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 June 30, 2015

☐ 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 August 14, 2015, the issuer had 101,667,409 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 June 30,		For the nine months ended June 30,	
	2015	2014	2015	2014
REVENUES				
Neurometric Services	$ 31,000	$ 26,100	$ 74,600	$ 110,400
Cost of neurometric services revenue	1,200	5,200	4,100	72,100
Research	22,700	20,700	69,400	92,900
Product development	121,900	376,100	559,300	1,050,500
Sales and marketing	31,100	105,600	296,000	290,500
General and administrative	409,400	533,100	1,259,500	1,523,700
Total operating expenses	586,300	1,040,700	2,188,300	3,029,700
OPERATING LOSS	(555,300)	(1,014,600)	(2,113,700)	(2,919,300)
OTHER INCOME (EXPENSE):				
Interest expense, net	(65,900)	(1,300)	(171,900)	(2,900)
Gain on extinguishment of debt	—	—	—	1,105,200
Gain on change in fair value of derivative liability	85,900	—	185,200	—
Total other income (expense)	20,000	(1,300)	13,300	1,102,300
LOSS BEFORE PROVISION FOR INCOME TAXES	(535,300)	(1,015,900)	(2,100,400)	(1,817,000)
Provision for income taxes	800	1,800	4,700	4,300
LOSS FROM CONTINUING OPERATIONS	$ (536,100)	$ (1,017,700)	$ (2,105,100)	$ (1,821,300)
Loss from discontinued operations	(700)	(1,100)	(2,500)	(4,400)
NET LOSS	$ (536,800)	$ (1,018,800)	$ (2,107,600)	$ (1,825,700)
BASIC AND DILUTED LOSS PER SHARE:				
From continuing operations	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
From discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)
Combined Net Loss	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic and Diluted	101,667,409	100,573,956	101,667,409	98,546,223

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CNS RESPONSE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited As at June 30, 2015	As at September 30, 2014
ASSETS		
CURRENT ASSETS:		
Cash	$ 141,800	$ 1,240,600
Accounts receivable (net of allowance for doubtful accounts of $1,200 and $1,200 as of June 30, 2015 and September 30, 2014 respectively)	11,900	9,300
Prepaids and other assets	98,900	58,200
Total current assets	252,600	1,308,100
Furniture and equipment, net	2,800	8,700
Other assets	17,700	19,300
TOTAL ASSETS	$ 273,100	$ 1,336,100
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable (including $36,200 and $41,300 to related parties as June 30, 2015 and September 30, 2014 respectively)	$ 833,400	$ 868,900
Accrued liabilities	62,900	26,200
Accrued compensation (including $226,100 and $71,700 to related parties as of June 30, 2015 and September 30, 2014 respectively)	592,000	342,000
Deferred revenue - grant funds	45,900	45,900
Secured convertible debt (net of discounts $106,200 and $174,200 as of June 30, 2015 and September 30, 2014 respectively)	2,158,800	1,475,800
Accrued interest	71,800	2,600
Derivative liability	—	153,100
Current portion of capital lease	3,300	3,500
Liabilities of discontinued operations	147,900	177,200
Total current liabilities	3,916,000	3,095,200
LONG-TERM LIABILITIES		
Capital lease	—	2,500
Total long-term liabilities	—	2,500
TOTAL LIABILITIES	3,916,000	3,097,700
STOCKHOLDERS' DEFICIT:		
Common stock, $0.001 par value; authorized 180,000,000 shares and issued and outstanding 101,667,409 shares as of June 30, 2015 and September 30, 2014.	101,700	101,700
Additional paid-in capital	57,576,500	57,350,200
Accumulated deficit	(61,321,100)	(59,213,500)
Total stockholders' deficit	(3,642,900)	(1,761,600)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 273,100	$ 1,336,100

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	For the nine months ended June 30,	
	2015	**2014**
OPERATING ACTIVITIES:		
Net loss	$ (2,107,600)	$ (1,825,700)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net loss from discontinued operations	2,500	4,400
Depreciation and amortization	6,000	7,800
Amortization of discount on bridge notes issued	100,100	—
Gain on change in fair value of derivative liability	(185,200)	—
Stock-based compensation	204,700	839,700
Gain on extinguishment of debt	—	(1,105,200)
Non-cash interest expense	69,200	—
Valuation of warrants – investor relations	21,600	—
Changes in operating assets and liabilities		
Accounts receivable	(2,600)	20,800
Prepaids and other	(40,700)	(33,400)
Accounts payable and accrued liabilities	1,200	(101,500)
Deferred compensation	250,000	(421,100)
Deferred revenue grant funds	—	45,900
Net cash used in operating activities	$ (1,680,800)	$ (2,568,300)
INVESTING ACTIVITIES:		
Disposal of equipment	1,500	—
Net cash provided by investing activities	$ 1,500	$ —
FINANCING ACTIVITIES:		
Repayment of a capital lease	(2,700)	(5,300)
Net proceeds from secured notes	615,000	—
Net proceeds from purchase of common stock	—	1,431,000
Net cash provided by financing activities	$ 612,300	$ 1,425,700
Net cash used in continuing operations	$ (1,067,000)	$ (1,142,600)
DISCONTINUED OPERATIONS		
Net Cash used in discontinued operating activities	(31,800)	(67,100)
Net Cash used in discontinued operations	$ (31,800)	$ (67,100)
NET DECREASE IN CASH	(1,098,800)	(1,209,700)
Cash – beginning of period	1,240,600	1,273,600
Cash – end of period	$ 141,800	$ 63,900
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 2,700	$ 3,300
Income taxes	$ 4,700	$ 4,300
Non-cash financing activities:		
Placement agent warrants issued	$ —	$ 44,100
Shares issued as payment for accounts payable	$ —	$ 361,500

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CNS RESPONSE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE NINE MONTHS ENDED JUNE 30, 2015 AND 2014

For nine months ended June 30, 2015	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
BALANCE - September 30, 2014 (Audited)	101,667,409	$ 101,700	$ 57,350,200	$ (59,213,500)	$ (1,761,600)
Stock-based compensation	—	—	204,700	—	204,700
Warrant valuation – Investor Relations	—	—	21,600	—	21,600
Net loss for the nine months ended June 30, 2015	—	—	—	(2,107,600)	(2,107,600)
Balance at June 30, 2015	101,667,409	$ 101,700	$ 57,576,500	$ (61,321,100)	$ (3,642,900)

For nine months ended June 30, 2014	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	—	—	839,700	—	839,700
Stock issued for private placement shares	5,900,000	5,900	1,425,100	—	1,431,000
Stock issued in lieu of cash to creditors	1,446,380	1,400	360,100	—	361,500
Stock issued for cashless exercise of warrants	564,467	600	(600)	—	—
Net loss for the nine months ended June 30, 2014	—	—	—	(1,825,700)	(1,825,700)
Balance at June 30, 2014	100,627,409	$ 100,600	$ 56,922,300	$ (58,376,400)	$ (1,353,500)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

1. NATURE OF OPERATIONS

Organization and Nature of Operations

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

The Company is a cloud-based predictive analytics company that provides objective clinical decision support to mental healthcare providers for the treatment of behavioral disorders, including depression, anxiety, bipolar disorder and post-traumatic stress disorder ("PTSD"). The Company uses its proprietary neurometric platform, PEER Online, to generate Psychiatric EEG Evaluation Registry ("PEER") Reports to predict the likelihood of response by an individual to certain medications for the treatment of behavioral disorders. In April 2013, the Company commenced a reimbursed clinical trial at Walter Reed National Military Medical Center ("Walter Reed") and Fort Belvoir Community Hospital ("Fort Belvoir") (collectively, the "Walter Reed PEER Trial") using its neurometric platform to provide PEER Reports to military psychiatrists treating patients primarily for depression with various comorbidities, including PTSD and mild traumatic brain injury ("mTBI"). In April 2014, based on an interim analysis of less than 10% of the planned clinical trial enrollees, statistically significant results were achieved for ten of twelve endpoints of the Walter Reed PEER Trial. In May 2014, following the interim analysis, the Walter Reed Institutional Review Board (the "Walter Reed IRB") suspended enrollment of new patients in order to conduct an internal review. Our management expected enrollment of the Walter Reed PEER Trial to recommence in 2015: however, due to limited action on the part of the Walter Reed IRB, or Walter Reed Leadership, and no formal communication or due-process, we now believe that the Walter Reed PEER Trial is unlikely to re-start in the foreseeable future. Consequently, management intends to conduct a clinical trial focused on Southern California (the "SoCal Trial") and using substantially the same protocol as had been approved by the Walter Reed IRB. Our management believes the SoCal Trial will provide additional information to demonstrate the clinical and economic utility of our neurometric platform.

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

Going Concern Uncertainty

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

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

To date, the Company has financed its cash requirements primarily from debt and equity financings. The Company will need to raise additional funds immediately to continue its operations and needs to raise substantial additional funds before the Company can increase demand for its PEER Online services. Until it can generate a sufficient amount of revenues to finance its cash requirements, which it may never do, the Company must continue 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 Quarterly Report on Form 10-Q. 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 unaudited condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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 GAAP, 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 June 30, 2015 and our operating results, cash flows, and changes in stockholders' deficit for the interim periods presented. The September 30, 2014 balance sheet was derived from our audited consolidated financial statements but does not include all disclosures required by GAAP. 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, 2014, which are included in our annual report on Form 10-K, filed with the Securities and Exchange Commission on December 29, 2014.

The preparation of financial statements in accordance with GAAP 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 nine months ended June 30, 2015 are not necessarily indicative of the results that may be expected for future periods or for the year ending September 30, 2015.

Basis of Consolidation

The unaudited 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 Note 3. Discontinued Operations.

Use of Estimates

The preparation of the unaudited 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 the federally insured limit of $250,000. At June 30, 2015, cash did not exceed the federally insured limit. The Company believes that the risk of loss is minimal. To date, the Company has not experienced any losses related to cash deposits with financial institutions.

Derivative Liabilities

The Company evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the condensed consolidated statements of operations. For stock-based derivative financial instruments, the Company uses a weighted average Black-Scholes option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date. As of June 30, 2015, the Company's only derivative financial instrument were a series of convertible notes with a "reset" and "dilutive issuance" clause within the notes relating to the conversion price from dilutive share issuance. Due to the reduction in the market price of the Company's stock below the minimum conversion price of the convertible notes, these convertible notes had no derivative value when using the Black-Scholes model. See Notes 4, Convertible Debt and Equity Financings & 5, Derivative Liabilities.

Fair Value of Financial Instruments

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

The Company also analyzes all financial instruments with features of both liabilities and equity under ASC 480-10 (formerly SFAS 150,*Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*), ASC 815-10 (formerly SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*) and ASC 815-40 (formerly Emerging Issues Task Force ("EITF") 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*).

