment and Warrant Forfeiture Agreement, dated as of October 24, 2012. Consequently, all of such notes were amended to (a) extend the maturity date to October 1, 2013, (b) set the conversion price at $1.00, subject to adjustment as provided in the notes and (c) remove full-ratchet anti-dilution protection. In addition, the holders forfeited the warrants they received in connection with the issuance of the notes, and consented to the 2012 Bridge Financing, the issuance of the October 2012 Notes and to the subordination of their notes to these October 2012 Notes. Both the convertible notes and warrants had contained ratchet provisions, which under ASC 815 required bifurcation of the conversion feature and warrants for derivative liability treatment. With the warrants forfeited, the ratchet in the notes eliminated and the maturity date extended, only the interest rate on all the notes remained unchanged at 9% per annum. Using the Black Scholes model, we valued each tranche of the Notes as of November 28, 2012 and compared that value with the value of these notes on the prior day with their original maturity dates. The difference of the two valuation calculations of $466,300 was booked to Other Expenses as a gain on extinguishment of debt.

Since November 28, 2012, with the elimination of the warrants and the removal of the ratchet in the convertible debt instruments the Company has had no derivative liabilities.

Fair Value of Financial Instruments

ASC 825-10 (formerly SFAS 107, "Disclosures about Fair Value of Financial Instruments") defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company. The Company considers the carrying amount of cash, accounts receivable, other receivables, accounts payable and accrued liabilities, to approximate their fair values because of the short period of time between the origination of such instruments and their expected realization.

The Company also analyzes all financial instruments with features of both liabilities and equity under ASC 480-10 (formerly SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity"), ASC 815-10 (formerly SFAS No 133, "Accounting for Derivative Instruments and Hedging Activities") and ASC 815-40 (formerly EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock").

The Company adopted ASC 820-10 (formerly SFAS 157, "Fair Value Measurements") on January 1, 2008. ASC 820-10 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follow:

· Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

· Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

· Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

For the three months ending December 31, 2013 the Company had no derivative liabilities or change in fair valuation thereon. For the three months ending December 31, 2012 the Company recognized a loss of $97,600 on the change in fair value of derivative liabilities. As at December 31, 2013 the Company did not identify any other assets or liabilities that are required to be presented on the balance sheet at fair value in accordance with ASC 825-10.

Accounts Receivable

The Company estimates the collectability of customer receivables on an ongoing basis by reviewing past-due invoices and assessing the current creditworthiness of each customer. Allowances are provided for specific receivables deemed to be at risk for collection.

Furniture and Equipment

Fixed assets, which are recorded at cost, consist of office furniture and equipment and are depreciated over their estimated useful life on a straight-line basis. The useful life of these assets is estimated to be from 3 to 5 years. Depreciation for the three months ended December 31, 2013 and 2012 was $2,800 and $4,000 respectively. Accumulated depreciation at December 31, 2013 and 2012 was $63,100 and $53,300 respectively.

Offering Costs

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

Long-Lived Assets

As required by ASC 350-30 (formerly SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*) ("ASC 350-30"), the Company reviews the carrying value of its long-lived assets whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. No impairment loss was recorded for the three months ended December 31, 2013 and 2012.

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

Accounts Payable

This consists of trade payables of which $404,200 is for legal services.

Between November 11, 2013 and December 20, 2013, the Company issued an aggregate of 1,446,380 shares of its common stock, par value $0.001 per share, as full and complete settlement of trade debt totaling an aggregate $1,466,800 owed to two creditors who are also accredited investors. The fair market value of the shares that were issued in these transactions was determined to be $0.25 per share. The excess value of $1,105,200 over the fair market value of the issued shares was booked to Other Expenses as a gain on extinguishment of debt.

Revenues

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

Research and Development Expenses

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

Advertising Expenses

The Company charges all advertising expenses to operations as incurred. There were no advertising expenses for the three months ended December 31, 2013 and 2012.

Stock-Based Compensation

The Company has adopted ASC 718-20 (formerly SFAS No. 123R, *Share-Based Payment* -revised 2004) ("ASC718-20") and related interpretations which establish the accounting for equity instruments exchanged for employee services. Under ASC 718-20, share-based compensation cost is measured at the grant date based on the calculated fair value of the award (*see Note 5 for further discussion on valuations*). The expense is recognized over the employees' requisite service period, generally the vesting period of the award.

Inducement to Convert Debt

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

Comprehensive Income (Loss)

ASC 220-10 (formerly, SFAS No. 130, *Reporting Comprehensive Income*) ("ASC 220-10"), requires disclosure of all components of comprehensive income (loss) on an annual and interim basis. Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's comprehensive income (loss) is the same as its reported net income (loss) for the years ended December 31, 2013 and 2012.

Earnings (Loss) per Share

The Company has adopted the accounting principles generally accepted in the United States regarding earnings (loss) per, which requires presentation of basic and diluted earnings (loss) per share in conjunction with the disclosure of the methodology used in computing such earnings (loss) per share.

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

Recent Accounting Pronouncements

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

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force). The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, with certain exceptions. This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect the adoption of the standard update to have a material impact on its consolidated financial position or results of operations.

In April 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-07 Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting, in order to clarify when an entity should apply the liquidation basis of accounting. In addition, the guidance provides principles for the recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. The amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. The Company does not expect the adoption of the standard update to have a material impact on its consolidated financial position or results of operations.

In February 2013, the FASB issued ASU 2013-04 Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date, in order to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. generally accepted accounting principles (GAAP). The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect the adoption of the standard update to have a material impact on its consolidated financial position or results of operations.

3. DISCONTINUED OPERATIONS

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

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

Summary Financial Data of Discontinued Operations:

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

	Three Months Ended December 31,	
	2013	**2012**
Neuro-Therapy Clinic		
Revenues	$ -	$ -
Expenses	3,600	12,200
Operating Loss before taxes	$ (3,600)	$ (12,200)
Taxes	-	-
Net Loss	$ (3,600)	$ (12,200)

The assets and liabilities of NTC are as follows:

	As at December 31,	
	2013	**2012**
ASSETS:		
Cash	$ -	$ 15,100
Assets of Discontinued Operations	$ -	$ 15,100
LIABILITIES:		
Accounts Payable	$ 88,500	$ 159,600
Accrued Payroll Liabilities	120,300	138,500
Note Payable (see Note 8)	44,600	-
Liabilities of Discontinued Operations	$ 253,400	$ 298,100

4. CONVERTIBLE DEBT AND EQUITY FINANCINGS

During 2010, 2011 and 2012 we entered into five private placement financings of convertible debt. Effective September 30, 2013, all convertible debt, and interest thereon, had been converted into 76,448,279 shares of common stock. As of October 1, 2012 the combined outstanding balance of all the below mentioned convertible debt was $8,012,000 with debt discount balance of $824,400. During the three months ended December 31, 2013 and 2012, the Company amortized $0 and $292,100 of the debt discount respectively.

The five tranches of private placements are summarized below.

1) **The October 2010 Notes:** These were approved by the Company's Board on September 26, 2010, for the issuance of approximately $3 million in secured convertible promissory notes, bearing interest at 9% per annum, to be issued by January 31, 2011, and included the exchange of bridge notes, with accrued interest, issued, to two directors. The October 2010 Notes in the aggregate principal amount of $3,023,900 and warrants to purchase 503,998 (ratchet and reverse split adjusted) shares of common stock were issued by November 12, 2010. Subsequently, the warrants that were issued with this transaction were forfeited pursuant to the Amended & Restated Consent, Note Amendment and Warrant Forfeiture Agreement dated October 24, 2012 which also amended the conversion price of the notes to $1 per share. A $250,000 note plus $53,300 of interest thereon which was held by SAIL Venture Partners was converted on January 31, 2013, into 303,313 shares of common stock at $1 per share. The remaining $2,773,900 notes plus $712,000 of interest thereon were converted into 13,943,539 shares of common stock pursuant to the offer letter to convert and the Omnibus Note Amendment Agreement which was fully executed on August 12, 2013, when all remaining holders of $1 convertible debt agreed to convert their notes and interest into shares of common stock at $0.25 per share. The combined conversions of the October 2010 Notes of $3,023,900 of principal plus $765,259 of interest converted into 14,246,852 shares.

As of December 31, 2013 and September 30, 2013 no October 2010 Notes were outstanding. During the three months ended December 31, 2013 and 2012, the Company amortized $0 and $0 of the debt discount respectively.

2) **The January 2011 Notes:** On November 23, 2010, the Company's Board approved an approximate aggregate offering amount of $5 million in subordinated convertible promissory notes, bearing interest at 9% per annum, to be issued by July 31, 2011. From January 20, 2011 through April 25, 2011, the Company issued January 2011 Notes in an aggregate principal amount of $2,500,000 and warrants to purchase 416,674 (ratchet and reverse split adjusted) shares of common stock. Subsequently, the warrants that were issued with this transaction were forfeited pursuant to the Amended & Restated Consent, Note Amendment and Warrant Forfeiture Agreement dated October 24, 2012 which also amended the conversion price of the notes to $1 per share. Six notes in the aggregate amount of $1,000,000 plus $166,500 of interest thereon, which were held by various SAIL entities were converted on January 31, 2013 into 1,166,503 shares of common stock at $1 per share. The remaining $1,500,000 notes plus $334,100 of interest thereon were converted into 7,336,500 shares of common stock pursuant to the offer letter to convert and the Omnibus Note Amendment Agreement which was fully executed on August 12, 2013, when all remaining holders of $1 convertible debt agreed to convert their notes and interest into shares of common stock at $0.25 per share. The combined conversions of the January 2011 Notes of $2,500,000 of principal plus $500,600 of interest converted into 8,503,003 shares.

As of December 31, 2013 and September 30, 2013 no January 2011 Notes were outstanding. During the three months ended December 31, 2013 and 2012, the Company amortized $0 and $0 of the debt discount respectively.

3) **The October 2011 Notes:** On September 30, 2011, the Company's Board approved an approximate aggregate offering amount of $2 million in subordinated convertible promissory notes, bearing interest at 9% per annum, to be issued by April 1, 2012. From October 18, 2011 through January 31, 2012, the Company issued October 2011 Notes in an aggregate principal amount of $2,000,000 and warrants to purchase 666,673 (ratchet and reverse split adjusted) shares of common stock. Subsequently, the warrants that were issued with this transaction were forfeited pursuant to the Amended & Restated Consent, Note Amendment and Warrant Forfeiture Agreement dated October 24, 2012 which also amended the conversion price of the notes to $1 per share. The $2,000,000 notes plus 301,400 of interest thereon were converted into 9,205,680 shares of common stock pursuant to the offer letter to convert and the Omnibus Note Amendment Agreement which was fully executed on August 12, 2013, when all holders of $ 1 convertible debt agreed to convert their notes and interest into shares of common stock at $0.25 per share.

As of December 31, 2013 and September 30, 2013 no October 2011 Notes were outstanding. During the three months ended December 31, 2013 and 2012, the Company amortized $0 and $277,100 of the debt discount respectively.

4) **The February 2012 Note:** On February 29, 2012, the Company raised $90,000 through the sale of a subordinated unsecured February 2011 Note, bearing interest at 9% per annum, and warrant to purchase 30,000 (ratchet and reverse split adjusted) shares of common stock. Subsequently, the warrant that was issued with this transaction was forfeited pursuant to the Amended & Restated Consent, Note Amendment and Warrant Forfeiture Agreement dated October 24, 2012, which also amended the conversion price of the note to $1 per share. The $90,000 note plus $11,900 of interest thereon was converted into 407,700 shares of common stock pursuant to the offer letter to convert and the Omnibus Note Amendment Agreement which was fully executed on August 12, 2013, when all holders of $1 convertible debt agreed to convert their notes and interest into shares of common stock at $0.25 per share.

As of December 31, 2013 and September 30, 2013 no February 2012 Notes were outstanding. During the three months ended December 31, 2013 and 2012, the Company amortized $0 and $15,000 of the debt discount respectively.

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

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

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

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

As of December 31, 2013 and September 30, 2013, no October 2012 Notes were outstanding. As of September 30, 2012, $398,100 of the October 2012 Notes were outstanding with a debt discount of $370,200. During the three months ended December 31, 2013 and 2012, the Company amortized $0 and $100,000 of the debt discount respectively.

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

5. STOCKHOLDERS' DEFICIT

Common and Preferred Stock

On April 2, 2012, the Company announced that on March 30, 2012 it had filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation (the "Amendment") to (i) effect a 1-for-30 reverse stock split ("reverse split") of its common stock, par value $0.001 per share (the "Common Stock"), effective at 5:00 p.m. Pacific Time on April 2, 2012 (the "Effective Time"), and (ii) simultaneously therewith reduce the number of authorized shares of Common Stock available for issuance under the Company's Amended and Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), from 750 million to 100 million. Because the Amendment did not reduce the number of authorized shares of Common Stock in the same proportion as the reverse split, the effect of the Amendment was to increase the number of shares of Common Stock available for issuance relative to the number of shares issued and outstanding.

At the Effective Time, immediately and without further action by the Company's stockholders, every 30 shares of the Company's Common Stock issued and outstanding immediately prior to the Effective Time were automatically combined into one share of Common Stock. In the event the reverse split left a stockholder with a fraction of a share, the number of shares due to that stockholder was rounded up. Further, any options, warrants and rights outstanding as of the Effective Time that were subject to adjustment were adjusted in accordance with the terms thereof. These adjustments included, without limitation, changes to the number of shares of Common Stock that would be obtained upon exercise or conversion of such securities, and changes to the applicable exercise or purchase price.

As of December 31, 2013, the Company is authorized to issue 165,000,000 shares of stock of which 150,000,000 are common stock at par value of $0.001 per share; the remaining 15,000,000 shares, with a par value of $0.001 per shares are blank-check preferred stock which the Board of Directors are expressly authorized to provide, for one or more series of preferred stock and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, the voting powers, if any, of the shares of such series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series. The powers, preferences and relative, participating, optional and other special rights of each series of preferred stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

As of December 31, 2013, 92,062,942 shares of common stock were issued and outstanding and no shares of preferred stock were issued or outstanding.

As of December 31, 2013, CNS California is authorized to issue 100,000,000 no par value shares of two classes of stock, 80,000,000 of which was designated as common shares and 20,000,000 of which was designated as preferred shares.

As of December 31, 2013, Colorado CNS Response, Inc. is authorized to issue 1,000,000 no par value shares of common stock.

As of December 31, 2013, Neuro-Therapy Clinic, Inc., a wholly-owned subsidiary of Colorado CNS Response, Inc., is authorized to issue 10,000 shares of common stock, no par value per share.

On September 19, 2012, the BluMont Capital Corp. ITF Northern Rivers Innovation RSP Fund converted $1,900 on principal and interest of their $50,000 August 2012 Note to 40,000 shares of common stock at a conversion price of $0.04718 per share.

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

From January 18, 2013 through September 30, 2013 the $1,998,200 of October 2012 Note holders converted all their debt and interest thereon into 44,085,044 shares of common stock, par value $0.001, at a conversion price of $0.04718 per share. *(Refer to Note 7. Related Party Transactions)*

On January 31, 2013, the SAIL Capital Partners converted all their notes convertible at $1.00 in the aggregate principal amount of $1,250,000 and $219,800 of interest thereon into 1,469,816 shares of common stock. Of these conversions $250,000 was an October 2010 Note together with interest of $53,300 converted into 303,313 shares of common stock at a conversion price of $1.00 per share. $1,000,000 in aggregate were six January 2011 Notes together with interest of $166,500 which converted into 1,166,503 shares of common stock at a conversion price of $1.00.

From February 22, 2013 through April 1, 2013, 19 accredited investors purchased an aggregate of 4,180,000 shares of common stock at a price of $0.25 per share in a private placement. The Company received gross aggregate cash proceeds of $1,045,000. *(Refer to Note 7. Related Party Transactions)*

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

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

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

From May 23, 2013, through September 12, 2013, 23 accredited investors purchased an aggregate of 8,000,000 shares of common stock, par value $0.001, at a price of $0.25 per share pursuant to a private placement. The Company received gross aggregate cash proceeds of $2,000,000. *(Refer to Note 7. Related Party Transactions)*

On August 12, 2013, pursuant to an offer to all holders of debt convertible into common stock at $1.00 per share, all holders agreed to convert $7,723,300 of convertible debt, which included $1,359,400 interest thereon, into 30,893,419 shares of common stock, par value $0.001 per share, at a per share price of $0.25. *(Refer to Note 7. Related Party Transactions)*

Below is a summary of all promissory notes conversions:

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

From August 30, 2013, through September 30, 2013, pursuant to a subscription agreement, 10 vendors converted an aggregate $502,100 of trade payables into 2,008,318 shares of common stock, par value $0.001, at a price for $0.25 per share. *(Refer to Note 7. Related Party Transactions)*

From October 4, 2013, through November 14, 2013, 11 accredited investors purchased an aggregate of 1,900,000 shares of common stock, par value $0.001, at a price of $0.25 per share pursuant to a private placement. The Company received gross aggregate cash proceeds of $475,000. *(Refer to Note 7. Related Party Transactions)*

Between November 11, 2013 and December 20, 2013, the Company issued an aggregate of 1,446,380 shares of its common stock, par value $0.001 per share, as full and complete settlement of trade payables totaling an aggregate $1,466,800 owed to two creditors who are also accredited investors.

Stock-Option Plan

On August 3, 2006, CNS California adopted the CNS California 2006 Stock Incentive Plan (the "2006 Plan"). The 2006 Plan provides for the issuance of awards in the form of restricted shares, stock options (which may constitute incentive stock options (ISO) or non-statutory stock options (NSO), stock appreciation rights and stock unit grants to eligible employees, directors and consultants and is administered by the board of directors. A total of 333,334 shares of stock were initially reserved for issuance under the 2006 Plan.

The 2006 Plan initially provided that in any calendar year, no eligible employee or director shall be granted an award to purchase more than 100,000 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.

On March 3, 2010, the Board of Directors approved an amendment to the 2006 Plan which increased the number of shares reserved for issuance under the 2006 plan from 333,334 to 666,667 shares of stock. The amendment also increased the limit on shares issued within a calendar year to any eligible employee or director from 100,000 to 133,333 shares of stock. The amendment was approved by shareholders at the annual meeting held on April 27, 2010.

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

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

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

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

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

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

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

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

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

On November 8, 2013, the Board granted 700,000 options to purchase shares of its common stock pursuant to the 2012 Plan, at an exercise price of $0.25 per share to select consultants and staff, excluding the managers.

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

As of December 31, 2013, 70,825 options had been exercised and 501,924 options and 6,132 restricted shares were outstanding under the amended 2006 Plan leaving 87,786 shares which will never be issued as the 2006 Plan is frozen. 9,247,670 options have been issued under the 2012 Plan, none of which have been exercised, leaving 5,250,406 options available for issuance.

Stock-based compensation expense is recognized over the employees' or service provider's requisite service period, generally the vesting period of the award. Stock-based compensation expense included in the accompanying statements of operations for the three months and three months ended December 31, 2013 and 2012 is as follows:

	For the three months ended December 31	
	2013	2012
Cost of Neurometric Services revenues	$ 2,900	$ 2,500
Research	25,700	24,000
Product Development	71,200	19,000
Sales and marketing	26,300	54,500
General and administrative	237,900	255,500
Total	$ 364,000	$ 355,500

Total unrecognized compensation as of December 31, 2013 amounted to $921,532.

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at September 30, 2013	9,749,594	$ 1.00
Granted	2,300,000	0.25
Exercised	-	-
Forfeited	-	-
Outstanding at December 31, 2013	12,049,594	$ 0.86

Following is a summary of the status of options outstanding at December 31, 2013:

Exercise Price	Number of Shares	Weighted Average Contractual Life	Weighted Average Exercise Price
$ 0.04718	8,955,000	10 years	$ 0.04718
$ 0.25	2,550,000	10 years	..25
$ 3.00	42,670	10 years	3.00
$ 3.60	28,648	10 years	3.60
$ 3.96	32,928	10 years	3.96
$ 9.00	4,525	10 years	9.00
$ 12.00	28,535	10 years	12.00
$ 14.10	10,000	10 years	14.10
$ 15.30	1,373	10 years	15.30
$ 16.50	262,441	10 years	16.50
$ 17.70	953	10 years	17.70
$ 24.00	4,667	10 years	24.00
$ 26.70	32,297	10 years	26.70
$ 28.80	11,767	10 years	28.80
$ 32.70	83,790	10 years	32.70
Total	12,049,594		$ ..86

We have entered into agreements on June 3, 2011 with the majority of our 2006 Plan option holders pursuant to which holders of options to purchase an aggregate of 439,689 shares of our common stock, at exercise prices ranging from $3.60 per share to $32.70 per share, have agreed to amend their options to permit exercise only in cash and to limit the period during which the options may be exercised post-termination to 90 days (for employees) and twelve months (for consultants).

We have agreed to freeze any further grants or exercises of securities under the 2006 Plan and adopt the 2012 Stock Incentive Plan, which was approved at the 2013 Annual Meeting of Stockholders held on May 23, 2013.

Warrants to Purchase Common Stock

The warrant activity for the period starting October 1, 2012, through December 31, 2013, is described as follows:

Warrants		Exercise Price	Issued, Surrendered or Expired in Connection With:
2,164,440			**Warrants outstanding at October 1, 2012**
(1,617,345)	$	3.00	Warrants forfeited pursuant to the Amended and Restated Consent, Note Amendment and Warrant Forfeiture Agreement dated October 24, 2012
127,173	$	0.04718	These warrants were issued to Monarch Capital who acted as placement agents in raising $60,000 from one investor who purchased October 2012 Notes pursuant to the 2012 Bridge Note October Purchase Agreement.
519,288	$	0.04718	These warrants due to be issued to Tony Pullen who acted as placement agents in raising $350,000 from three investors who purchased October 2012 Notes pursuant to the 2012 Bridge Note October Purchase Agreement.
100,000	$	0.25	These warrants were issued to D&D Securities Inc. in connection with the Company's private offering to select accredited investors of shares of restricted common stock at a private of $0.25 per share, in a private placement agreement dated February 20, 2013.
204,000	$	0.275	These warrants were issued to Monarch Capital who acted as placement agents in raising $510,000 from sixteen accredited investors who purchased common stock, par value $0.001 per share, in a private placement agreement dated February 20, 2013 and May 23, 2013.
1,497,556	$	3.03	**Warrants outstanding at September 30, 2013**
30,000	$	0.275	These warrants were issued to Monarch Capital who acted as placement agents in raising $75,000 from five accredited investors who purchased common stock, par value $0.001 per share, in a private placement agreement dated October 2, 2013.
1,527,556	$	2.98	**Warrants outstanding at December 31, 2013**

At December 31, 2013, there were warrants outstanding to purchase 1,527,556 shares of the Company's common stock. The exercise price of the outstanding warrants range from $0.04718 to $9.90 with a weighted average exercise price of $2.98. The warrants expire at various times starting 2014 through 2018.