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

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments; and
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

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

	June 30, 2015
Annual dividend yield	—
Expected life (years)	0.5
Risk-free interest rate	0.11%
Expected volatility	42%

	Carrying Value As of June 30, 2015	Fair Value Measurements at June 30, 2015 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Liabilities				
Secured Convertible Debt	$ 2,158,800	$ —	$ 2,265,000	$ —
Total	$ 2,158,800	$ —	$ 2,265,000	$ —

For the nine months ending June 30, 2015 the Company recognized a gain of $185,200 on the change in fair value of derivative liabilities. For the nine months ending June 30, 2014 the Company had no derivative liabilities or change in fair valuation thereon. As at June 30, 2015 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 nine months ended June 30, 2015 and 2014 was $6,000 and $7,800 respectively. Accumulated depreciation at June 30, 2015 and 2014 was $73,400 and $67,100 respectively.

Offering Costs

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

Long-Lived Assets

As required by ASC 350-30 (formerly SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*), the Company reviews the carrying value of its long-lived assets whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. No impairment loss was recorded for the three and nine months ended June 30, 2015 and 2014.

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

Accounts Payable

This consists of trade payables of which $511,500 is for legal services.

Deferred Revenue

Deferred revenue represents revenue collected but not earned as of June 30, 2015. This represents a philanthropic grant for the payment of PEER Reports ordered for the Walter Reed PEER Trial during calendar 2014, which were otherwise not paid for by Walter Reed or Fort Belvoir. These deferred revenue grant funds as of June 30, 2015 and 2014, are $45,900 and $45,900.

Revenues

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

Research and Development Expenses

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

Advertising Expenses

The Company charges all advertising expenses to operations as incurred. For the three and nine months ended June 30, 2015 we incurred advertising expenses of $0 and $18,700 respectively; for the three and nine months ended June 30, 2014 no advertising expenses were incurred.

Stock-Based Compensation

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

Comprehensive Loss

ASC 220-10 (formerly, SFAS No. 130, *Reporting Comprehensive Income*), requires disclosure of all components of comprehensive income (loss) on an annual and interim basis. Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's comprehensive loss is the same as its reported net loss for the nine months June 30, 2015 and 2014.

Loss per Share

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

Basic earnings (loss) per share are computed by dividing income (loss) available to common stockholders by the weighted average common shares outstanding during the period. Diluted earnings (loss) per share takes into account the potential dilution that could occur if securities or other contracts to issue the Company's common stock, par value $0.001 per share (the "Common Stock") were exercised and converted into Common Stock.

Recent Accounting Pronouncements

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

In April 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-03 is to simplify presentation of debt issuance costs, the amendments in this Update would require that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected by the amendments in this Update. The amendments in this ASU are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. 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 November 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-17 *Business Combinations (topic 805)- Pushdown Accounting.* An acquired entity may elect the option to apply pushdown accounting in the reporting period in which the change-in-control event occurs. An acquired entity should determine whether to elect to apply pushdown accounting for each individual change-in-control event in which an acquirer obtains control of the acquired entity. If pushdown accounting is not applied in the reporting period in which the change-in-control event occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period to the acquired entity's most recent change-in-control event. An election to apply pushdown accounting in a reporting period after the reporting period in which the change-in-control event occurred should be considered a change in accounting principle in accordance with Topic 250, Accounting Changes and Error Corrections. If pushdown accounting is applied to an individual change-in-control event, that election is irrevocable. 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 November 2014, the FASB issued ASU No. 2014-16 *Derivatives and Hedging (Topic 815) Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity.* Entities commonly raise capital by issuing different classes of shares, including preferred stock, that entitle the holders to certain preferences and rights over the other shareholders. The specific terms of those shares may include conversion rights, redemption rights, voting rights, and liquidation and dividend payment preferences, among other features. One or more of those features may meet the definition of a derivative under generally accepted accounting principles (GAAP). Shares that include such embedded derivative features are referred to as hybrid financial instruments. For hybrid financial instruments issued in the form of a share, an entity (an issuer or an investor) should determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. That is, an entity should determine the nature of the host contract by considering the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. 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, 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 Walter Reed PEER Trial.

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 June 30,	
	2015	**2014**
Neuro-Therapy Clinic		
Revenues	$ —	$ —
Expenses	700	1,100
Operating Loss before taxes	$ (700)	$ (1,100)
Taxes	—	—
Net Loss	$ (700)	$ (1,100)

	Nine Months ended June 30,	
	2015	2014
Neuro-Therapy Clinic		
Revenues	$ —	$ —
Expenses	2,500	4,400
Operating Loss before taxes	$ (2,500)	$ (4,400)
Taxes	—	—
Net Loss	$ (2,500)	$ (4,400)

The assets and liabilities of NTC are as follows:

	(Unaudited) June 30, 2015	September 30, 2014
ASSETS:		
Assets of Discontinued Operations	$ —	$ —
LIABILITIES:		
Accounts Payable	$ 86,600	$ 86,600
Accrued Payroll Liabilities	61,300	90,600
Liabilities of Discontinued Operations	$ 147,900	$ 177,200

4. CONVERTIBLE DEBT AND EQUITY FINANCINGS

Between September 22, 2014, and June 03, 2015, the Company entered into a Note Purchase Agreement (the "Note Purchase Agreement") in connection with a bridge financing, with nine accredited investors, including lead investor RSJ Private Equity ("RSJ PE"). Pursuant to the Note Purchase Agreement, the Company issued fourteen secured convertible promissory notes (each, a "September 2014 Note") in the aggregate principal amount of $2.27 million. Of this amount, RSJ PE purchased a September 2014 Note for $750,000. The September 2014 Notes were also purchased by the following affiliates of the Company or entities under their control: the Company's Director, John Pappajohn, purchased three September 2014 Notes for $400,000; the Follman Family Trust of which Robert Follman, a Director of the Company, is a trustee, purchased a September 2014 Note for $100,000; The Tierney Family Trust, which is a greater than 5% shareholder of the Company, purchased four September 2014 Notes for $515,000, Thomas Tierney, a former director and Chairman of the Board of Directors of the Company (the "Board"), is a trustee; and Oman Ventures, of which Mark Oman, a greater than 5% stockholder of the Company, is the President, purchased a September 2014 Note for $200,000.

		As of June 30, 2015		
Note Type and Investor	**Due Date**	**Balance**	**Discount**	**Carrying Value**
Senior Secured 5% Notes Convertible at $0.25 (the "September 2014 Notes")		**($)**	**($)**	**($)**
RSJ Private Equity	03/21/2016	$ 750,000	$ (33,000)	$ 717,000
4 Accredited Investors	03/21/2016	300,000	(14,100)	285,900
John Pappajohn	03/21/2016	400,000	(17,200)	382,800
Tierney Family Trust	03/21/2016	515,000	(24,800)	490,200
Oman Ventures	03/21/2016	200,000	(12,500)	187,500
Follman Family Trust	03/21/2016	100,000	(4,600)	95,400
Total Secured Convertible Promissory (September 2014) Notes		**$ 2,265,000**	**$ (106,200)**	**$ 2,158,800**

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

On April 14, 2015, the Company entered into Amendment No. 1 to the Note Purchase Agreement with the majority of the noteholders in principal, dated as of April 14, 2015 ("Amendment No. 1"), pursuant to which: (i) the aggregate principal amount of notes provided for issuance was increased by $0.5 million to a total of $3.0 million, and (ii) the period to raise the $3.0 million was extended to September 30, 2015. The Company subsequently amended and restated the original Note Purchase Agreement solely to update for the changes made pursuant to Amendment No. 1.

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

5. DERIVATIVE LIABILITIES

Starting September 22, 2014, through June 03, 2015, the Company raised $2.27 million in a private placement of secured convertible debt at $0.25 per share of Common Stock. This debt instrument also has a ratchet whereby the conversion price of $0.25 per share can be reduced to a minimum of $0.10 per share (see Note 4). The inclusion of this ratchet requires the determination of the fair market carrying value. At issuance, the note discount and derivative liability using the Black-Scholes model was $179,200. Upon subsequent revaluations, the derivative liability value was $153,100 and $0.00 as at September 30, 2014 and June 30, 2015, respectively, with a resultant gain from derivative liabilities of $85,900 and 185,200 being booked to other income for the three and nine months ended June 30, 2015. For the nine months ended June 30, 2014, we had no derivative liabilities to value.

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

	June 30, 2015
Annual dividend yield	—
Expected life (years)	0.5
Risk-free interest rate	0.11%
Expected volatility	42.15%

6. STOCKHOLDERS' DEFICIT

Common and Preferred Stock

As of June 30, 2015, the Company is authorized to issue 195,000,000 shares of stock, of which 180,000,000 are Common Stock; the remaining 15,000,000 shares, with a par value of $0.001 per shares are blank-check preferred stock which the Board is expressly authorized to issue without shareholder approval, 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 June 30, 2015, 101,667,409 shares of Common Stock were issued and outstanding. No shares of preferred stock were issued or outstanding.

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

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

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

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

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

Stock-Option Plans

On August 3, 2006, CNS California adopted the CNS California 2006 Stock Incentive Plan (the "2006 Plan"). The 2006 Plan provides for the issuance of awards in the form of restricted shares, stock options (which may constitute incentive stock options (ISO) or non-statutory stock options (NSO), stock appreciation rights and stock unit grants to eligible employees, directors and consultants and is administered by the Board. A total of 667,667 shares of stock were ultimately reserved for issuance under the 2006 Plan. As of September 30, 2014, 70,825 options were exercised and there were 501,924 options and 6,132 restricted shares outstanding under the amended 2006 Plan leaving 87,786 shares which will not be issued as the 2006 Plan has been frozen. The outstanding options have exercise prices to purchase shares of Common Stock ranging from $3.60 to $32.70.

On March 22, 2012, our Board approved the CNS Response, Inc. 2012 Omnibus Incentive Compensation Plan (the "2012 Plan"), reserved 333,334 shares of stock for issuance and on December 10, 2012, the Board approved the amendment of the 2012 Plan to increase the shares authorized for issuance from 333,334 shares to 5,500,000 shares. On March 26, 2013, the Board further approved the amendment of the 2012 Plan to increase the shares authorized for issuance from 5,500,000 shares to 15,000,000 shares. The 2012 Plan, as amended, was approved by our stockholders at the 2013 annual meeting held on May 23, 2013.

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

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

On July 31, 2014, the Board granted 425,000 options to purchase shares of its Common Stock pursuant to the 2012 Plan, at an exercise price of $0.26 per share to select consultants. These options vest evenly over 36 months starting on the date of grant.

On January 8, 2015, the Board granted an option to purchase 250,000 shares of its Common Stock pursuant to the 2012 Plan, at an exercise price of $0.25 per share to a consultant. The option vesting is contingent upon the achievement of agreed upon goals.