6. RELATED PARTY TRANSACTIONS

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

On November 24, 2010 the Board of Directors, excluding Mr. Pappajohn, resolved to ratify an engagement agreement with Equity Dynamics, Inc. a company owned by Mr. Pappajohn, to provide financial advisory services to assist the Company with the its fund raising efforts. These efforts have included advice and assistance with the preparation of Private Placement Memoranda, investor presentations, financing strategies, identification of potential and actual investors, and introductions to placement agents and investment bankers. The engagement agreement calls for a retainer fee of $10,000 per month starting February 1, 2010. The initial term of the agreement was for 12 months from its initiation. The agreement could be cancelled by either party, with or without cause, with 30 days written notice. On March 22, 2012, the Board ratified the extension of the engagement agreement through January 2012. This agreement has now been terminated. As of September, 2013, the Company had accrued $ 157,600 of consulting fees plus $42,400 in expenses incurred on behalf of the Company for a total of $200,000 due to Equity Dynamics. Mr. Pappajohn assigned the $200,000 debt to third parties who entered into subscription agreements with the Company to settle this debt with common stock at $0.25 per share. On September 20, 2013, we issued 800,000 shares to five accredited investors who were assigned the debt.

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

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

On October 25, 2012, an October 2012 Note in the aggregate principal amount of $200,000 was issued in exchange for cash to Extuple Limited Partnership ("Extuple"), an accredited investor, of which Philip Deck is the managing partner. Extuple is a greater than 5% beneficial owner of the Company. On June 14, 2013, Extuple converted $50,000 of their October 2012 Note and interest thereon to into 1,121,237 shares of common stock at a conversion price $0.04718 per share. On September 30, 2013, Extuple converted the remaining $150,000 of their October 2012 Note and interest thereon into 3,449,555 shares of common stock at a conversion price $0.04718 per share.

On October 26, 2012 we issued three October 2012 Notes for the aggregate amount of $90,000 in exchange for cash to the following SAIL entities:- SAIL 2010 Co-Investment Partners, LP, $20,000; SAIL 2011 Co-Investment Partners, LP, $20,000; SAIL Venture Partners II, LP $50,000.

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

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

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

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

On November 29, 2012, an October 2012 Note in the aggregate principal amount of $250,000 was issued in exchange for cash to Mark and Jill Oman, who are accredited investors and are greater than 5% beneficial owners of the Company. On April 30, 2013, Mr. & Mrs. Oman converted their October 2012 Note and interest thereon into 5,500,212 shares of common stock at a conversion price of $0.04718 per share.

On November 28, 2012, pursuant to the Amended and Restated Consent, Note Amendment and Warrant Forfeiture Agreement dated October 24, 2012, between the Company and the holders of at least a majority in aggregate principal amount outstanding ("Majority Holders") of each tranche of the Company's convertible promissory notes issued (the October 2010 Notes, the January 2011 Notes, the October 2011 Notes and the February 2012 Note), all of such notes were amended to (a) extend the maturity date of October 1, 2013, (b) set the conversion price at $1.00, subject to adjustment as provided in the notes and (c) remove full-ratchet anti-dilution protection. In addition, the holders forfeited the warrants they received in connection with the issuance of the notes, and consented to the 2012 Bridge Financing, the issuance of the October 2012 Notes and to the subordination of their notes to these October 2012 Notes.

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

On February 6, 2013, the Company filed with the Securities and Exchange Commission ("SEC") Schedule 14f-1 in connection with the change in a majority of the Board. The 14f-1 was mailed to stockholders of record by February 13, 2013. On December 10, 2012, the Company's Board had approved the appointment of Richard W. Turner, Robert J. Follman, Andrew H. Sassine and Thomas T. Tierney (collectively, the "New Board Members") to the Board of the Company to fill vacancies. The New Board Members took office as directors on February 25, 2013. Messrs. Turner and Sassine were appointed to the Board as nominees of Equity Dynamics, Inc. ("Equity Dynamics"), an entity owned by Board member John Pappajohn, pursuant to the terms of the governance agreement, dated November 28, 2012, between the Company and Equity Dynamics. Messrs. Tierney and Follman were appointed to the Board as nominees of SAIL Capital Partners, which is affiliated with Board member Walter Schindler, pursuant to the terms of the governance agreement, dated November 28, 2012, between the Company and SAIL Capital Partners.

On February 22, 2013, Paul Buck our Chief Financial Officer of the Company, invested $12,500 for 50,000 shares of common stock at $0.25 per share pursuant to a subscription agreement. The Company received gross cash proceeds of $12,500.

On March 18, 2013, Tierney Family Trust, of which Mr. Tierney our Chairman of the Board is a trustee, invested $100,000 for 400,000 shares of common stock at a price of $0.25 per share pursuant to a subscription agreement. The Company received gross cash proceeds of $100,000.

On April 1, 2013, Extuple Limited Partnership ("Extuple"), an accredited investor and a greater than 5% beneficial owner of the Company, invested $300,000 for 1,200,000 shares of common stock at a price of $0.25 per share pursuant to a subscription agreement. The Company received gross cash proceeds of $300,000.

On June 11, 2013, Mr. & Mrs. Oman who are accredited investors and greater than 5% beneficial owners of the Company invested $250,000 for an aggregate of 1,000,000 shares of common stock at a price of $0.25 per share pursuant to a subscription agreement. The Company received gross cash proceeds of $250,000. Of the issued shares, 800,000 shares are held and their own name and 200,000 are held in the name of an entity which they control.

For May through December 2013, we accrued $10,000 per month pursuant to a consulting agreement for an aggregate of $80,000 for marketing services provided by Decision Calculus Associates ("DCA"), an entity operated by the spouse of George Carpenter, our Chief Executive Officer. The Board of Directors approved the consulting agreement at a meeting on September 25, 2013. As of December 31, 2013, we had paid $65,500 to DCA with $15,300 remaining as a payable.

On July 22, August 30 and September 9 of 2013 the Tierney Family Trust, of which Thomas Tierney, our Chairman of the Board, is a trustee, purchased an aggregate of 1,200,000 shares of common stock at a price of $0.25 per share pursuant to a Private Placement Offering Memorandum dated May 23, 2013. The Company received gross aggregate cash proceeds of $300,000.

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

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

On August 16 and September 11, 2013, the Trust of Robert J. Follman and Carole A. Follman, dated August 14, 1979 (the "Follman Trust"), of which Robert J. Follman our Director, is a trustee, purchased an aggregate of 800,000 shares of common stock at a price of $0.25 per share pursuant to a Private Placement Offering Memorandum dated May 23, 2013. The Company received gross aggregate cash proceeds of $200,000.

On August 28, 2013, Paul Buck our Chief Financial Officer of the Company, invested $12,500 for 50,000 shares of common stock at $0.25 per share pursuant to a Private Placement Offering Memorandum dated May 23, 2013. The Company received gross cash proceeds of $12,500.

On August 30, 2013, Mr. Pappajohn, our Director, purchased an aggregate of 400,000 shares of common stock at a price of $0.25 per share pursuant to a Private Placement Offering Memorandum dated May 23, 2013. The Company received gross aggregate cash proceeds of $100,000.

Also on August 30, 2013, Mr. and Mrs. Oman, who are greater than 5% beneficial owners of the Company, purchased an aggregate of 400,000 shares of common stock at a price of $0.25 per share pursuant to a Private Placement Offering Memorandum dated May 23, 2013. The Company received gross aggregate cash proceeds of $100,000.

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

7. EARNINGS (LOSS) PER SHARE

In accordance with ASC 260-10 (formerly SFAS 128, "Computation of Earnings Per Share"), basic net income (loss) per share is computed by dividing the net income (loss) to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and dilutive common equivalent shares outstanding during the period. For the three months ended December 31, 2013 and 2012, the Company has excluded all common equivalent shares from the calculation of diluted net loss per share as such securities are anti-dilutive.

A summary of the net income (loss) and shares used to compute net income (loss) per share for the three months ended December 31, 2013 and 2012 is as follows:

	Three months ended December 31,	
	2013	**2012**
Net income (loss) for computation of basic net loss per share:		
From continuing operations	$ 138,700	$ (961,100)
From discontinued operations	$ (3,600)	$ (12,200)
Net income (loss)	$ 135,100	$ (973,300)
Basic net income (loss) per share:		
From continuing operations	$ 0.00	$ (0.47)
From discontinued operations	$ (0.00)	$ (0.01)
Basic net income (loss) per share	$ 0.00	$ (0.48)
Net income (loss) for computation of dilutive net loss per share:		
From continuing operations	$ 138,700	$ (961,100)
From discontinued operations	$ (3,600)	$ (12,200)
Net income (loss)	$ 135,100	$ (973,300)
Diluted net income (loss) per share:		
From continuing operations	$ 0.00	$ (0.47)
From discontinued operations	$ (0.00)	$ (0.01)
Basic net income (loss) per share	$ 0.00	$ (0.48)
Basic weighted average shares outstanding	95,047,482	2,024,619
Dilutive common equivalent shares	12,800,483	-
Diluted weighted average common shares	107,847,965	2,024,619
Anti-dilutive common equivalent shares not included in the computation of dilutive net loss per share:		
Convertible debt	-	36,968,562
Warrants	-	1,086,210
Options	-	4,142,695

8. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of the Company's operations in the ordinary course of business. Other than as set forth below, the Company is not currently party to any legal proceedings, the adverse outcome of which, in the Company's management's opinion, individually or in the aggregate, would have a material adverse effect on the Company's results of operations or financial position.

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

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

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

Discovery is ongoing and the Company continues to aggressively defend the action. A trial date has been set for May 2014. The Company believes the third amended complaint, like the prior complaints, is without merit. The Company has not accrued any amounts related to this matter. The action is captioned *Leonard J. Brandt and Brandt Ventures, GP v. CNS Response, Inc., Sail Venture Partners and David Jones*, case no. 30-2011-00465655-CU-WT-CJC.

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

Lease Commitments

On December 30, 2009, the Company entered a three year lease, commencingFebruary 1, 2010 and terminating on January 31, 2013 for its new Headquarters and Neurometric Services business premises located at 85 Enterprise, Aliso Viejo, California 92656. On January 29, 2013, we signed a 12 month extension of our lease. The lease period started on February 1, 2013 and ends on January 31, 2014. The monthly rent remained the same as our 2012 monthly rate at $4,147 with the 9th month of the lease, October 2013, being a rent-free month. The remaining lease obligation totals $4,100.

The Company leased space for its Clinical Services, our discontinued operation, under an operating lease. The original lease terminated on February 28, 2010 and a 37 month extension to the lease was negotiated commencingApril 1, 2010 and terminating April 30, 2013. The 3,542 square foot facility had an average cost for the lease term of $5,100 per month. These premises were vacated on September 30, 2012 and the Company fully accrued the remaining outstanding balance of the lease through April 30, 2013, which has remained outstanding. As a key term in the lease extension, the landlord required that CNS Response, rather than NTC, bear the financial responsibility for this lease. We negotiated a settlement with the landlord to structure the payoff of the lease with a promissory note of $50,000 bearing interest at 5% per annum with 13 payments over 12 months. The first six payments are at $2,000 per month and the subsequent 6 payments at $5,685 per month with a final payment of $5,685 due on September 30, 2014. The remaining promissory note obligation totals $44,600.

The Company incurred rent expense from continuing operations of $8,300 and $10,900 for the three months ended December 31, 2013 and 2012, respectively.

On November 8, 2010 we entered into a financial lease to acquire EEG equipment costing $15,900. The term of the lease is 48 months ending October 2014 and the monthly payment is $412. As of December 31, 2013 the remaining lease obligation is $3,700 for fiscal year 2014.

On April 24, 2013 we entered into a financial lease to acquire additional EEG equipment costing $8,900. The term of the lease is 36 months ending May 2016 and the monthly payment is $325. As of December 31, 2013 the remaining lease obligation is $9,100: being $2,900, $3,900 and $2,300 for fiscal years 2014, 2015 and 2016 respectively.

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	1 to 3 years	3-5 years	More than 5 years
Operating Lease Obligations	$ 4,100	$ 4,100	$ -	-	-
Capital Lease Obligations	11,500	6,700	4,800	-	-
Note Payable, discontinued operation's	44,600	44,600			
Total	$ 60,200	$ 55,400	$ 4,800	-	-

9. SUBSEQUENT EVENTS

Events subsequent to December 31, 2013 have been evaluated through the date these financial statements were issued, to determine whether they should be disclosed to keep the financial statements from being misleading. The following events have occurred since December 31, 2013.

On February 6, 2014, we signed a 24 month extension to our lease for our current location at 85 Enterprise, Suite 410, Aliso Viejo, CA 92656. The lease period starts on February 1, 2014 and ends January 31, 2016. The monthly rent for months 1 through 12 is $4,349; the months of February 2014 and January 2015 are abated; the monthly rent for months 14 through 24 is $4,523.

Private Placement of Stock

Between January 14, 2014 and February 12, 2014, the Company sold and issued an aggregate of 2,900,000 shares of its common stock, par value $0.001 per share, at a per share price of $0.25, in a private placement to 15 accredited investors, for which it received gross cash proceeds to the Company of $725,000. These investors included our Chairman, Thomas Tierney, who purchased 800,000 shares of common stock for $200,000; our Director, Robert Follman, who purchased 400,000 shares of common stock for $100,000; our Chief Executive Officer, George Carpenter and his wife Jill Carpenter, who purchased 200,000 shares of common stock for $50,000 and our Chief Financial Officer, Paul Buck, who purchased 100,000 shares of common stock for $25,000.

The related subscription agreement, dated as of January 8, 2013, between the investors and the Company provides that shares with an aggregate value of up to $1.0 million may be issued by the Company in the private placement until not later than February 14, 2014, unless terminated earlier by the Company. The private placement is not subject to a minimum subscription amount.

The private placement is being made pursuant to an exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Regulation D thereunder, as the shares of Common Stock are being issued to accredited investors, without a view to distribution, and are not issued through any general solicitation or advertisement. The shares of Common Stock have not been, and will not be, registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

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

The information contained in this Form 10-Q is intended to update the information contained in our Annual Report on Form 10-K for the year ended September 30, 2013 and presumes that readers have access to, and will have read, the "Management's Discussion and Analysis or Plan of Operation" and other information contained in such Form 10-K. The following discussion and analysis also should be read together with our consolidated financial statements and the notes to the consolidated financial statements included elsewhere in this Form 10-Q.

This discussion summarizes the significant factors affecting the condensed consolidated operating results, financial condition and liquidity and cash flows of CNS Response, Inc. for the three months ended December 31, 2013 and 2012. Except for historical information, the matters discussed in this management's discussion and analysis or plan of operation and elsewhere in this Quarterly Report on Form 10-Q, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new products or services; our statements concerning litigation or other matters; statements concerning projections, predictions, expectations, estimates or forecasts for our business, financial and operating results and future economic performance; statements of management's goals and objectives; trends affecting our financial condition, results of operations or future prospects; our financing plans or growth strategies; and other similar expressions concerning matters that are not historical facts. Words such as "may," "will," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes" and "estimates," and similar expressions, as well as statements in future tense, identify forward-looking statements.

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

- our inability to raise additional funds to support operations and capital expenditures;
- our inability to achieve greater and broader market acceptance of our products and services in existing and new market segments;
- our inability to successfully compete against existing and future competitors;
- our inability to manage and maintain the growth of our business;
- our inability to protect our intellectual property rights; and
- other factors discussed under the headings "Risk Factors" and "Business" in our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q.

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

Overview

We are a clinical decision support company with a patented commercial neurometric platform to predict drug response for treatment of brain disorders, including depression, anxiety, bipolar disorder and post-traumatic stress disorder ("PTSD"). We have commenced a reimbursed 2,000 patient trial at Walter Reed National Military Medical Center ("Walter Reed") and Fort Belvoir Community Hospital focused on patients with depression, PTSD and mild traumatic brain injury in order to support clinical decisions in the treatment of depression and related disorders. We will be reimbursed by Walter Reed at study-specific rate which includes a prorated element for study expenses for each Psychiatric Electroencephalographic Evaluation Registry ("PEER") Outcome report rendered in the study.

Clinical Services- Discontinued Operation

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

Working Capital

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

Since our inception, we have generated significant net losses. As of December 31, 2013, we had an accumulated deficit of approximately $56.4 million; and as of September 30, 2013, our accumulated deficit was approximately $56.6 million. We had net income of $135,100 for the three months ended December 31, 2013, versus a net loss of $973,300 million for the three months ended December 31, 2012. The net income for the three months ended December 31, 2013, was primarily due to a gain on extinguishment of debt of $1.1 million as a result of a negotiated settlement with a trade creditor.

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

As of December 31, 2013, our current liabilities of approximately $1.58 million exceeded our current assets of approximately $0.75 million by approximately $0.83 million. During fiscal year 2013 we were successful in converting all $9.6 million of our convertible debt, and interest of $1.7 million thereon, to equity: we also negotiated settlements with stock in lieu of cash with ten of our trade creditors to settle $0.5 million owed to them. During the three months ended December 31, 2013, we further negotiated settlements with two of our largest trade creditors whereby we settled $1.46 million of debt with approximately 1.45 million shares of common stock. These actions have significantly reduced our working capital deficit by $12.83 million from $13.68 million at December 31, 2012.

Between January 14, 2014 and February 12, 2014, we have raised an additional $725,000 in a private placement of common stock at $0.25 per share. We will still need to raise additional funds in the May/June timeframe to complete our clinical trial at Walter Reed, Fort Belvoir and other military and VA locations. Furthermore additional funding will be required before we can significantly increase the demand for our PEER Online services.

We are actively exploring additional sources of capital; however, we cannot offer assurances that additional funding will be available on acceptable terms, or at all, especially given the economic and market conditions that are prevalent. Even if we were to raise additional funds, any additional equity funding may result in significant dilution to existing stockholders, and, if we incur additional debt financing, a substantial additional portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting the funds available for our business activities. If adequate funds are not available, it will likely force us to cease operations or would otherwise have a material adverse effect on our business, financial condition and/or results of operations.

Recent Developments

On January 23, 2013, we received a memorandum from the Commander, Walter Reed National Military Medical Center (“Walter Reed”). The memorandum officially confirmed the approval on November 30, 2012, by the Walter Reed Institutional Review Board, of the Company’s protocol to conduct a multi-site clinical trial. The project title of the clinical trial is “Use of PEER Interactive to inform the prescription of psychotropic medications to patients with behavioral disorders.”

During the clinical trial at Walter Reed and Fort Belvoir Community Hospital (“Fort Belvoir”), military physicians will treat 2,000 volunteer study patients with a primary diagnosis of depression. The patients may also have comorbid disorders such as post-traumatic stress disorder (PTSD), mild traumatic brain injury (mTBI), and other psychiatric disorders. Additional sites, including at least one region of the Veterans Administration, are anticipated during 2014. The Henry M. Jackson Foundation has joined the Company as a research partner, providing clinical trial support in all locations.

The clinical trial is a prospective, randomized, multi-site, double blind study of the utility of PEER Interactive in improving medication outcomes in mental health. The study commenced in February 2013, with the recruitment, hiring and training of clinical research personnel. Enrollment of study subjects commenced in May 2013, and has continued since then. We anticipate analysis of the interim data during the first half of calendar 2014. Per the contract, the military is paying pay $540 for each PEER Report generated for the trial and payments have been made consistently within approximately thirty days from invoicing. Due to bureaucratic delays in the generation and signing of the contract, approximately 60 PEER reports have been provided to Walter Reed and Fort Belvoir at no charge. We have located EEG and computer equipment at both Walter Reed and Fort Belvoir. Col (Ret) Stewart Navarre, who is our Vice President of Government Accounts, relocated to Bethesda, MD, to oversee the clinical trial for most of calendar 2013.

During 2011 and 2012 we released the results of several studies which had been conducted during the year as follows:

The correlation of Quantitative EEG variables with individual medication outcomes has become a well-established scientific principle over the past two decades, as documented in over 80 studies involving over 2,000 patients.

***Depression Efficacy Study*:** Over the last few years, we have been primarily focused on demonstrating the efficacy of PEER Report informed treatments through multiple clinical trials. The largest of these — the Depression Efficacy Trial — was a multi-center, randomized, parallel controlled trial completed in 2009 at 12 academic and commercial sites, including Harvard, Stanford, Cornell, University of California Irvine and Rush. The study began in late 2007 and was completed in September 2009, screening 465 potential subjects with Treatment-Resistant Depression and ultimately randomizing 114 participants to a 12-week course of treatment utilizing PEER Reports in the experimental group and a modified STAR*D algorithm in the control group (STAR*D, or Sequenced Treatment Alternatives to Relieve Depression, was a large, seven-year study sponsored by the National Institute of Mental Health and completed in 2006). Primary clinical outcome measures included the Quick Inventory of Depression Symptomology (QIDS-16-SR) and the Quality of Life Enjoyment and Satisfaction Questionnaire (Q-LESQ-SF). Top-line results were consistent with previous trials of PEER Reports:

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

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

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

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

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

- significant changes in physician prescribing behavior: approximately 92% of physicians receiving PEER Outcome reports changed pharmacotherapy strategies post-test, with over half changing every single medication; and

- increased proportion of generic prescribing: (generic utilization increased 32% after receipt of PEER Outcome reports).

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

- The primary endpoint of the analysis was to measure impact on healthcare utilization, with a 25% reduction in health care costs experienced for those in the PEER group compared to those in the control cohort. However, because the claim sample size was small (only 29 health care records), the reduction did not reach statistical significance.

· Drug mix: a significantly higher proportion of older medications were utilized by physicians in the tested group, with generally fewer SSRIs (Selective Serotonin Reuptake Inhibitors) and Atypical Antipsychotics, and categorical increases in MAOI (Oxidase Inhibitors) and Tricyclic class antidepressants, and certain stimulants.