As of June 30, 2015, 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 management does not believe will ever be issued as the 2006 Plan is frozen. Options to purchase 12,116,967 shares of Common Stock have been issued under the 2012 Plan, none of which have been exercised, leaving 2,883,033 options available for issuance.

Stock-based compensation expenses are generally 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 nine months ended June 30, 2015 and 2014 is as follows:

	For the three months ended June 30,	
	2015	**2014**
Cost of Neurometric Services revenues	$ —	$ —
Research	10,400	8,200
Product Development	9,200	55,700
Sales and marketing	9,100	21,300
General and administrative	13,700	87,400
Total	$ 42,400	$ 172,600

	For the nine months ended June 30,	
	2015	2014
Cost of Neurometric Services revenues	$ —	$ 5,100
Research	31,200	55,100
Product Development	43,200	193,900
Sales and marketing	72,500	72,300
General and administrative	57,800	513,300
Total	$ 204,700	$ 839,700

Total unrecognized compensation as of June 30, 2015 amounted to $197,100.

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at September 30, 2014	12,417,499	$ 0.84
Granted		
Exercised		
Forfeited		
Outstanding at December 31, 2014	12,417,499	$ 0.84
Granted	250,000	0.25
Exercised	—	—
Forfeited	—	—
Outstanding at March 31, 2015	12,667,499	$ 0.83
Granted	—	—
Exercised	—	—
Forfeited	(48,608)	0.04718
Outstanding at June 30, 2015	12,618,891	$ 0.83

Following is a summary of the status of options outstanding at June 30, 2015:

Exercise Price	Number of Shares	Expiration Date	Weighted Average Exercise Price
$ 0.04718	8,871,692	12/2022 – 01/2023	$ 0.04718
$ 0.25	2,777,605	03/2023 – 01/2025	0.25
$ 0.26	425,000	07/2024	0.26
$ 3.00	42,670	03/2022	3.00
$ 3.60	28,648	08/2016	3.60
$ 3.96	32,928	08/2016	3.96
$ 9.00	4,525	11/2016	9.00
$ 12.00	28,535	03/2019 – 07/2020	12.00
$ 14.10	10,000	03/2021	14.10
$ 15.30	1,373	09/2018	15.30
$ 16.50	262,441	03/2020	16.50
$ 17.70	953	08/2016	17.70
$ 24.00	4,667	12/2017	24.00
$ 26.70	32,297	09/2017	26.70
$ 28.80	11,767	04/2018	28.80
$ 32.70	83,790	08/2017	32.70
Total	12,618,891		$ 0.83

Warrants to Purchase Common Stock

The warrant activity for the period starting October 1, 2013, through June 30, 2015, is described as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at September 30, 2014	**814,744**	$ 3.07
Granted	200,000	0.25
Exercised	—	—
Forfeited	(226,020)	9.14
Outstanding at December 31,2014	**788,724**	$ 0.61
Granted	—	—
Exercised	—	—
Forfeited	(7,200)	9.15
Outstanding at March 31, 2015	**781,524**	$ 0.53
Granted	—	—
Exercised	—	—
Forfeited	—	—
Outstanding at June 30, 2015	**781,524**	$ 0.53

Following is a summary of the status of warrants outstanding at June 30, 2015:

Exercise Price	Number of Shares	Expiration Date	Weighted Average Exercise Price
$ 0.04718	38,152	03/2018	$ 0.04718
0.25	332,200	04/2016 – 07/2017	0.25
0.275	324,000	06/2018 – 03/2019	0.275
1.00	67,170	10/2015 – 01/2017	1.00
7.50	3,334	05/2016	7.50
$ 9.00	16,668	07/2017	9.00
Total	781,524		$ 0.53

On March 22, 2014, a warrant to purchase 120,000 shares of Common Stock at an exercise price of $0.275 per share was issued to Monarch Capital who acted as placement agents in raising $300,000 from 11 accredited investors who purchased restricted Common Stock in private placement agreements dated October 2, 2013 and January 8, 2014.

Also on March 22, 2014, a warrant to purchase 32,200 shares of Common Stock at an exercise price of $0.25 per share was issued to D&D Securities, Inc. who acted as placement agents in raising $115,000 from three accredited investors who purchased restricted Common Stock in private placement agreements dated January 8, 2014.

On August 1, 2014, a warrant to purchase 200,000 shares of Common Stock at an exercise price of $0.25 per share was issued to Red Chip Companies, Inc. pursuant to an investor relations services agreement.

At June 30, 2015, there were warrants outstanding to purchase 781,524 shares of the Company's Common Stock. The exercise price of the outstanding warrants range from $0.04718 to $9.00 with a weighted average exercise price of $0.53. The warrants expire at various times starting 2015 through 2019.

7. RELATED PARTY TRANSACTIONS

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

On March 28, 2015, the Company entered into a separate termination agreement with each of Equity Dynamics, Inc. ("EDI") and SAIL Capital Partners ("SAIL"), in each case to immediately terminate the respective November 28, 2012 governance agreement (collectively, the "Governance Agreements") that the Company had entered into with each of EDI and SAIL (collectively, the "Termination Agreements"). EDI is an entity owned by John Pappajohn, a director of the Company, and SAIL is one of the Company's principal stockholders of which former director, Walter Schindler, is the managing partner. Pursuant to the Governance Agreements, the Company had agreed, subject to providing required notice to stockholders, to appoint four individuals nominated by EDI and three individuals nominated by SAIL to the Company's Board of Directors, and to create vacancies for that purpose, if necessary. In addition, at each meeting of stockholders of the Company at which directors were nominated and elected, the Company had agreed to nominate for election the four designees of EDI and the three designees of SAIL, and further had agreed to take all necessary action to support such election, and to oppose any challenges to such designees. The Governance Agreements also restricted the Company's ability to increase the number of directors to more than seven without the consent of EDI and SAIL. Pursuant to the Termination Agreements, the Governance Agreements were terminated in their entirety as of March 28, 2015, and are of no further force or effect.

Transactions with John Pappajohn, Director

On September 22, 2014, March 18, 2015 and June 2, 2015, Mr. Pappajohn purchased three September 2014 Notes for $200,000, $100,000 and $100,000 respectively. The September 2014 Notes are convertible into shares of Common Stock (i) automatically upon the closing of a qualified offering of no less than $5 million at a conversion price equal to the lesser of $0.25 or 70% of the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share or (ii) voluntarily within 15 days of maturity at the lesser of a conversion price equal to $0.25 or the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share.

Transactions with Robert J. Follman, Director

The Trust of Robert J. Follman and Carole A. Follman, dated August 14, 1979 (the "Follman Trust"), of which our Director Mr. Follman is a trustee, has made multiple additional investments pursuant to a series of subscription agreements all of which were the result of private placements of unregistered stock at $0.25 per share. All individual transactions were in tranches of $100,000 for the purchase of 400,000 shares and the Company received gross cash proceeds of $100,000 on each occasion. Since October 1, 2013, transactions occurred on the following dates: January 17, February 14 and July 8 of 2014. In aggregate the Follman Trust has purchased 1,200,000 shares at $0.25 per share for $300,000 gross cash proceeds to the Company.

On March 17, 2015, the Trust of Robert J. Follman and Carole A. Follman, dated August 14, 1979 (the "Follman Trust"), of which our Director Mr. Follman is a trustee, purchased a September 2014 Note for $100,000. The September 2014 Notes are convertible into shares of Common Stock (i) automatically upon the closing of a qualified offering of no less than $5 million at a conversion price equal to the lesser of $0.25 or 70% of the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share or (ii) voluntarily within 15 days of maturity at the lesser of a conversion price equal to $0.25 or the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share.

Transactions with George Carpenter, Chief Executive Officer

On September 25, 2013, the Board approved a consulting agreement effective May 1, 2013, for marketing services provided by Decision Calculus Associates, an entity operated by Mr. Carpenter's spouse, Jill Carpenter. For the period from May 1, 2013 through to February 28, 2015, we have paid $210,000 to Decision Calculus Associates and have an accounts payable balance of a further $10,000.

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

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

Transactions with Paul Buck, Chief Financial Officer

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

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

Transactions with the SAIL Capital Partners and SAIL Holdings, Greater than 5% Stockholders

Mr. Schindler who served as a Director from November 29, 2012 through June 11, 2015 and is the Managing Partner of SAIL Capital Partners which is a greater than 5% shareholder of the Company and is the general partner of all the SAIL entities except for SAIL Holding, LLC, which is controlled directly by Mr. Schindler.

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

On January 5, 2015, we entered into a three-month long consulting engagement with Dr. Eric Warner, Managing Partner, Europe, Middle East & Africa, Sail Capital Partners Ltd. The objectives of the engagement include the establishment of a revenue-generating licensing agreement in the United Kingdom (U.K.) and initiation a pilot study of our PEER Online technology. Dr. Warner has been paid $10,000 per month for a total of $30,000. On January 8, 2015, the Board granted Dr. Warner an option to purchase 250,000 shares of Common Stock with an exercise price of $0.25 per share; the option vesting is conditioned on the execution of a licensing agreement and a PEER Online pilot study. The fair value of the option, which was determined using the Black-Scholes model, was $28,300 and was expensed over the term of the engagement.

Transactions with Tierney Family Trust, Greater than 5% Stockholder

Mr. Tierney, who resigned from the Board on May 22, 2015, had served on the Board since February 2013 and has served as Chairman of the Board since March 2013. Mr. Tierney is a trustee of the Thomas T. and Elizabeth C. Tierney Family Trust (the "Tierney Family Trust") which is a greater than 5% stockholder.

The Tierney Family Trust has made multiple investments pursuant to a series of subscription agreements all of which were the result of private placements of unregistered stock at $0.25 per share. All individual transactions were in tranches of $100,000 for the purchase of 400,000 shares and the Company received gross cash proceeds of $100,000 on each occasion. Since October 1, 2013, transactions occurred on the following dates: January 13, February 12 and July 8, of 2014. In aggregate the Tierney Family Trust has purchased 1,200,000 shares at $0.25 per share for $300,000 gross cash proceeds to the Company.

On September 22, 2014, January 8, 2015, March 17, 2015 and June 3, 2015, the Tierney Family Trust purchased five September 2014 Notes for $200,000, $100,000, $115,000 and $100,000 respectively for an aggregate total of $415,000. The September 2014 Notes are convertible into shares of Common Stock (i) automatically upon the closing of a qualified offering of no less than $5 million at a conversion price equal to the lesser of $0.25 or 70% of the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share or (ii) voluntarily within 15 days of maturity at the lesser of a conversion price equal to $0.25 or the lowest cost of Common Stock offered by the Company, but in no event less than $0.10 per share.