Eating Disorders Study: In November 2011, we published in Neuropsychiatric Disease and Treatment, the journal of the International Neuropsychiatric Association ("INA"), a paper entitled "Retrospective Chart Review of a Referenced EEG Database in Assisting Medication Selection for Treatment of Depression in Patients with Eating Disorders." The physicians reviewed two-year pre-treatment data and between two- to five-year follow-up data, found that study patients experienced significantly decreased depressive symptoms and overall 53 percent fewer hospitalization days, which significantly reduced overall healthcare costs. In addition, according to the study, the wide variety of medications successfully used to treat study patients suggests there is no single class of medications for treating eating disorders. Instead, by developing individual treatment regimens, correlated to a patient's unique neurophysiology, physicians were able to achieve significant reductions in trial-and-error practice. The subjects had previously failed an average of 5.7 medications over an average of nine years.

The study group focused on 22 eating disorders patients with a median age of 21 years. The average age of onset of eating disorders symptoms was 15.6 years. The primary comorbid diagnosis for each patient included either major depressive disorder (MDD) for 18 (82%) of the patients or bipolar disorder for four (18%) of the patients. Additionally, 12 individuals were diagnosed with comorbid obsessive-compulsive disorder (OCD), three with attention deficit disorder (ADHD), five with past alcohol abuse/dependence, six with generalized anxiety disorder (GAD), and one with post-traumatic stress disorder (PTSD). According to the study:

· Not only did most of the patients' depression and severity scores normalize quickly and significantly, but they also continued to improve during the two-to-five-year follow-up period.

· As early as six months from starting treatment, 11 patients (50%) reported complete remission of depression symptoms, nine reported mild depression symptoms, and two remained moderately depressed.

· In total, prior to physician use of PEER Outcome data, 18 patients (82%) had inpatient hospitalizations; only seven (32%) required hospitalizations in the two- to five-year follow-up period, which resulted in shorter stays and less intensive treatment (e.g. partial hospitalization compared to inpatient).

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

· A recently reported study, Combining Medication to Enhance Depression Outcomes (CO-MED), funded by the National Institutes of Health, started patients on several antidepressants (with synergistic pharmacological effects) at the same time. The study findings suggest that for a significant number of patients with major depression, polypharmacy adds to the side effect burden without an increase in efficacy.

· A recent study of 659 depressed patients found that their rate of cardiovascular problems increased from 8.8 percent to 30.7 percent after only six weeks of polypharmacy.

· According to an Army report released in 2010, between 2006 and 2009, 101 soldiers died as a result of multiple drug toxicity while under the care of the Army's Wounded Warrior Transition Units.

· Use of polypharmacy (multiple medications) in the elderly can lead to morbidity and mortality. As early as 1992, it was reported that psychotropic agents are the most commonly misused drugs in the elderly and are associated with increased illness severity, hospitalizations, number of physician visits, as well as other issues.

· In a study of 2,009 treatment-resistant patients who underwent total medication washout, only five patients (0.25%) discontinued the washout process due to either rebounding of their original mood disorder or discontinuation symptoms, while an additional 15 (0.75%) complained of an adverse response but continued the washout. Most of the adverse events were related to mild or moderate discontinuation symptoms with no mortality or serious morbidity in the patients' functioning.

Private Placement Transactions

Between June 3, 2010 and February 2012, the Company raised funds through four rounds of private placements in the form of convertible debt. Subsequently, during the fiscal year ended September 30, 2013, all four rounds of debt were converted to equity as summarized as follows:

- From June 3, 2010 through to November 12, 2010, we raised $3.0 million through the sale of senior secured convertible notes (“October 2010 Notes”) and warrants. Of such amount $1.75 million was purchased by members of our Board of Directors or their affiliate companies.
- From January 20, 2011 through to April 25, 2011, we raised $2.50 million through the sale of subordinated convertible notes (“January 2011 Notes”) and warrants. Of such amount, $1.00 million was purchased by members of our Board of Directors or their affiliate companies. These January Notes have subsequently been amended to add a second position security interest.
- From October 12, 2011 through January 30, 2012, we raised an additional $2.00 million through the sale of subordinated secured convertible notes (“October 2011 Notes”) and warrants. Of such amount, $1.04 million was purchased by members of our Board of Directors or their affiliate companies.
- On February 29, 2012, we raised an additional $90,000 through the sale of an unsecured convertible note and warrants. This note was purchased by an affiliate company of a member of our Board of Directors.

Effective October 24, 2012, all the warrants that were issued in connection with the abovementioned four private placement transactions were forfeited pursuant to the Amended & Restated Consent, Note Amendment and Warrant Forfeiture Agreement dated October 24, 2012. This agreement also amended the conversion price of the notes to $1 per share.

On January 31, 2013, SAIL Capital Partners converted one October 2010 Note in the aggregate principle amount of $0.25 million and six January 2011 Notes in the aggregate amount of $1.00 million, plus the interest thereon, which were held by various SAIL entities into 1,469,816 shares of common stock at $1 per share.

Effective August 12, 2013, all remaining notes convertible at $1.0 per share in the aggregate total amount of $7.7 million of principal and interest thereon, were converted into 30,893,419 shares of common stock pursuant to an offer letter to convert the notes and interest at $0.25 per share and the Omnibus Note Amendment Agreement, which was fully executed on August 12, 2013, when all holders of the notes convertible at $1.0 per share agreed to convert those notes and interest into common stock at $0.25 per share.

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

Please see *Note 4. Convertible Debt and Equity Financings to the Unaudited Condensed Consolidated Financial Statements* for more detail on the abovementioned transactions.

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

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

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

- From October 4, 2013, through November 14, 2013, 11 accredited investors purchased an aggregate of 1,900,000 shares of common stock, par value $0.001, at a price of $0.25 per share pursuant to a private placement. The Company received gross aggregate cash proceeds of $475,000. No affiliates participated in this tranche.
- Between January 14, 2014 and February 12, 2014, the Company sold and issued an aggregate of2,900,000 shares of its common stock, par value $0.001, at a price of $0.25 per share, in a private placement to 15 accredited investors, for which it received gross cash proceeds to the Company of $725,000. The investors included the following affiliates: the Tierney Family Trust of which Mr. Tierney, our Chairman of the Board of the Company, is a trustee, acquired 800,000 shares of common stock for which the Company received cash proceeds of $200,000: the Follman Family Trust of which Mr. Follman, a director of the Company is a trustee, acquired 400,000 shares of common stock for which the Company received cash proceeds of $100,000: George Carpenter, the Company's Chief Executive Officer, and his wife acquired 200,000 shares of common stock for which the Company received cash proceeds of $50,000: Paul Buck, the Company's, Chief Financial Officer, acquired 100,000 shares of common stock for which the Company received cash proceeds of $25,000.

Financial Operations Overview

Revenues

Our neurometric services revenues are derived from the sale of PEER Reports to physicians. Physicians are generally billed upon delivery of a PEER Report. The list price of our PEER Reports to physicians is $400 per report, which excludes the cost of doing the EEG. Our Clinical Trial revenues are derived from the PEER Reports to the Military. The list price of our PEER Reports to the Military, which is a study specific rate, is $540 and is inclusive of the collection of the EEG. Follow-up reports PEER Reports cost $200.

Clinical Services, which is now accounted for as a discontinued operation, has generated no revenue since it was closed effective September 30, 2012.

Cost of Revenues

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

Research and Product Development

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

Sales and Marketing

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

General and Administrative

Our general and administrative expenses consist primarily of personnel, occupancy, legal, consulting and administrative and support costs for our neurometric services.

Critical Accounting Policies and Significant Judgments and Estimates

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

Our significant accounting policies are described in Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q. We believe the following critical accounting policies reflect our more significant estimates and assumptions used in the preparation of our consolidated financial statements.

Discontinued Operation

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

Revenue Recognition

We have generated limited revenues since our inception. Revenues for our Neurometric Service product are recognized when a PEER Report is delivered to a Client-Physician.

Stock-based Compensation Expense

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

Offering Costs

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

Long-Lived Assets and Intangible Assets

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

Derivative accounting for convertible debt and warrants

The Company analyzes all financial instruments with features of both liabilities and equity under ASC-480-10 and ASC 815-10 whereby the Company determines the fair market carrying value of a financial instrument using the Black-Scholes model and revalues the fair market value on a quarterly basis. Any changes in carrying value flow through as other income (expense) in the income statement. As of December 31, 2013, the Company no longer has any convertible debt or warrants, and therefore, has no associated derivative liabilities.

Results of Operations for the three months ended December 31, 2013 and 2012

Since closing our Clinical Services operation in September, 2012, we now only operate our Neurometric Services business which is focused on the delivery of reports ("PEER Reports") that enable psychiatrists and other physician/prescribers to make more informed, patient-specific decisions when treating individual patients for behavioral (psychiatric and/or addictive) disorders based on the patient's own physiology.

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

	Three months ended December 31,	
	2013	**2012**
Revenues	100 %	100 %
Cost of revenues	84	111
Gross profit	16	(11)
Research	70	198
Product development	726	309
Sales and marketing	203	324
General and administrative expenses	1,159	1,636
Operating loss	(2,142)	(2,478)
Other income (expense), net	2,450	(927)
Net income (expense) before Discontinued Operations	308	(3,405)
Loss from Discontinued Operations	(8)	(43)
Net income (loss)	300 %	(3,448)%

Revenues

	Three months ended December 31,		Percent Change
	2013	**2012**	
Neurometric Service Revenues	$ 45,000	$ 28,200	60 %

With respect to our Neurometric Services business, the number of third party paid PEER Reports delivered increased to 76 for the three months ended December 31, 2013, from 71 for the three months ended December 31, 2012. The average revenue per report increased to approximately $445 per test. The total numbers of free PEER Reports processed were 23 and 5 for the quarters ended 2013 and 2012 respectively. These free PEER Reports are used for training, database-enhancement and compassionate-use purposes.

To date we have provided approximately 60 PEER Reports to the Walter Reed clinical trial which have not been billed, and the associated revenues not recorded. This situation is the result of bureaucratic delays which resulted in PEER Reports being provided prior to the contract being finalized. We are investigating ways to address this issue and recover these revenues.

For the 2012 period revenues were at a low level due a slowdown in operations as a result of our lack of funds prior to our completion of the 2012 Bridge Financing at the end of November 2012.

Cost of Revenues

	Three months ended December 31,		Percent Change
	2013	**2012**	
Cost of revenues for Neurometric Services	$ 37,600	$ 31,400	20 %

Cost of Neurometric Services revenues consisting of payroll costs, consulting costs, and other miscellaneous charges were as follows:

	Three months ended December 31,		
Key Expense Categories	**2013**	**2012**	**Change**
(1) Salaries and benefit costs	$ 27,500	$ 27,500	$ 0
(2) Consulting fees	10,100	3,900	6,200
Total Costs of Revenues	$ 37,600	$ 31,400	$ 6,200

Consulting costs associated with the processing of PEER Reports are $75 per PEER Report. We expect the cost of revenues to decrease as a percentage of revenues as we improve our operating efficiency and increase the automation of certain processes.

(1) Salary and benefit expenses for the 2013 and 2012 periods remained the same.
(2) Consulting fees increased for the 2013 period as a result of artifacting services for the Walter Reed clinical trial. During the 2012 period we incurred no similar costs as the clinical trial had not yet started.

Research

	Three months ended December 31,		Percent Change
	2013	**2012**	
Neurometric Services Research	$ 31,700	$ 55,800	(43)%

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

Key Expense Categories	Three months ended December 31, 2013	Three months ended December 31, 2012	Change
(1) Salary and benefit costs	$ 25,800	$ 51,200	$ (25,400)
(2) Consulting fees	3,300	3,000	300
(3) Other miscellaneous costs	2,600	1,600	1,000
Total Research	$ 31,700	$ 55,800	$ (24,100)

Comparing the three months ended December 31, 2013 with the corresponding period in 2012:

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

(2) Consulting costs remained substantially the same;

(3) Other miscellaneous costs for 2013 period were primarily for professional liability insurance; During the 2012 expenses included travel related expenses.

Product Development

	Three months ended December 31, 2013	Three months ended December 31, 2012	Percent Change
Neurometric Services Product Development	$ 326,600	$ 87,100	275 %

Product Development expenses consist of payroll costs (including stock-based compensation costs), Walter Reed clinical trial costs, consulting fees, programming fees on the production system, database costs and miscellaneous costs which were as follows:

Key Expense Categories	Three months ended December 31, 2013	Three months ended December 31, 2012	Change
(1) Salaries and benefit costs	$ 72,500	$ 64,000	$ 8,500
(2) Consulting fees	201,000	(11,300)	212,300
(3) System development costs	21,300	27,700	(6,400)
(4) Conference and travel	25,500	-	25,500
(5) Other miscellaneous costs	6,300	6,700	(400)
Total Product Development	$ 326,600	$ 87,100	$ 239,500

Comparing the three months ended December 31, 2013 with the corresponding period in 2012:

(1) Salaries and benefits increased for the 2013 period due to an increase in stock-based compensation, health insurance costs and a realignment of a staff member who was previously accounted for in the Sales and Marketing line item.

(2) Consulting fees increased for the 2013 due to the costs associated with the Walter Reed clinical trial and includes the clinical research coordinators, EEG technologists and clinical research organization which oversees the clinical trial and data management. For the 2012 period, although we incurred costs of the clinical research organization during this period, we renegotiated the terms of our agreement to include stock based compensation, consequently, previously accrued fees which were expensed were reversed, which resulted in the credit balance shown;

(3) System development and maintenance costs decreased for the 2013 period as no major new development of the system was undertaken during this period. During the 2012 period we were focused on the clinical study software to be finalized for use in the Walter Reed clinical trial.

(4) Conference and travel costs relates to our VP of Government Accounts who relocated to Maryland to oversee the Walter Reed clinical trial. During the 2012 period we had no equivalent expenditures.

(5) Other miscellaneous costs remained substantially the same for the two periods.

Sales and marketing

	Three months ended December 31,		**Percent Change**
	2013	**2012**	
Sales and Marketing			
Neurometric Services	$ 91,500	$ 91,500	0 %

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

	Three months ended December 31,		
Key Expense Categories	**2013**	**2012**	**Change**
(1) Salaries and benefit costs	$ 54,400	$ 82,900	$ (28,500)
(2) Consulting fees	30,000	2,200	27,800
(3) Advertising and marketing costs	1,600	-	1,600
(4) Conferences and travel costs	4,300	3,700	600
(5) Other miscellaneous costs	1,200	2,700	(1,500)
Total Sales and marketing	$ 91,500	$ 91,500	$ 0

Comparing the three months ended December 31, 2013, with the same period in 2012:

(1) Salaries and benefits costs decreased for the 2013 period primarily due to the realignment of staff as our Vice President of Government Accounts was moved to the Product Development cost center in January 2013;

(2) Consulting fees increased for the 2013 period as the Company engaged a marketing consultant, Decision Calculus Associates, to assist with social media and general marketing;

(3) Advertising and marketing expenses in the 2013 period were limited to marketing to the military. During the 2012 period marketing efforts were curtailed due to the limited cash resources available.

(4) Conference and travel costs remained substantially the same for the two periods.

(5) Miscellaneous expenditures for the 2013 period decreased from the prior period as we had written off certain computer-related fixed assets costs.

General and administrative

	Three months ended December 31,		**Percent Change**
	2013	**2012**	
General and administrative			
Neurometric Services	$ 521,500	$ 461,300	13 %

General and administrative expenses for our Neurometric Services business are largely comprised of payroll and benefit costs, including stock based compensation, legal fees, patent costs, other professional and consulting fees, general administrative and occupancy costs, dues and subscriptions, conference and travel costs and miscellaneous costs.

Key Expense Categories	Three months ended December 31, 2013	2012	Change
(1) Salaries and benefit costs	$ 273,500	$ 258,900	$ 14,600
(2) Legal fees	79,000	27,100	51,900
(3) Other professional and consulting fees	66,600	98,600	(32,000)
(4) Patent costs	18,300	2,100	16,200
(5) Marketing and investor relations costs	1,800	1,300	500
(6) Conference and travel costs	16,700	10,100	6,600
(7) Dues & subscriptions fees	15,700	14,100	1,600
(8) General admin and occupancy costs	49,900	49,100	800
Total General and administrative costs	$ 521,500	$ 461,300	$ 60,200

With respect to our Neurometric Services business, in the three months ended December 31, 2013, compared to the same period in 2012 we had the following changes:

(1) Salaries and benefit expenses increased for the 2013 period for several reasons:

Firstly, although the Corporate Officers agreed in the 2013 period to forfeit their current salaries in favor of receiving stock-based compensation in the form of options with an exercise price of $0.25 per share of common stock along with the payout of their residual balances of salaries which had been accrued but not paid in prior periods. These accrued salaries are being paid out over an extended period in place of the current salaries which have been forfeited. This reduction in expense in the 2013 period was offset by a greater adjustment of $132,600 in the 2012 period whereby the Corporate Officers forfeited 50% of their accrued salaries and bonus from prior periods in exchange for stock at $1 per share pursuant to the Employment Compensation Forfeiture and Exchange Agreement. Salaries paid to Officers during the 2012 period were at two thirds of their regular salary with one third being accrued.

Secondly, the charge for stock based compensation for Directors, Officers and select consultants was reduced by $17,600 in the 2013 period as certain option grants had become fully vested.

Lastly, during the 2013 period we were pleased to have our accountant back in the employ of the Company, during the 2012 period our accountant had left the Company and was supporting us on a part-time consulting basis.

(2) Legal fees showed an increase of $52,900 for the 2013 period. This increase can largely be accounted for by the Brandt litigation costs which increased to $14,700 from $1,000 in the 2012 period; and legal fees associated with our lobbying efforts increased to $30,000 for the 2013 period, whereas we had no lobbying expense in the 2012 period.

(3) Professional and consulting fees decreased due to the mix of consulting services used in the respective periods. For the 2013 period, these expenses are comprised of audit fees of $50,000 and a $16,600 success fee paid to a media consultant who arranged several TV appearances. For the 2012 period, expenses are comprised of audit fees of $50,000, financial and valuation consulting services of $38,000 and accounting services of $10,000.

(4) Patent expenditures increased largely due to the timing of patent application and maintenance costs which have been deferred whenever possible due to the limited cash resources available; no patents or applications have lapsed due to deferred payments of maintenance or application fees.

(5) Corporate marketing and investor relations remained unchanged for the two periods;

(6) Conference and travel costs increased slightly for the 2013 period, which included our participation in the LD Micro conference; During the 2012 period, travel was minimized due to limited cash resources available;

(7) Dues and subscriptions had a slight increase for the two periods partly due to increased software subscriptions for the increase number of system users ;

(8) General administrative and occupancy cost remained approximately the same for the two periods.

Other Expenses

Other Expenses	Three months ended December 31, 2013	2012	Percent Change
Neurometric Services (expense), net	$ 1,104,200	$ (261,400)	*

** (Not Meaningful)*

For the three months ended December 31, 2013 and 2012 net other non-operating income for Neurometric Information Services was as follows:

- For the 2013 period we incurred only $1,000 in net interest expense which was paid in cash; we incurred no non-cash interest charges. In contrast, for the 2012 period, we incurred non-cash interest charges totaling $598,400 of which $205,500 was accrued interest on our promissory notes at 9% per annum; the remaining balance was comprised of $392,100 of warrant discount amortization on the derivative liability for warrants; while only $800 was for actual net interest paid in cash during that period.

- For the 2013 period we had no finance fees; For the 2012 period we incurred finance fees, associated with our private placement of convertible notes, totaling $31,700, which were paid in cash.

- Under ASC 815, all derivative instruments are required to be measured periodically at fair value and the change in fair value of non-hedging derivative instrument are to be recognized in current earnings. For the 2013 period we had no derivative instruments to value and consequently no associate expense or gain. For the 2012 period we revaluated our derivative liabilities for the promissory note conversion feature and the associated warrants which resulted in a non-cash loss on derivative liabilities of $97,600.

- For the 2013 period we experience a non-cash gain on the extinguishment of debt of $1,105,200 related to the settlement of a long-outstanding trade payable balance which was renegotiated. For the 2012 period we benefited from a non-cash gain on the extinguishment of debt in the amount of $466,300 which was the result of valuing the forfeiture of warrants and the elimination of the ratchet feature embedded in certain convertible debt instruments pursuant to the Restated Consent, Note Amendment and Warrant Forfeiture Agreement dated October 24, 2012.

Net Income (Loss) from Continuing Operations

	Three months ended December 31,		**Percent Change**
	2013	**2012**	
Neurometric Services net income (loss)	$ 140,300	$ (960,300)	*

* *(Not Meaningful)*

The net income for our Neurometric Services business of $140,300 for the three months ended December 31, 2013 compared to the approximately $1.0 million loss for the same period in the prior year is primarily due to the approximately net $1.1 million in non-cash Other Income as described above.

Loss from Discontinued operations:

	Three months ended December 31,		**Percent Change**
	2013	**2012**	
Clinical Services net loss	(3,600)	(12,200)	(70)%

For our Clinical Services the net loss for the three months ended December 31, 2013 of $3,600 is a decrease of $8,600 over the same period in the prior year. As there were no ongoing operations during the 2013 period, the loss incurred was due to medical record storage fees and interest expenses on a note payable.

The decision to discontinue the Clinical Services operations was due to NTC's persistent losses and its inability to function as a standalone entity within the foreseeable future.

Liquidity and Capital Resources

Since our inception, we have incurred significant losses. As of December 31, 2013, we had an accumulated deficit of approximately $56.4 million, which is similar to our accumulated deficit at September 30, 2013, at approximately $56.6 million. We have not yet achieved profitability and anticipate that we will continue to incur net losses for the foreseeable future. We expect that with our Walter Reed clinical trial, sales and marketing and general and administrative cost, our expenditures will continue to grow and, as a result, we will need to generate significant product revenues to achieve profitability. We may never achieve profitability.

As of December 31, 2013, we had approximately $663,000 in cash and cash equivalents and a working capital deficit of approximately $0.86 million compared to approximately $1,273,600 in cash and cash equivalents and a working capital deficit of approximately $2.20 million as at September 30, 2013. The working capital deficit has improved considerably compared to the working capital deficit as of December 31, 2012, which was $13.7 million which included the $10.6 million of convertible promissory notes and interest thereon which has subsequently all been converted to equity.

Operating Capital and Capital Expenditure Requirements

Our continued operating losses and limited capital raise some doubt about our ability to continue as a going concern. We have limited ability to meet our current obligations as they become due and we are in arrears with certain of our creditors. Because of our indebtedness, we are insolvent and need to raise additional funds and, where possible, continue to renegotiate our long-outstanding trade payables in order to continue our operations.