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

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

8. 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 and nine month period ended June 30, 2015 and 2014, 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 loss and shares used to compute net loss per share for the three months ended June 30, 2015 and 2014 is as follows:

	Three months ended June 30,	
	2015	**2014**
Net loss for computation of basic net loss per share:		
From continuing operations	$ (536,100)	$ (1,017,700)
From discontinued operations	(700)	(1,100)
Net loss	$ (536,800)	$ (1,018,800)
Basic and diluted net loss per share:		
From continuing operations	$ (0.01)	$ (0.01)
From discontinued operations	(0.00)	(0.00)
Basic net loss per share	$ (0.01)	$ (0.01)
Basic and diluted weighted average shares outstanding	101,667,409	100,573,956
Anti-dilutive common equivalent shares not included in the computation of dilutive net loss per share:		
Convertible debt	2,126,111	—
Warrants	781,524	1,100,794
Options	12,625,686	11,992,499

A summary of the net loss and shares used to compute net loss per share for the nine months ended June 30, 2015 and 2014 is as follows:

	Nine months ended June 30,	
	2015	2014
Net loss for computation of basic net loss per share:		
From continuing operations	$ (2,105,100)	$ (1,821,300)
From discontinued operations	(2,500)	(4,400)
Net loss	$ (2,107,600)	$ (1,825,700)
Basic and diluted net loss per share:		
From continuing operations	$ (0.02)	$ (0.02)
From discontinued operations	(0.00)	(0.00)
Basic net loss per share	$ (0.02)	$ (0.02)
Basic and diluted weighted average shares outstanding	101,667,409	98,546,223
Anti-dilutive common equivalent shares not included in the computation of dilutive net loss per share:		
Convertible debt	1,854,618	—
Warrants	841,192	1,222,450
Options	12,563,059	11,768,663

9. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

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

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

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

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

Discovery is ongoing and the Company continues to aggressively defend the action. A trial date had originally been set for May 2014; however, plaintiffs' counsel requested a continuance until August 2014 to which the Company agreed. On June 18, 2014, at plaintiffs' counsel's request, the Company entered into a Standstill and Tolling Agreement, whereby the parties agreed to seek a stay of the litigation and plaintiffs agreed to provide the Company with an executed dismissal of all the claims without prejudice, with the ability to re-file the third amended complaint, without change, on or before June 18, 2015, which the Company may file if the Court lifted the stay. Subsequently on May 7, 2015, the parties agreed to continue the Standstill and Tolling Agreement for another year, until June, 2016, on the same terms. On May 12, 2015, the Court agreed to stay the case for another six months. The Company believes that the third amended complaint, like the prior complaints, is without merit. The Company has not accrued any amounts related to this matter. The action is captioned *Leonard J. Brandt and Brandt Ventures, GP v. CNS Response, Inc., Sail Venture Partners and David Jones, case no. 30-2011-00465655-CU-WT-CJC.*

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

Lease Commitments

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

The Company incurred rent expense from continuing operations of $12,200 and $12,200 for the three months ended June 30, 2015 and 2014, respectively, and $36,700 and 32,800 for the nine months ended June 30, 2015 and 2014, respectively.

On April 24, 2013, we entered into a financial lease to acquire EEG equipment costing $8,900. The term of the lease is 36 months ending May 2016 with a monthly payment of $325. As of June 30, 2015 the remaining lease obligation is $3,300: being $800, $2,500 for fiscal years 2015 and 2016 respectively.

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Operating Lease Obligations	$ 31,700	$ 31,700	$ —	—	—
Capital Lease Obligations	3,300	3,300	—	—	—
Total	$ 35,000	$ 35,000	$ —	—	—

10. SUBSEQUENT EVENTS

Events subsequent to June 30, 2015 have been evaluated through the date that these condensed consolidated financial statements were issued, to determine whether they should be disclosed. The following events have occurred since June 30, 2015.

At a meeting on July 30, 2015, our Board appointed Geoffrey E. Harris and Michal Votruba to the Company's Board with immediate effect.

Mr. Harris is the Managing Partner of C7 Advisors, a New York based money management and healthcare advisory firm. From 2011 to 2014 he served as a managing director and co-head of the healthcare investment banking group at Cantor Fitzgerald, and from 2009-2011, he held a similar position at Gleacher & Company. Mr. Harris is also currently on the board of directors of Cancer Genetics, Inc. (Nasdaq: CGIX), an oncology diagnostics company, American Care Source (Nasdaq: ANCI), a healthcare services company, Amperic, Inc., a privately-held technology company, and PointRight, Inc., a privately-held software company. Mr. Harris graduated from MIT's Sloan School of Management with an MS in Finance Management. Mr. Harris was also appointed to the Audit Committee of the Board.

Mr. Votruba is the Director for Life Sciences for the RSJ/Gradus Fund, which is the lead investor in the Company's $3 million private placement of September 2014 Notes. The RSJ/Gradus Fund has invested $0.75 million (the "RSJ/Gradus Fund Transaction") of the $2.29 million which has been placed thus far. The RSJ/Gradus Fund is based in Prague, Czech Republic, however, Mr. Votruba, who trained as a psychiatrist, is based in New York. Please see *Note 4. Convertible Debt and Equity Financings to the Unaudited Condensed Consolidated Financial Statements* for details of the RSJ/Gradus Fund Transaction and September 2014 Notes.

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

The following discussion and analysis of our financial condition and results of operation should be read in conjunction with our unaudited condensed consolidated financial statements as of, and for, the three and nine months ended June 30, 2015 and 2014, and our Annual Report on Form 10-K for the year ended September 30, 2014, filed with the U.S. Securities and Exchange Commission on December 29, 2014.

Forward-Looking Statements

This discussion summarizes the significant factors affecting the unaudited condensed consolidated operating results, financial condition and liquidity and cash flows of CNS Response, Inc. ("CNS," "we," "us," "our," or the "Company") for the three and nine months ended June 30, 2015 and 2014. 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, 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 for the year ended September 30, 2014 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

CNS Response, Inc. is a cloud-based predictive analytics company that provides objective clinical decision support to mental healthcare providers for the treatment of behavioral disorders, including depression, anxiety, bipolar disorder and post-traumatic stress disorder ("PTSD"). The Company uses its proprietary neurometric platform, PEER Online, to generate Psychiatric EEG Evaluation Registry ("PEER") Reports to predict the likelihood of response by an individual to certain medications for the treatment of behavioral disorders. In April 2013, the Company commenced a reimbursed clinical trial at Walter Reed National Military Medical Center ("Walter Reed") and Fort Belvoir Community Hospital ("Fort Belvoir") (collectively, the "Walter Reed PEER Trial") using its neurometric platform to provide PEER Reports to military physicians treating patients primarily for depression with various comorbidities, including PTSD and mild traumatic brain injury ("mTBI"). In April 2014, statistically significant results were achieved for ten of the twelve study endpoints, based on an interim analysis of approximately 10% of the planned study subjects. In May 2014, following the interim analysis, the Walter Reed Institutional Review Board (the "Walter Reed IRB") suspended enrollment of new patients in order to conduct an internal review. Based on correspondence during November 2014 from the Leadership of WRNMMC and FBCH, we expected enrollment in the Walter Reed PEER Trial to recommence in 2015. To date, no action has been taken by the Walter Reed IRB on the revised protocol and Walter Reed personnel indicated that they do not intend to restart the Walter Reed PEER Trial due to the lack of a qualified senior principal investigator. Hence, we believe that the Walter Reed PEER Trial is unlikely to restart in the foreseeable future, if at all. In March 2015, we initiated a Freedom of Information Act (FOIA) request in order to understand the factual basis for the suspension of study operations and the refusal to release the peer-reviewed and accepted manuscript for publication.

Due to this continued suspension of study operations at WRNMMC, the Company intends to conduct a clinical trial, under substantially the same protocol as had been previously approved by the Walter Reed IRB, focused in the Southern California region (the "SOCAL Study"). Our management believes the SOCAL Study will provide additional information to demonstrate the clinical and economic utility of our neurometric platform. Furthermore, the SOCAL Study will be solely under the control of a Senior Principal Investigator from academia.

Working Capital

Since our inception, we have generated significant net losses. As of June 30, 2015 and 2014 we had an accumulated deficit of approximately $61.3 million and $58.4 million respectively. We incurred operating losses of $2,113,700 and $2,919,300 for the nine months ended June 30, 2015 and 2014 respectively; and incurred a net loss of $2,107,600 for the nine months ended June 30, 2015, versus a net loss of $1,825,700 for the same period in the prior year.

Currently, we are unable to pay all our obligations as they become due and we are in arrears in paying certain of our creditors. If we are not able to raise additional funds within the next month or reach accommodations with certain of our creditors, we will likely be required to cease our operations, or seek the protection of federal bankruptcy laws.

Assuming we are able to raise sufficient funds to continue our operations, we expect our net losses to continue for at least eighteen to twenty-four months and possibly beyond that time. We anticipate that a substantial portion of any capital resources and efforts would be focused on the scale-up of our commercial organization followed by, further research including expansion of clinical trials with militaries, US and NATO, international expansion, the further development of our PEER Online product and Apps, 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, including our SOCAL Study, would be partially funded by grants or third-party sponsorship, along with funding by the Company.

As of June 30, 2015, our current liabilities of approximately $3.9 million exceeded our current assets of approximately $0.3 million by approximately $3.6 million and, assuming we are able to continue our operations, our net losses will continue for the foreseeable future. During our current nine months ended June 30, 2015 we raised $615,000 in the private placement of secured convertible debt with a conversion price of $0.25 per share. During fiscal year 2014 we were successful in raising a net $3.34 million of which $1.69 million was in the private placement of equity at $0.25 per share of common stock, par value $0.001 per share ("Common Stock") and $1.65 million was in the private placement of secured convertible debt at $0.25 per share.

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

Recent Developments

Transformation in Military Medicine

Military medicine faces unprecedented challenges in treating the growing number of soldiers, both active and veteran, who present with "invisible wounds of war".

Both the Department of Defense ("DoD") and the Veterans Administration (VA) have pledged to hire thousands of new behavioral health professionals needed to address demand and reduce waiting times. However, in 2014 news reports revealed problems and cover-ups associated with the VA waiting lists, and thereafter reports also began to emerge of systemic preventable medical error in DoD hospitals. The New York Times reported, "Investigative teams from the Times worked for months to understand the high rate of safety/medical error issues in DoD facilities. They found a system in which scrutiny is sporadic and avoidable errors are chronic". For PTSD and other mental disorders, the news was particularly concerning as an Institute of Medicine report found that $9.3 billion had been allocated to research and treatment of PTSD over a three year period, yet no conclusions could be reached because there had been no systematic collection of outcomes.

In 2014 the Unified Medical Budget for the DoD was $49.4 billion, or almost 10% of the $526.6 billion total DoD budget. Mental disorders are now the leading cause of hospitalization in the US Armed Forces. Among active soldiers, suicide is now the leading cause of death according to the Armed Forces Medical Surveillance Monthly Report (October 21, 2014). With the passage in 2015 of the Clay Hunt SAV Act, veterans are expected to have greater access to services, and the effectiveness of suicide prevention programs will be evaluated annually by an independent organization.