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

We expect to continue to incur operating losses in the future. Although since September 30, 2013 we have raised gross cash proceeds of $[0.49] million through the sale of restricted common stock at $0.25 per share, we anticipate that our cash on hand and cash generated through our operations will not be sufficient to fund our operations for the next 12 months. If adequate funds are not available, it would have a material adverse effect on our business, financial condition and/or results of operations, and could cause us to have to cease operations.

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

- the amount and timing of costs we incur in connection with our Walter Reed clinical trial and product development activities, including enhancements to our PEER Online Database and costs we incur to further validate the efficacy of our referenced EEG technology;
- the amount and timing of costs we incur in connection with the expansion of our commercial operations, including our selling and marketing efforts;
- whether we incur additional consulting and legal fees in our efforts to conducting a Non-Significant Risk study under an FDA requirements which will enable us to obtain a 510(k) clearance from the FDA; and
- if we expand our business by acquiring or investing in complimentary businesses.

Sources of Liquidity

Since our inception, substantially all of our operations have been financed from equity and debt financings. From June 3, 2010 through to November 28, 2012, we raised $9.6 million through the sale of convertible note instruments with warrants in most instances. Of such amounts, an aggregate of $4.0 million was purchased by members of our Board of Directors or their affiliate entities or Officers of the Company. All these notes have subsequently been converted to equity prior to September 30, 2013.*Refer to Note 4 and Note 7 of the Notes to the Unaudited Condensed Consolidated Financial Statements.*

From February 22, 2013 through November 14, 2013, we raised approximately $3.5 million from the issuance of common stock at $0.25 per share to accredited investors pursuant to subscription agreements. Of such amount an aggregate of $725,000 was purchased by members of the Board of Directors, their affiliate entities or an officer of the Company.

Since December 31, 2013, through February 12, 2014, we raised an additional $0.73 million from the issuance of common stock at $0.25 per share to accredited investors pursuant to subscription agreements. Of such amount an aggregate of $375,000 was purchased by members of the Board of Directors and Officers of the Company.

Cash Flows

Net cash used in operating activities was $1.05 million for the three months ended December 31, 2012 compared to $0.55 million for the same period in 2012. The increase in cash used in operations of $0.5 million was primarily due to $0.25 million used to settle a $1.5 million trade payable with cash and stock; and $0.25 million to payout accrued deferred salaries to staff and four managers, who in turn accepted stock-based compensation and forfeited current period salaries.

Net cash provided by investing activities was $0 for the three months ended December 31, 2013, and $1,400 for the same period in 2012.

Net cash proceeds from financing activities for the three months ended December 31, 2013 were primarily net proceeds of $0.47 million, raised through the sale of common stock at $0.25 per share in a private placement. For same period ended December 31, 2012, net cash proceeds from financing activities were approximately $1.37 million from the sale of our secured convertible October 2012 Notes.

Contractual Obligations and Commercial Commitments

As of December 31, 2013, our combined lease & note payable obligations are $48,700. The remaining lease obligation for our current office location at 85 Enterprise, Suite 410, Aliso Viejo, CA 92656, which expires on January 31, 2014, is $4,100.

Our remaining lease obligation on our Greenwood Village, CO, location, which was formerly occupied by our discontinued clinical services operation, expired on April 30, 2013; the outstanding balance of this lease was converted to an unsecured one year note of $50,000 bearing an interest rate of 5% per annum. The remaining principal balance outstanding is $44,600.

On November 8, 2010 we entered into a financial lease to acquire EEG equipment costing $15,900. The term of the lease is 48 months ending October 2014 and the monthly payment is $412. As of December 31, 2013 the remaining lease obligation is $3,700 for fiscal year 2014. Additionally, on April 24, 2013 we entered into a financial lease to acquire additional EEG equipment costing $8,900. The term of the lease is 36 months ending May 2016 and the monthly payment is $325. As of December 31, 2013 the remaining lease obligation is $9,100: being $2,900, $3,900 and $2,300 for fiscal years 2014, 2015 and 2016 respectively.

On February 6, 2014, we signed a 24 month extension to our lease for our current location at 85 Enterprise, Suite 410, Aliso Viejo, CA 92656. The lease period started on February 1, 2014 and ends January 31, 2016. The monthly rent for months 1 through 12 is $4,349.45; the months of February 2014 and January 2015 are abated; the monthly rent for months 13 through 24 is $4,523.43.

Income Taxes

Since inception, we have incurred operating losses and, accordingly, have not recorded a provision for federal income taxes for any periods presented. As of September 30, 2013, we had net operating loss carryforwards for federal income tax purposes of approximately $33.1 million. If not utilized, the federal net operating loss carryforwards will begin expiring in 2031. Utilization of net operating loss and credit carryforwards may be subject to a substantial annual limitation due to restrictions contained in the Internal Revenue Code that are applicable if we experience an “ownership change”. We have not conducted a study of whether or not an ownership change has occurred. Though, it is likely that as a result of substantial sale of our securities over the last two years that our ability to utilize a significant portion of such net operating loss carryforward may be limited. The annual limitation may result in the expiration of our net operating loss and tax credit carryforwards before they can be used.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management, including our principal executive officer (PEO) and principal financial officer (PFO), conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined by paragraph (e) of Exchange Act Rules 13a-15, as of December 31, 2013, the end of the period covered by this report. Based on this evaluation, our PEO and PFO concluded that our disclosure controls and procedures were not effective as of December 31, 2013 for the reasons described below.

The following significant deficiency was identified, which in combination with other deficiencies, may constitute a material weakness (as defined below):

- We do not have a comprehensive and formalized accounting and procedures.

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

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

To the knowledge of our management, including our PEO and PFO, none of the aforementioned significant deficiencies led to a misstatement of our results of operations for the three months ended December 31, 2013, or statement of financial position as of December 31, 2013.

The Company is planning to develop a comprehensive and formal accounting and procedures manual and has identified a resource to assist with the development of such manual.

Changes in Internal Control Over Financial Reporting

Other than as stated above, there were no changes in our internal control over financial reporting or in other factors identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

Please see Note 8 of our *Notes to Unaudited Condensed Consolidated Financial Statements* for a description of our litigation with Leonard Brandt, which disclosure is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes to the risk factors included in the Risk Factors section in our Annual Report on Form 10-K for the year ended September 30, 2013.

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

Private Placement Transactions

From August 17, 2012 through November 30, 2012, we raised $2,000,000 through the sale of senior secured convertible promissory notes (“October 2012 Notes”). Of such amount, $690,000 was purchased by members of our Board of Directors or their affiliate companies, $425,000 was purchased by Director Nominees, at that time, and $50,000 was purchased by the President and Chief Executive Officer of the Company.

Refer to *Note 4. Convertible Debt and Equity Financings to the Unaudited Condensed Consolidated Financial Statements* for details of the abovementioned transaction, which detail is herewith incorporated herein by reference to such note.

From February 22, 2013 through April 1, 2013, 19 accredited investors purchased an aggregate of 4,180,000 shares of common stock at a price of $0.25 per share in a private placement. The Company received gross aggregate cash proceeds of $1,045,000. Of such amount $100,000 was purchased by a member of our Board of Directors and $12,500 was purchased by the Chief Financial Officer of the Company.

From May 23, 2013, through September 12, 2013, 23 accredited investors purchased an aggregate of 8,000,000 shares of common stock, par value $0.001, at a price of $0.25 per share pursuant to a private placement. The Company received gross aggregate cash proceeds of $2,000,000. Of such amount $600,000 was purchased by members of our Board of Directors and $12,500 was purchased by the Chief Financial Officer of the Company.

From October 4, 2013, through November 14, 2013, 11 accredited investors purchased an aggregate of 1,900,000 shares of common stock, par value $0.001, at a price of $0.25 per share pursuant to a private placement. The Company received gross aggregate cash proceeds of $475,000. No Directors or Officers participated in this round.

Refer to *Note 5. Stockholders’ Deficit and Note 7. Related Party Transaction to the Unaudited Condensed Consolidated Financial Statements* for details of the abovementioned transaction, which detail is herewith incorporated herein by reference to such note.

From January 14, 2014 to February 12, 2014, the Company sold and issued anaggregate of 2,900,000 shares of its common stock, par value $0.001, at a per share price of $0.25, in a private placement to 15 accredited investors, for which it received gross cash proceeds to the Company of $725,000. Of such amount $300,000 was purchased by members of our Board of Directors and $75,000 was purchased by the Officers of the Company.

Refer to *Note 9. Subsequent Events* for details of the abovementioned transaction, which detail is herewith incorporated herein by reference to such note.

The issuance of the securities described above was not registered under the Securities Act. No general solicitation or advertising was used in connection with the issuance. In making the issuance to accredited investors without registration under the Securities Act, the Company relied upon the exemption from registration contained in Section 4(2) of the Securities Act and/or Regulation D thereunder.

Item 6. Exhibits

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

Exhibit Number	Exhibit Title
10.85	Form of Subscription Agreement (common stock), made as of October 4, 2014, by and between the Company and the investor(s) signatory thereto.
10.86	Form of Employment Compensation Forfeiture and Exchange Agreement entered into as of December 16, 2013 by and among the Company and its senior employees.
10.87	Form of Subscription Agreement (common stock), made as of January 8, 2014, by and between the Company and the investor(s) signatory thereto.
31.1	Certification of Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

SIGNATURES

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

CNS Response, Inc.

Date: February 13, 2014

/s/ George Carpenter
By: George Carpenter
Its: Chief Executive Officer
(Principal Executive Officer)

/s/ Paul Buck
By: Paul Buck
Its: Chief Financial Officer
(Principal Financial Officer)

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (this "**Agreement**") is made as of October __, 2013 by and between CNS Response, Inc., a Delaware corporation (the "**Company**"), and the investor listed on Schedule A hereto (each, an "**Investor**" and together, the "**Investors**").

AGREEMENT

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

WHEREAS, the Company is offering in a private placement up to $1.0 million of its common stock, par value $0.001 per share ("**Shares**" or "**Common Stock**") for $0.25 per share in a private placement to accredited investors pursuant to a Confidential Offering Memorandum dated September 25, 2013; and

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

SECTION 1 – PURCHASE AND SALE OF SHARES

1.1 Purchase and Sale of Shares. The Company has authorized the issuance and sale, in accordance with the terms hereof, of shares of Common Stock, in the aggregate amount of up to $1,000,000 (the "Shares Cap Amount"). On the terms and subject to the conditions set forth in this Agreement, at the Closings (as defined below), the Company agrees to issue to each Investor, and the Investor agrees to purchase from the Company, in the amount set forth on Schedule A. The Company will sell Shares to more than one Investor, each of whom will enter into Subscription Agreement substantially identical to this one. The financing pursuant to which the Company is issuing the Shares is hereinafter referred to as the "Financing".

1.2 Closings.

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

(b) Additional Closings. The Company shall have the right, on one or more occasions, to hold additional closings (each, an "Additional Closing", and collectively with the Initial Closing, the "Closings", and individually, a "Closing"), pursuant to which it shall have the right to issue and sell additional Shares to additional Investors or existing Investors (provided that no Additional Closings shall take place later than November 25, 2013). At each Additional Closing, the Company shall deliver to each Investor purchasing Shares at such closing a certificate or certification representing such number of Shares as is in set forth opposite such Investor's name on Schedule A under the column entitled "Purchase Price" against receipt of a check subject to collection or a wire transfer in immediately available funds of the purchase price, to an account designated by the Company. By receiving Shares at an Additional Closing, each Investor so receiving Shares thereby represents that its representations and warranties contained in Section 3 are true and correct as of the date of such Additional Closing. The aggregate principal amount of Shares that may be issued at Closings hereunder shall, in no event exceed the Share Cap Amount.