As a consequence, US military medicine is now undergoing a major transformation focused on transparency and accountability, in order to improve outcomes. The DoD has issued a system wide mandate to collect behavioral health data, and programs to reduce preventable error are at the core of this commitment. Our management believes that improving treatment outcomes through the use of its PEER Reports could have a significant practical impact on the military in terms of reduced suffering, improved access to providers through treatment efficiencies and cost savings.

PEER Military Initiative

During this same period, the Company has been actively working with the military to study the impact of PEER Interactive information on treatment outcomes. PEER's foundation is a clinical outcome registry which has demonstrated correlations with certain electrophysiological features in multiple randomized controlled and observational trials. It is Open Science, meaning that outcome correlations are published online and can be updated with new data using machine learning algorithms. In this way, the outcome registry continues to build evidence as it grows.

This technology was of interest to military medicine in part because of the deteriorating evidence for their primary depression treatment: Selective Serotonin Reuptake Inhibitor ("SSRI") antidepressants. Even under ideal clinical trial conditions, there were more negative than positive trials for most SSRIs, and they have proven significantly less effective than originally thought. Importantly, each medication carries an FDA black-box warning for suicidality in children and young adults. With the PEER database now representing over 10,000 unique patients, PEER is approaching levels of evidence greater than that used for approval of many of these SSRI medications.

The premise is that physicians using objective information can better avoid medications that have a low probability of success, and are more often able to select medications with a higher probability of success.

The Walter Reed PEER Trial

The Walter Reed PEER Trial was designed as a randomized, double-blind, multi-site controlled clinical trial for military patients with a primary diagnosis of depression, and comorbid diagnoses of PTSD, mTBI and other behavioral disorders. Walter Reed has acted as the lead site and Principal Investigator, with Fort Belvoir being the secondary site. The trial's primary prospective endpoint is a change from baseline using the Quick Inventory of Depression Symptomology Self Report (QIDS-SR) scale in the study group when compared with the control group. Additional endpoints include suicidality conducted on the Concise Health Risk Tracking scale (CHRT), the PTSD Checklist (PCL-C), achievement of Maximum Medical Improvement (MMI) and psychiatric adverse events. A post-hoc analysis will be performed to evaluate the predictiveness of the database for the full population, including the control subjects.

The protocol includes standard methodological procedures to prevent bias, including subject randomization, double-blinding, and input of all study data by independent clinical research personnel who are contracted through the Henry Jackson Foundation – congressionally chartered to manage and execute medical research at US military facilities.

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

Although the trial protocol and PEER technology completed multiple science reviews and agency approvals, it has not received any funds from the $1.8 million grant application submitted in 2013 and has only received approximately $54,000 from Walter Reed to date. The bulk of trial costs have been borne by the Company.

The Trial began recruiting its first subjects in April 2013, the first month of the National Budget Sequestration, which limited military staff resources which could have been devoted to it. Nevertheless, trial enrollment grew rapidly to 60 physician sub-investigators and 161 enrollees within its first year.

Statistically Significant Trial Findings

Per the protocol, an interim analysis was performed when the trial had reached approximately 10% of projected enrollment, showing statistically significant results for ten of the twelve study endpoints. Comparing physicians who followed the PEER Report recommendations compared with those who did not follow the recommendations, the study found:

- 75% greater improvement in Suicidality scores using CHRT
- 144% greater improvement in Depression scores using QIDS-SR
- 139% greater improvement in PTSD scores using PCL-C
- 43% more patients remained in treatment, with greater than 50% improvement in treatment efficiency

The interim report manuscript was submitted for publication to a neuropsychiatric journal in June 2014. The manuscript was peer reviewed by five independent reviewers and accepted for publication pending final approval from the five authors of the manuscript. Final approval was received from all except the military authors. No reason was given for withholding approval to publish and no assertion has been made regarding the accuracy and validity of the study data.

Walter Reed Internal Review

The abovementioned preliminary trial findings were shared by the Surgeon General of the Army with Members of Congress in April 2014. Following the interim analysis and submission of the draft manuscript to the Walter Reed IRB on May 13, 2014, the Walter Reed IRB suspended enrollment of new patients into the study on May 15, 2015, in order to conduct an internal review. The Company has had no access to the internal review documents or the IRB's conclusions, despite repeated requests.

By November 2014, the internal review was completed and Walter Reed leadership expressed their intent to continue the Walter Reed PEER Trial, confirming that PEER "could make a fundamental difference in the treatment of depression". In response to Congressional inquiries, the DoD confirmed that there were no quality or safety issues with the study. In a draft letter to subjects, Walter Reed confirmed that at no time was patient care impacted, but that the trial had been suspended due to "administrative issues".

The Walter Reed PEER Trial protocol, with minor revisions and clarifications which were acceptable to the Company, was resubmitted in December 2014, to the Walter Reed IRB by the Acting Principal Investigator for further approval. These revisions and clarifications included:

- Replacement of the Principal Investigator and the Sponsor's on-site study monitor, with new personnel selected by Walter Reed.
- Enrollment target revision to 1,600 subjects at the two military sites, and the elimination of the Boston VA as a potential site.
- Exclusion of subjects currently being treated with Fluoxetine (Prozac) due to its lengthy 43 day washout period.
- New definition of Serious Adverse Events, replacing the FDA-based definition used in the original protocol.

Walter Reed and Fort Belvoir leadership pledged in writing "to devote the time and attention necessary for the success of this endeavor". Nevertheless, no action has been taken by the Walter Reed IRB on the revised protocol and Walter Reed personnel have indicated that they do not intend to restart the Walter Reed PEER Trial due to the lack of a qualified senior principal investigator. It is our belief that there is no intent on the part of leadership to resume the Walter Reed PEER Trial, and we are working with the Defense Health Agency on plans for deployment of the study to other military treatment facilities.

Defense Health Agency Engagement

The DHA was created by the DoD in 2013 as a joint management activity, tasked with integrating the medical organizations of the separate uniformed services and introducing best practices (e.g. reduction of preventable error) to military medicine.

In 2015, the Company asked the DHA to provide a clear pathway for the evaluation of its PEER Technology by the military. CNS Response and the DHA are working together to develop a large study involving various locations within the military health system and to find a Senior Principal Investigator for a research effort of this magnitude. Locations considered include Fort Hood, Madigan, Fort Campbell, Fort Bliss and Fort Bragg which have some of the largest military medical treatment facilities in the U.S. This path will require several months to mature and at least a year before recruitment commences.

Military Health Services Research Symposium

The Company was recently selected by the Military Health Services Research Symposium Organizing Committee of the Army's Medical Command based at Fort Detrick to present our research in a poster session at the annual Symposium to be held 17th through 20th of August, 2015. We will present a meta-analysis of our research studies and data from studies undertaken by independent third-party researchers. We will also exhibit at this event. A summary of the meta-analysis is as follows:

a) **There are two reasons that the best available mental health treatments (per VA/DoD guidelines) are not very effective.**

- The original evidence for SSRI antidepressants was overstated. Citing groundbreaking work by Turner in New England Journal of Medicine which noted that most negative drug studies were not published prior to 2004, consequently, physicians thought that 94% of antidepressant studies were positive. In fact, when all studies were published, only 51% of them were positive. Furthermore, in two meta-analyses of FDA submissions for antidepressants conducted by Kirsh at Harvard indicated that "Our analyses of the FDA data showed relatively little difference between the effects of antidepressants and the effects of placebos. Indeed, the effects were so small that they did not qualify as clinically significant."

- Trial-and-error treatment is the current standard of care for mental disorders, unlike other specialties, there are currently no accepted tests for personalized response to medications.

Consequently, clinical results in mental health are inadequate, directly impacting patient care and healthcare budgets. In the US military, 45% of patients drop out of treatment after a single visit. Once patients have failed to respond to two medications, their medical costs are estimated to be four times higher than for patients who are successfully treated.

b) **PEER Technology was developed to provide doctors with real-world outcome data for specific medications:** referenced to a standard, reliable measure of electrophysiology using EEG. Over 100 studies have established the relationship between quantitative EEG and medication response. 10 of those studies have focused specifically on PEER/rEEG in Treatment Resistant Depression. PEER now represents a robust clinical outcome Registry with over 10,000 unique patients and 38,000 outcome correlations with EEG findings.

c) **Evidence reviews** by United Biosource and United Healthcare determined that evidence for PEER in Treatment Resistant Depressions exceeds the evidence for current treatment guidelines. United Healthcare indicated that one more well-designed clinical trial of reasonable size would likely move PEER from its Emerging Technology classification to Proven Technology, meriting full reimbursement.

d) **Randomized Controlled Trials:** There have been three randomized controlled trials of PEER (n = 145), one in the Veterans Health Administration and two multi-site trials (at Harvard, Stanford, UCI, Rush, etc.), all with positive, statistically significant results. In a pooled analysis of three randomized trials, medication efficacy was doubled for physicians using PEER-guided treatments with a mean change from baseline showing an improvement of 43% when guided by PEER verses an improvement of only 20% when using Treatment-as-Usual.

e) **Observational Cohort Studies:** 20 observational-cohort studies have been conducted of PEER and similar technologies (n = 1400), all with positive findings. A recent commercial payer study found a statistically significant 85% reduction in patient suicidality when physicians' treatments were guided by PEER. Conversely, when medications were rated as not recommended by PEER, severe adverse events were more than twice as likely to occur.

f) **PEER — with 86% overall predictive accuracy** — compares favorably to other commonly used diagnostics. As outcomes are added to the PEER Registry, predictive accuracy improves. Recently, the machine learning methods used to develop PEER classifiers were independently replicated by researchers at McMaster University in Canada.

g) **In summary**, current evidence is mixed for antidepressants prescribed under trial-and-error conditions. In contrast, all clinical studies of PEER have been positive, and the database continues to grow and become more predictive through machine learning. The current evidence indicates that treatments informed by PEER can significantly outperform those based on trial-and-error pharmacotherapy.

Canadian Forces/NATO

The Company has been meeting over a period of two years with Canadian Military mental health leaders. These discussions have determined that two Canadian study sites will be selected to support a clinical trial using a protocol substantially similar to the one used for the Walter Reed PEER Trial. Originally it was anticipated that this study would be conducted in collaboration with the Walter Reed PEER Trial, however, with the suspension of the Walter Reed PEER Trial, the Canadian Military has opted to proceed on its own. The study protocol is currently under review. We are advised by the responsible official that funding for the study has been secured and we anticipate starting a 300 person study within the next six to nine months.

Marketing Initiatives

To test effectiveness, the Company engaged in pilot marketing campaigns utilizing digital and social media advertising. Marketing campaigns were deployed on two occasions during the first six months of fiscal 2015: these successfully demonstrated the ability to increase awareness and generate leads, referred to psychiatrists and other providers using our PEER Online technology. Additionally, our investment in marketing automation and retargeting demonstrated our ability to optimize yield, resulting in an average lead acquisition cost of approximately $55 for the most targeted campaigns. Apart from these promising test marketing campaigns, no further extended marketing was undertaken due to capital resource constraints. However, the focus on quick ramp-up media suggests that lead generation can be initiated rapidly and in a cost efficient manner once sufficient funding is established.