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

SECTION 2 - REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each Investor as follows:

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

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

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

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

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

2.6 Litigation. Other than the litigation disclosed in the Company's most recent SEC Reports (as defined below), no litigation or governmental proceeding is pending or threatened against the Company which may have a materially adverse effect on the financial condition, operations or prospects of the Company, and to the knowledge of the Company, no basis therefore exists.

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

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

**SECTION 3 - REPRESENTATIONS AND WARRANTIES
OF THE INVESTORS**

Each Investor represents and warrants to the Company as follows:

3.1 Authorization; Binding Obligations. The Investor has full power and authority to enter into this Agreement and this Agreement constitutes a valid and legally binding obligation of the Investor, enforceable against the Investor in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally and to general equitable principles.

3.2 Accredited Investor. The Investor is an "accredited investor" within the meaning of SEC Rule 501 of Regulation D promulgated under the Securities Act.

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

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

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

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

SECTION 4 - MISCELLANEOUS

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

4.2 Amendments and Waivers. Except as otherwise expressly set forth in this Agreement, any term of this Agreement may be amended (either retroactively or prospectively) with the written consent of the Company and the Investor. Any amendment effected in accordance with this Section 4.2 shall be binding upon each Investor, each future holder of Securities and the Company.

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

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

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

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

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

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

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

[Remainder of Page Intentionally Left Blank]

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

CNS RESPONSE, INC.

By: ______________________________

Name: Paul Buck
Title: Chief Financial Officer

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

85 Enterprise, Suite 410
Aliso Viejo, CA 92656
Fax: (866) 867 4446
pbuck@cnsresponse.com

INVESTOR:

By: ______________________________

Name:

____

Title:

[SIGNATURE PAGE TO SUBSCRIPTION AGREEMENT]

SCHEDULE A

Name, Address, Fax Number, E-Mail Address and Tax ID Number of Investor	***Aggregate Purchase Price***
Name:________________________________ Address:______________________________ _____________________________________ Fax:_________________________________ Email:________________________________ Tax ID:_______________________________	$_____________________
TOTAL:	

EMPLOYMENT COMPENSATION FORFEITURE
AND EXCHANGE AGREEMENT

This EMPLOYMENT COMPENSATION FORFEITURE AND EXCHANGE AGREEMENT (this "**Agreement**") is entered into as of December ___, 2013 by and among CNS Response, Inc., a Delaware corporation (the "**Company**") and the undersigned employee of the Company (the "**Employee**").

WHEREAS, the Company owes the Employee an aggregate of $____________ of salary and wages accrued from ____________ to ____________ (the "**Accrued Wages**"), and the Company desires to pay the Employee the Accrued Wages in accordance with the terms set forth herein;

WHEREAS, the Company has experienced continuing losses, extreme cash flow shortfalls, has been unable to satisfy its financial obligations as they have become due and has failed to raise sufficient additional capital through the sale of equity securities and debt and therefore certain members of management of the Company, including the Employee, desire to waive the right to receive and forfeit future salary in consideration for the issuance of options ("**Options**") to purchase common stock, par value $0.001 per share of the Company (the "**Common Stock**"), in accordance with the terms set forth herein;

NOW, THEREFORE, the Company and the Employee, in consideration for the mutual promises and covenants herein, agree as follows:

1. Payment of Accrued Wages. Subject to the terms and conditions of this Agreement, the Company agrees to pay the Employee the Accrued Wages in accordance with the payment schedule set forth on Exhibit A hereto.

2. Forfeiture of Future Wages.

Forfeiture. Subject to the terms and conditions of this Agreement, the Employee agrees to waive receipt of and release the Company from the payment of future salary and wages that will be accrued from ____________ to ____________ (the "**2014 Period**"), in the aggregate amount of $___________, in consideration for which the Company has issued _______ Options to purchase Common Stock on October 8, 2013. Waiver. Each Employee hereby irrevocably waives the right to receive any wages, salary or compensation for the period of time prior from ____________ to ____________, and waives all rights and remedies related thereto under all applicable laws rules and regulations.

3. Representations and Warranties of Employee. The Employee hereby represents and warrants to the Company as follows:

(a) Authority. The Employee has, as appropriate, full power and legal capacity and all right, power, legal capacity and authority to enter into this Agreement.

(b) Authorization. The execution, delivery and performance of this Agreement has been duly and validly approved and authorized by the Employee.

4. Miscellaneous.

(a) Governing Law. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF CALIFORNIA OR ANY OTHER JURISDICTIONS) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTIONS OTHER THAN THE STATE OF CALIFORNIA.

(b) Amendment. This Agreement may only be amended by written agreement of the Company and the Employee.

(c) Assignment. The Employee may only assign this Agreement with the written consent of the Company. The Company may freely assign this Agreement without the consent of the Employee. Any assignment of this Agreement in violation of this Section is null and void. This Agreement shall be binding and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(d) Waiver of Rights. No failure on the part of any party hereto to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All rights, powers and remedies under this Agreement are cumulative and are not exclusive of any other rights, powers and remedies provided by law.

(e) No Other Agreements. This Agreement (including the Exhibits attached hereto) contains a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter thereof and shall constitute the entire agreement between the parties hereto with respect to the subject matter thereof, superseding all prior oral or written understandings. There are no unwritten agreements between the parties hereto.

(f) Counterparts. This Agreement may be executed in two or more counterparts (including via facsimile or other electronic means), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement will be binding upon the Company and the Employee and their respective successors, assigns, heirs and personal representatives.

(g) Further Assurances. The Employee shall from time to time and at all times hereafter make, do, execute, or cause or procure to be made, done and executed such further acts, deeds, conveyances, consents and assurances without further consideration, which may be reasonably required to effect the transactions contemplated by this Agreement.

(h) Severability. If any term or other provision of this Agreement is determined to be invalid, illegal or incapable of being enforced by any rule or law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

[*Signature page follows*]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CNS RESPONSE, INC.

By: ______________________________
Name: George Carpenter
Title: CEO

EMPLOYEE

____

Exhibit A

Payment Schedule for Accrued Wages

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (this "**Agreement**") is made as of January 8, 2014 by and between CNS Response, Inc., a Delaware corporation (the "**Company**"), and the investor listed on Schedule A hereto (each, an "**Investor**" and together, the "**Investors**").

AGREEMENT

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

WHEREAS, the Company is offering in a private placement up to $1.0 million of its common stock, par value $0.001 per share ("**Shares**" or "**Common Stock**") for $0.25 per share in a private placement to accredited investors pursuant to a Confidential Offering Memorandum dated January 8, 2014; and

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

SECTION 1 – PURCHASE AND SALE OF SHARES

1.1 Purchase and Sale of Shares. The Company has authorized the issuance and sale, in accordance with the terms hereof, of shares of Common Stock, in the aggregate amount of up to $1,000,000 (the "Shares Cap Amount"). On the terms and subject to the conditions set forth in this Agreement, at the Closings (as defined below), the Company agrees to issue to each Investor, and the Investor agrees to purchase from the Company, in the amount set forth on Schedule A. The Company will sell Shares to more than one Investor, each of whom will enter into Subscription Agreement substantially identical to this one. The financing pursuant to which the Company is issuing the Shares is hereinafter referred to as the "Financing".

1.2 Closings.

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

(b) Additional Closings. The Company shall have the right, on one or more occasions, to hold additional closings (each, an "Additional Closing", and collectively with the Initial Closing, the "Closings", and individually, a "Closing"), pursuant to which it shall have the right to issue and sell additional Shares to additional Investors or existing Investors (provided that no Additional Closings shall take place later than February14, 2014 or upon the withdrawal of this offering by the Board of Directors, whichever occurs sooner). At each Additional Closing, the Company shall deliver to each Investor purchasing Shares at such closing a certificate or certification representing such number of Shares as is set forth opposite such Investor's name on Schedule A under the column entitled "Purchase Price" against receipt of a check subject to collection or a wire transfer in immediately available funds of the purchase price, to an account designated by the Company. By receiving Shares at an Additional Closing, each Investor so receiving Shares thereby represents that its representations and warranties contained in Section 3 are true and correct as of the date of such Additional Closing. The aggregate principal amount of Shares that may be issued at Closings hereunder shall, in no event exceed the Share Cap Amount.

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

SECTION 2 - REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each Investor as follows:

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

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

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

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

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

2.6 Litigation. Other than the litigation disclosed in the Company's most recent SEC Reports (as defined below), no litigation or governmental proceeding is pending or threatened against the Company which may have a materially adverse effect on the financial condition, operations or prospects of the Company, and to the knowledge of the Company, no basis therefore exists.

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

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

SECTION 3 - REPRESENTATIONS AND WARRANTIES OF THE INVESTORS

Each Investor represents and warrants to the Company as follows:

3.1 Authorization; Binding Obligations. The Investor has full power and authority to enter into this Agreement and this Agreement constitutes a valid and legally binding obligation of the Investor, enforceable against the Investor in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally and to general equitable principles.

3.2 Accredited Investor. The Investor is an "accredited investor" within the meaning of SEC Rule 501 of Regulation D promulgated under the Securities Act.

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

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

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

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

SECTION 4 - MISCELLANEOUS

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

4.2 Amendments and Waivers. Except as otherwise expressly set forth in this Agreement, any term of this Agreement may be amended (either retroactively or prospectively) with the written consent of the Company and the Investor. Any amendment effected in accordance with this Section 4.2 shall be binding upon each Investor, each future holder of Securities and the Company.

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

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

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

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

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

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

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

[Remainder of Page Intentionally Left Blank]

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

CNS RESPONSE, INC.

By: ______________________________
Name: Paul Buck
Title: Chief Financial Officer

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

85 Enterprise, Suite 410
Aliso Viejo, CA 92656
Fax: (866) 867 4446
pbuck@cnsresponse.com

INVESTOR:

By: ______________________________
Name:

____
Title:

[SIGNATURE PAGE TO SUBSCRIPTION AGREEMENT]

SCHEDULE A

Name, Address, Fax Number, E-Mail Address and Tax ID Number of Investor	***Aggregate Purchase Price***
Name:________________________________ Address:______________________________ _____________________________________ Fax:_________________________________ Email:________________________________ Tax ID:_______________________________	$_____________________
TOTAL:	

EXHIBIT 31.1

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

I, George Carpenter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CNS Response, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2014

/s/ George Carpenter
George Carpenter
Chief Executive Officer

EXHIBIT 31.2

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

I, George Carpenter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CNS Response, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

e) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

f) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

g) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

h) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

c) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

d) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2014

/s/ Paul Buck
Paul Buck
Principal Financial Officer

EXHIBIT 32.1

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 (the “Report”) by CNS Response, Inc. (the “Registrant”), the undersigned hereby certifies that to the best of his knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: February 13, 2014

/s/ George Carpenter
George Carpenter
Chief Executive Officer (Principal Executive Officer)

Date: February 13, 2014

/s/ Paul Buck
Paul Buck
Chief Financial Officer (Principal Financial Officer)