Marketing efforts also focused on activating key opinion leaders to support the Company. This initiative led to the abovementioned meeting between the leadership of the DHA and the Company's Chairman and CEO, focused on establishing a clear pathway for the military evaluation and potential adoption of its PEER Online technology. Partnering with key opinion leaders is expected to result in future initiatives which can be used to drive military and consumer adoption.

Commercial Adoption Plan

As a result of our successes with our marketing initiative and due to the lead time required to conduct research with the Military, the Company will embark on a commercial study focused in our local market in Southern California. With several key military bases and a high concentration of veterans in the region, we believe we are well positioned to recruit enrollees into our Southern California Clinical Study (the SOCAL Study). This project will be led by a prominent mental health researcher, Dan V. Iosifescu, MD, Director of the Mood and Anxiety Disorders Program and Associate Professor of Psychiatry and Neuroscience at the Icahn School of Medicine at Mount Sinai, New York. We intend to use a protocol substantially similar to that used for the Walter Reed PEER Trial with similar endpoints. We anticipate enrolling 468 subjects into the study and tracking each of them for twelve weeks. We will conduct an interim review when approximately 50% of the enrolled subjects have been treated. We estimate that this project will take between 18 and 24 months to complete and will cost approximately $1.5 million.

As we are recruiting for the SOCAL Study, we expect that our marketing will also attract individuals who do not meet the Study's enrollment criteria. These individuals will be treated as regular patients. With a sustained direct-to-consumer marketing program beginning with a focus on Southern California, we intend to demonstrate sustained revenue growth leading to profitability. With additional financing, our objective is to expand our direct-to-consumer marketing to have a presence in the top 10 metro areas. We will also introduce a consumer-facing mobile app (web/ IOS/Android), which will automate patient-reported outcomes and support patient engagement. With the increase in patient reported outcomes, we will be able to expand the PEER Online database thus improving its predictive accuracy.

Payer Reimbursement

We have been focused on invoicing payers to get reimbursement for the EEG recording, the conversion of the analog EEG to a digital Quantitative EEG, and ultimately, the processing and delivery of a PEER Report. To date we still have limited experience with payer reimbursement, however, we have seen some reimbursement of EEG recordings and of Quantitative EEG conversions, which management believes is encouraging. The PEER Report, which does not have a CTP code, has not been reimbursed to date and we are still billing the patient $400 for this procedure.

United Healthcare issued an "emerging technology" approval for PEER Online in 2011, with guidance that PEER technology was one well-designed study away from full reimbursement approval. We anticipate that the SOCAL Study will be the study that persuades United Healthcare to fully reimburse for the PEER Report. We believe that payers could get a substantial benefit by encouraging the use of PEER Online, as they stand to save on medical expenses if patients are successfully treated for their behavioral disorders.

One of the key elements in obtaining payer reimbursement is to become a registered CMS (Medicare/ Medicaid) provider. We have applied to become an accredited provider to CMS as an independent diagnostic testing facility. We have been advised by the administrative official that a successful site visit was the last step in the review process. We have had that successful site visit and are compliant with Medicare site requirements. Consequently, we anticipate that our application will be approved and we should be getting clarity on timing of the approval, if granted, within the next few weeks.

Recognition of Intellectual Property

In June, 2015, the Company was ranked as one of 25 leading patent holders in pervasive neurotechnology, according to a report on over 800 organizations by researcher SharpBrains. The Company was ranked 21st, based on the strength of its intellectual property ("IP"), in the report titled "Pervasive Neurotechnology: A Groundbreaking Analysis of 10,000+ Patent Filings Transforming Medicine, Health, Entertainment, and Business." Other firms which were ranked according to their IP Strength Index included the Nielsen Company (#1 overall), Medtronic (#3), Microsoft (#4), Neuronetics (#8), Accenture (#10), General Electric (#11), IBM (#14), and Stanford University (#23). For 2015, the SharpBrains analysis valued the neurotech patent portfolios of all companies at $2 billion.

The report highlighted "an explosion in relevant patent filings and grants," noting a 500% growth in active patents and pending applications over the last 10 years in this area. The Company was identified as a category leader in Key Active EEG Patents, for its "broad claim coverage of quantified assessments of neurophysiological information for correlating medication response profiles." Other EEG leaders include the Nielsen Company (#1), Phillips (#18), and Sedline/Masimo (#20).

Alvaro Fernandez, SharpBrains CEO and editor-in-chief of the new report said the "the ability to gather and analyze objective and predictive brain data, in order to better personalize pharma and non-pharma treatments, is quickly becoming paramount. We were gladly surprised to see how innovative firms like CNS Response have started to harness the potential of EEG and cloud-based platforms to radically upgrade brain health."

Other Evidence

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

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

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

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

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

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

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

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

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

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

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

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

Corporate Governance

Termination of the Governance Agreements

On March 28, 2015, the Company entered into a separate termination agreement with each of Equity Dynamics, Inc. ("EDI") and SAIL Capital Partners ("SAIL"), in each case to immediately terminate the respective November 28, 2012 governance agreement (collectively, the "Governance Agreements") that the Company had entered into with each of EDI and SAIL (collectively, the "Termination Agreements"). EDI is an entity owned by John Pappajohn, a director of the Company, and SAIL is one of the Company's principal stockholders of which a former director, Walter Schindler, is the managing partner. Pursuant to the Governance Agreements, the Company had agreed, subject to providing required notice to stockholders, to appoint four individuals nominated by EDI and three individuals nominated by SAIL to the Company's Board of Directors, and to create vacancies for that purpose, if necessary. In addition, at each meeting of stockholders of the Company at which directors were nominated and elected, the Company had agreed to nominate for election the four designees of EDI and the three designees of SAIL, and further had agreed to take all necessary action to support such election, and to oppose any challenges to such designees. The Governance Agreements also restricted the Company's ability to increase the number of directors to more than seven without the consent of EDI and SAIL. Pursuant to the Termination Agreements, the Governance Agreements were terminated in their entirety as of March 28, 2015, and are of no further force or effect.

The passing of a Board Member

On April 12, 2015, Richard W. Turner, Ph.D., a member of CNS Response, Inc.'s Board of Directors, Audit Committee and Governance and Nominations Committee, passed away at the age of 68. Dr. Turner had served as a member of the Board since February 25, 2013, when he was nominated to the Board by EDI.

Resignation of Board Members

On May 22, 2015, Thomas T. Tierney, Chairman of our Board and a member of the Compensation Committee of the Board, notified the Company of his decision to resign from the Board, effective immediately. Mr. Tierney has served on the Board since February 2013 and has served as Chairman of the Board since March 2013. Mr. Tierney has indicated that his resignation was not because of any disagreement with the Company on any matter relating to the Company's operations, policies or practices. Mr. Tierney also indicated that he wishes to make more time for his family interests and that he continues as a significant investor in the Company. On June 3, 2015, Subsequent to Mr. Tierney's resignation, the Tierney Family Trust, of which Mr. Tierney is a trustee, purchased a secured convertible note from the Company for $100,000.

On June 11, 2015, Walter L. Schindler, a member of the Company's Board and a member of the Compensation Committee of the Board, notified the Company of his decision to resign from the Board, effective immediately. Mr. Schindler has served on the Board since November 28, 2012.

Appointment of Board Members

Effective July 30, 2015, the Board appointed Geoffrey E. Harris and Michal Votruba to the Company's Board.

Mr. Harris is the Managing Partner of C7 Advisors, a New York based money management and healthcare advisory firm. From 2011 to 2014 he served as a managing director and co-head of the healthcare investment banking group at Cantor Fitzgerald, and from 2009-2011, he held a similar position at Gleacher & Company. Mr. Harris is also currently on the board of directors of Cancer Genetics, Inc. (Nasdaq: CGIX), an oncology diagnostics company, American Care Source (Nasdaq: ANCI), a healthcare services company, Amperic, Inc., a privately-held technology company, and PointRight, Inc., a privately-held software company. Mr. Harris graduated from MIT's Sloan School of Management with an MS in Finance Management. Mr. Harris was also appointed to the Audit Committee of the Board.

Mr. Votruba is the Director for Life Sciences for the RSJ/Gradus Fund, which is the lead investor in the Company's $3 million private placement convertible debt round of financing. The RSJ/Gradus Fund has invested $0.75 million (the "RSJ/Gradus Fund Transaction") of the $2.29 million which has been placed thus far. The RSJ/Gradus Fund is based in Prague, Czech Republic, however, Mr. Votruba, who trained as a psychiatrist, is based in New York. Please see *Note 4. Convertible Debt and Equity Financings to the Unaudited Condensed Consolidated Financial Statements* for details of the RSJ/Gradus Fund Transaction.

Private Placement Transactions

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

The first two tranches, from February 22, 2013, through April 1, 2013, and from May 23, 2013, through September 12, 2013, 38 accredited investors purchased an aggregate of 12,180,000 shares of common stock at a price of $0.25 per share in the private placements. The Company received gross aggregate cash proceeds of $3,045,000. The investors included the following affiliates: the Tierney Family Trust of which Mr. Tierney, our former Chairman of the Board, is a trustee, acquired 1,600,000 shares of common stock for which the Company received cash proceeds of $400,000: the Follman Family Trust of which Mr. Robert Follman, a director of the Company is a trustee, acquired 800,000 shares of common stock for which the Company received cash proceeds of $200,000: Mr. John Pappajohn, a director of the Company, acquired 400,000 shares of common stock for which the Company received cash proceeds of $100,000: Mr. Paul Buck, the Company's CFO, acquired 100,000 shares of common stock for which the Company received cash proceeds of $25,000: 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 and Mr. & Mrs. Mark and Jill Oman, who are also 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.

The third tranche, from October 7, 2013, through November 14, 2013, the Company sold and issued an aggregate of 1,900,000 shares of its common stock at a per share price of $0.25, in a private placement to 10 accredited investors, for which it received gross cash proceeds to the Company of $475,000. No affiliates participated in this tranche.

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

The fifth tranche, between July 8, 2014 and July 23, 2014, the Company sold and issued an aggregate of 1,040,000 shares of its Common Stock, at a price of $0.25 per share, in a private placement to nine accredited investors, for which it received gross cash proceeds of $260,000. These investors included the Tierney Family Trust and Follman Family Trust, who each purchased 400,000 shares of Common Stock for $100,000 each; an entity beneficially owned by our former director, Walter Schindler, purchased 40,000 shares of Common Stock for $10,000; our Chief Executive Officer, George Carpenter and his wife Jill Carpenter, purchased 50,000 shares of Common Stock for $12,500; our CFO, Paul Buck, also purchased 50,000 shares of Common Stock for $12,500.

Between September 22, 2014, and June 3, 2015, the Company entered into a new Note Purchase Agreement (the "Note Purchase Agreement") in connection with a bridge financing, with nine accredited investors, including lead investor RSJ Private Equity ("RSJ PE"). Pursuant to the Note Purchase Agreement, the Company issued fourteen secured convertible promissory notes (each, a "September 2014 Note") in the aggregate principal amount of $2.27 million. Of this amount, RSJ PE purchased a September 2014 Note for $750,000. The September 2014 Notes were also purchased by the following affiliates of the Company or entities under their control: The Tierney Family Trust purchased four September 2014 Notes for $515,000; the Company's Director, John Pappajohn, purchased three September 2014 Notes for $400,000; the Follman Family Trust purchased a September 2014 Note for $100,000; and Oman Ventures, of which Mark Oman, a greater than 5% stockholder of the Company, is the President, purchased a September 2014 Note for $200,000. The obligations represented by these September 2014 Notes are secured by substantially all of the assets of the Company.

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

Financial Operations Overview

Revenues

Our neurometric services revenues are derived from the sale of PEER Reports to physicians. Physicians are generally billed upon delivery of a PEER Report. The list price of our PEER Reports to physicians is $400 per report which excludes the cost of doing the EEG. Our Clinical Trial revenues are derived from the PEER Reports to the Military. The list price of our PEER Reports to the Military is $540 and is inclusive of collecting the EEG. We stopped providing PEER Reports to the Military in May 2014 and consequently, generated no revenue after such time. Although we expect to continue our service to the Military at some time, no assurance can be given that we will generate any additional revenue by providing the Military with PEER Reports.

Cost of Revenues

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

Research and Product Development

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

Sales and Marketing

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

General and Administrative

Our general and administrative expenses consist primarily of personnel, occupancy, legal, audit, consulting and administrative 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 U.S. GAAP. 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 report. We believe the following critical accounting policies reflect our more significant estimates and assumptions used in the preparation of our unaudited condensed consolidated financial statements.

Discontinued Operation

Due to our cessation of our Clinical Services operation as described in Note 3 to our unaudited condensed 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 Accounting Standards Codification ("ASC") topic 505-10, *Costs of an Equity Transaction*, for recognition of offering costs. In accordance with ASC 505-10, the Company treats incremental direct costs incurred to issue shares classified as equity, as a reduction of the proceeds. Direct costs incurred before shares classified as equity are issued, are classified as an asset until the stock is issued. Indirect costs such as management salaries or other general and administrative expenses and deferred costs of an aborted offering are expensed.

Long-Lived Assets and Intangible Assets

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

Derivative accounting for convertible debt and warrants

The Company analyzes all financial instruments with features of both liabilities and equity under ASC-480-10 and ASC 815-10 whereby the Company determines the fair market carrying value of a financial instrument using the Black-Scholes model and revalues the fair market value on a quarterly basis. Any changes in carrying value flow through as other income (expense) in the income statement. As of September 30, 2013, the Company did not have any convertible debt or warrants, and therefore, had no associated derivative liabilities at that time. Between September 2014 and June 2015, the Company raised $2.27 million in a private placement of secured convertible debt at $0.25 per share of Common Stock. This debt instrument also has a ratchet requiring the determination of the fair market carrying value at issuance, the note discount and derivative liability using the Black-Scholes model was $179,200. Upon subsequent revaluations, the derivative liability value was $153,100 and $0.00 as at September 30, 2014, and June 30, 2015, with a resultant $85,900 gain from derivative liabilities being booked to other income for the three months ended June 30, 2015, and a gain of $185,200 being booked to other income for the nine months ended June 30, 2015. For the nine months ended June 30, 2014, we had no change in valuation as there were no derivative liabilities at that time.

Results of Operations for the three months ended June 30, 2015 and 2014

We only operate our Neurometric Services business which is focused on the delivery of PEER Reports that enable psychiatrists and other physicians/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 June 30,	
	2015	2014
Revenues	100%	100%
Cost of revenues	4	20
Gross profit	96	80
Research	73	79
Product development	393	1,441
Sales and marketing	100	405
General and administrative expenses	1,321	2,042
Operating loss	(1,791)	(3,887)
Other income (expense), net	61	(12)
Net expense before Discontinued Operations	(1,730)	(3,899)
Loss from Discontinued Operations	(2)	(4)
Net loss	(1,732)%	(3,903)%

Revenues

	Three months ended June 30,		Percent Change
	2015	2014	
Neurometric Service Revenues	$ 31,000	$ 26,100	19%

With respect to our Neurometric Services business, the number of third party paid PEER Reports delivered increased to 79 for the three months ended June 30, 2015, up from 60 for the same period in the prior year. The change was due to increased utilization in our current user-group of doctors. As our Walter Reed Trial was on hold, no PEER Reports were ordered for the trial during the 2015 period. Our standard price per PEER Report is $400 for our commercial patients plus the fee for Company recorded EEGs and ancillary services; the price to our military clinical trial providers is $540, which includes the collection of the EEG. The average revenue was $386 per PEER Report for the 2015 period. The total numbers of free PEER Reports processed were 5 and 1 for the three months ended June 30, 2015 and 2014 respectively. These free PEER Reports are used for training, database-enhancement and compassionate-use purposes.

Cost of Revenues

	Three months ended June 30,		Percent Change
	2015	2014	
Cost of revenues			
Neurometric Services	$ 1,200	$ 5,200	(76)%

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

	Three months ended June 30,		
Key Expense Categories	2015	2014	Change
(1) Salaries and benefit costs	$ —	$ —	$ —
(2) Consulting fees	1,200	5,200	(4,000)
Total Costs of Revenues	$ 1,200	$ 5,200	$ (4,000)

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

Comparing the three months ended June 30, 2015 with the corresponding period in 2014:

(1) Salary and benefit expenses for the 2015 period were $0 as a member of staff had left in 2014. This function was re-assigned to a consultant and other members of staff along with the rollout of our second generation of PEER Online which is more automated; and

(2) Consulting fees declined for the 2015 period as we processed more EEGs with in-house resources.

Research

	Three months ended June 30,		Percent Change
	2015	2014	
Research			
Neurometric Services	$ 22,700	$ 20,700	10%

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

	Three months ended June 30,		
Key Expense Categories	**2015**	**2014**	**Change**
(1) Salary and benefit costs	$ 10,400	$ 8,200	$ 2,200
(2) Consulting fees	10,000	10,000	—
(3) Other miscellaneous costs	2,300	2,500	(200)
Total Research	$ 22,700	$ 20,700	$ 2,000

Comparing the three months ended June 30, 2015 with the corresponding period in 2014:

(1) Salary and benefit costs, which are solely comprised of stock-based compensation, increased marginally for the 2015 period due to the timing of options grants for our medical consultant and Scientific Advisory Board members which were granted in July, 2014;

(2) Consulting costs remained the same for both periods as we entered into a consulting agreement with Dr. Schiller for the medical monitoring of the Walter Reed Trial, the training of clinical trial investigators and new PEER Online users. Additionally Dr. Schiller is advising the Company on product development; and

(3) Other miscellaneous costs for 2015 and 2014 periods were substantially similar.

Product Development

	Three months ended June 30,		Percent Change
	2015	2014	
Product Development			
Neurometric Services	$ 121,900	$ 376,100	(68)%

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

	Three months ended June 30,		
Key Expense Categories	**2015**	**2014**	**Change**
(1) Salaries and benefit costs	$ 110,800	$ 163,500	$ (52,700)
(2) Consulting fees	5,000	162,600	(157,600)
(3) System development costs	1,300	35,500	(34,200)
(4) Conference and travel	—	10,900	(10,900)
(5) Other miscellaneous costs	4,800	3,600	1,200
Total Product Development	$ 121,900	$ 376,100	$ (254,200)

Comparing the three months ended June 30, 2015 with the corresponding period in 2014:

(1) Salaries and benefits decreased by a net $52,700 in the 2015 period; of this reduced expenditure $45,500 related to stock compensation which became fully amortized during this three month period; and $4,500 related to vacation expense accrual. Effective March 2015, managers have voluntarily agreed to reduce their salaries to $4,000 per month through to the end of July 2015, in order to conserve cash: deferred salaries are being accrued;

(2) Consulting fees decreased by $157,600 for the 2015 period due to the elimination of staff associated with the Walter Reed Trial. As enrollment into the clinical trial was suspended on May 2014, consequently staffing was reduced. During the 2014 period, when the Walter Reed Trial was fully operational we had five research staff. This staff, which comprised clinical research coordinators and EEG technologists, were engaged as consultants through the Henry Jackson Foundation. Similarly, due to reduced workload, we have also reduced the costs associated with our Clinical Research Organization which helped oversee the clinical trial and data management processes;

(3) System development and maintenance costs decreased in the 2015 due to the stage in the development cycle and the conservation of cash; in 2014 system development and maintenance costs were elevated due to further development of our Salesforce.com based applications including the development of a patient referral portal to handle incoming inquiries, the development of a system dashboard and the migration of our data to a more robust and secure hosting service operated by Microsoft;

(4) Conference and travel costs were reduced to $0 for the 2015 period as there were no visits to Walter Reed as the clinical trial enrollment had been suspended for the military's internal review purposes. During the 2014 period we had personnel who regularly traveled to Bethesda, MD, to manage the Walter Reed Trial; and

(5) Other miscellaneous expenses increased marginally by $1,200 in the 2015 period.

Sales and Marketing

	Three months ended June 30,		Percent Change
	2015	2014	
Sales and Marketing			
Neurometric Services	$ 31,100	$ 105,600	(71)%

Sales and marketing expenses associated with our Neurometric Information Services business consist primarily of payroll and benefit costs, including stock-based compensation, advertising and marketing, consulting fees and miscellaneous expenses. The reason for the change in these expenses is discussed below.

	Three months ended June 30,		
Key Expense Categories	**2015**	**2014**	**Change**
(1) Salaries and benefit costs	$ 35,800	$ 48,200	$ (12,400)
(2) Consulting fees	—	30,000	(30,000)
(3) Advertising and marketing costs	(7,400)	25,000	(32,400)
(4) Other miscellaneous costs	2,700	2,400	300
Total Sales and marketing	$ 31,100	$ 105,600	$ (74,500)

Comparing the three months ended June 30, 2015 with the corresponding period in 2014:

(1) Salaries and benefits for the 2015 period decreased by $12,400 as some stock compensation had become fully amortized;

(2) Consulting fees for the 2015 period decreased by $30,000: due to cost cutting measures we put our consulting agreement with Decision Calculus Associates ("DCA") on hold pending future funding. For the 2014 period the Company had engaged DCA, to assist with social media and general marketing efforts. The DCA engagement continued through February of 2015, after which it was put on hold;

(3) Advertising and marketing expenses decreased for the 2015 period and resulted in a credit as we renegotiated the initial payment for public relations campaign which was cancelled due to lack of funds. For the 2014 period we had hired a public relations firm and an advertising agency to advise and assist in raising the awareness of our Walter Reed clinical trial in anticipation of the announcement of interim results; and

(4) Miscellaneous expenditures remained substantially the same for the two periods.

General and administrative

	Three months ended June 30,		Percent Change
	2015	2014	
General and administrative			
Neurometric Services	$ 409,400	$ 533,100	(23)%

General and administrative expenses for our Neurometric Services business are largely comprised of payroll and benefit costs, including stock-based compensation, legal fees, other professional and consulting fees, patent costs, general administrative and occupancy costs, dues and subscriptions, conference, travel and miscellaneous costs. The reason for the change in these expenses is discussed below.

		Three months ended June 30,		
Key Expense Categories		2015	2014	Change
(1)	Salaries and benefit costs	$ 177,300	$ 252,400	$ (75,100)
(2)	Legal fees	89,300	134,400	(45,100)
(3)	Other professional and consulting fees	27,500	30,400	(2,900)
(4)	Patent costs	31,700	14,400	17,300
(5)	Marketing and investor relations costs	400	800	(400)
(6)	Conference and travel costs	10,900	23,800	(12,900)
(7)	Dues & subscriptions fees	18,200	25,200	(7,000)
(8)	General administrative and occupancy costs	54,100	51,700	2,400
	Total General and administrative costs	$ 409,400	$ 533,100	$ (123,700)

Comparing the three months ended June 30, 2015 with the corresponding period in 2014:

(1) Salaries and benefit expenses decreased for the 2015 period primarily as stock option grants for officers, directors and consultants became fully vested and consequently, the amortization of option expenses were reduced by $73,700 thereby accounting for the bulk of the reduction. Effective February 28, 2015, corporate officers have voluntarily agreed to reduce their salaries to $4,000 per month through July 31, 2015, in order to conserve cash. Deferred salaries are being accrued;

(2) Legal fees showed a net decrease of $45,100 for the 2015 period, primarily due to (a) the Brandt litigation is currently on hold until August of 2016, no legal expenses were incurred during the 2015 period, while $60,400 was incurred during the 2014 period; (b) general and securities legal expenses decreased by $15,700 for the 2015 period as fees incurred in 2014 period for the preparation of financing documents was not repeated. (c) the reductions were partially offset by other legal fees associated with our lobbying efforts which increased by $31,000 in the 2015 period as a result of increased lobbying activity;

(3) Other professional and consulting fees decreased marginally for the 2015 period;

(4) Patent costs increased by $17,300 due to the timing and volume of patent applications and maintenance costs;

(5) Marketing and investor relations costs remained at a very low level for both periods;

(6) Conference and travel costs decreased by $12,900 for the 2015 period as the suspension of the Walter Reed Trial reduced the need to travel;

(7) Dues and subscription cost decreased for 2015 period due to a focus on cutting costs; and

(8) General administrative and occupancy expenses increased marginally in the 2015 period due to insurance costs.

Other Income and Expenses

	Three months ended June 30,		Percent Change
	2015	2014	
Other Income (Expenses)			
Neurometric Services income (expense), net	$ 20,000	$ (1,300)	*

** (Not Meaningful)*

For the three months ended June 30, 2015 and 2014 net other non-operating income (loss) for Neurometric Services, and the primary reason for the change in such expenses for such periods, was as follows:

- For the 2015 period, we incurred non-cash interest charges totaling $65,900 of which $26,500 was accrued interest on our convertible promissory notes at 5% per annum; the remaining balance was comprised of $38,200 of beneficial conversion discount amortization on the convertible promissory notes; only $1,200 was for actual net interest paid in cash during the period. For the 2014 period we incurred only $1,300 in net interest expense which was paid in cash; we incurred no non-cash interest charges.

- Under ASC 815, all derivative instruments are required to be measured periodically at fair value and the resultant change in fair value of non-hedging derivative instruments are to be recognized in current earnings. For the 2015 period we revalued our derivative liabilities for the beneficial conversion feature of the convertible promissory notes which resulted in a non-cash gain on derivative liabilities of $85,900. For the 2014 period we had no derivative instruments to value and consequently no associated expense or gain.

Net Loss from Continuing Operations

	Three months ended June 30,		Percent Change
	2015	2014	
Neurometric Services net loss	$ (536,100)	$ (1,017,700)	47%

The net loss for our Neurometric Services business of $536,100 for the three months ended June 30, 2015, compared to the approximately $1,017,700 loss for the same period in the prior year is primarily due to an overall reduction of operating expenses of $459,300 due to the suspension of the Walter Reed Trial. Secondarily, as mentioned above, we benefited from a net gain of $85,900 in Other Income substantially due to the revaluation of derivative liabilities.

Net gain (loss) from Discontinued Operations:

	Three months ended June 30,		Percent Change
	2015	2014	
Clinical Services net gain (loss)	(700)	(1,100)	36%

Our discontinued Clinical Services had a net loss for the three months ended June 30, 2015, due to records storage costs. The $400 decrease compared to the same period in 2014, was due to interest expense relating to an operating lease in 2014.

Results of Operations for the nine months ended June 30, 2015 and 2014

We only operate our Neurometric Services business which is focused on the delivery of 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.

	Nine months ended June 30,	
	2015	2014
Revenues	100%	100%
Cost of revenues	5	65
Gross profit	95	35
Research	93	84
Product development	750	952
Sales and marketing	397	263
General and administrative expenses	1,688	1,380
Operating loss	(2,833)	(2,644)
Other income (expense), net	11	994
Net expense before Discontinued Operations	(2,822)	(1,650)
Loss from Discontinued Operations	(3)	(4)
Net loss	(2,825)%	(1,654)%

Revenues

	Nine months ended June 30,		Percent Change
	2015	2014	
Neurometric Service Revenues	$ 74,600	$ 110,400	(32)%

With respect to our Neurometric Services business, the number of third party, non-study related, paid PEER Reports delivered remained consistent with 181 and 182 reports delivered for the nine months ended June 30, 2015 and 2014 respectively. There were no study related PEER Reports during the 2015 period as a result of the halt of enrollment into the Walter Reed Trial effective May, 2014, pending an internal review; during the similar 2014 period 70 study related PEER Reports were delivered. Our standard price per report is $400 to our non-military providers plus the fees for Company recorded EEGs and ancillary services; the price to our military clinical trial providers is $540, which includes the collection of the EEG. The average revenue per report was $403 per report for the 2015 period. The total number of free, non-study, PEER Reports processed were 9 and 29 respectively for the nine months ended June 30, 2015 and 2014. A further 21 free PEER Reports were generated for the Walter Reed Trial during the 2014 period. These free PEER Reports are used for training, database-enhancement and compassionate-use purposes.

Cost of Revenues

	Nine months ended June 30,		Percent Change
Cost of Revenues	**2015**	**2014**	
Cost of Revenues for Neurometric Services	$ 4,100	$ 72,100	(94)%

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

	Nine months ended June 30,		
Key Expense Categories	**2015**	**2014**	**Change**
(1) Salaries and benefit costs	$ —	$ 50,100	$ (50,100)
(2) Consulting fees	4,100	22,000	(17,900)
Total Costs of Revenues	$ 4,100	$ 72,100	$ (68,000)

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

Comparing the nine months ended June 30, 2015 with the corresponding period in 2014:

(1) Salary and benefit expenses for the 2015 period were $0 as a member of staff had left in 2014. This function was re-assigned to a consultant and other members of staff along with the rollout of our more automated second generation of PEER Online; and

(2) Consulting fees declined for the 2015 period, which was primarily attributable to our utilization of a different consulting resource to artifact EEGs, furthermore, we processed more PEER Reports with in-house resources.

Research

	Nine months ended June 30,		Percent Change
Research	**2015**	**2014**	
Neurometric Services Research	$ 69,400	$ 92,900	(25)%

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

	Nine months ended June 30,		
Key Expense Categories	**2015**	**2014**	**Change**
(1) Salary and benefit costs	$ 31,200	$ 55,100	$ (23,900)
(2) Consulting fees	30,000	30,000	—
(3) Other miscellaneous costs	8,200	7,800	400
Total Research	$ 69,400	$ 92,900	$ (23,500)

Comparing the nine months ended June 30, 2015 with the corresponding period in 2014:

(1) Salary and benefit costs, which are solely comprised of stock-based compensation, decreased for the 2015 period as options grants for our medical consultants become fully vested, therefore, reducing the amortization expense for the stock-based compensation;

(2) Consulting costs remained identical for the 2015 and 2014 periods as we had entered into a consulting agreement with Dr. Schiller for the medical monitoring of the Walter Reed Trial, the training of clinical trial investigators and new PEER Online users. Additionally, Dr. Schiller is advising on product development; and

(3) Other miscellaneous costs for the 2015 and 2014 periods were substantially similar.

Product Development

	Nine months ended June 30,		Percent Change
	2015	2014	
Product Development			
Neurometric Services	$ 559,300	$ 1,050,500	(47)%

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

		Nine months ended June 30,		
Key Expense Categories		**2015**	**2014**	**Change**
(1)	Salaries and benefit costs	$ 349,600	$ 349,100	$ 500
(2)	Consulting fees	143,500	521,500	(378,000)
(3)	System development costs	29,500	81,900	(52,400)
(4)	Conference and travel	1,800	51,000	(49,200)
(5)	Other miscellaneous costs	34,900	47,000	(12,100)
	Total Product Development	$ 559,300	$ 1,050,500	$ (491,200)

Comparing the nine months ended June 30, 2015 with the corresponding period in 2014:

(1) Salaries and benefits remained the same for both periods; managers had agreed to forfeit a portion of their salaries during the 2014 period in favor of receiving stock-based compensation in the form of options with an exercise price of $0.25 per share of Common Stock along with the payout of their accrued salaries from prior periods. These accrued salaries were paid out over an extended period in place of their forfeited salaries; consequently, the reduction in salary expense was substantially offset by the associated increase in stock-based compensation. Effective March 2015, managers have voluntarily agreed to reduce their salaries to $4,000 per month through July 31, 2015, in order to conserve cash: deferred salaries are being accrued;

(2) Consulting fees decreased by $378,000 for the 2015 period primarily due to a reduction of staffing associated with the Walter Reed Trial. As enrollment into the clinical trial was suspended on May 2014, consequently staffing was adjusted to the reduced workload. During the 2014 period we had a research staff of five while during the 2015 period it was reduced to two until the beginning of February when the last staff member rolled off the clinical trial. The staff, which included clinical research coordinators and EEG technologists, were engaged as consultants through the Henry Jackson Foundation. Similarly, as result of the reduced workload, we have reduced the costs of our Clinical Research Organization which oversees the clinical trial and data management processes;

(3) System development and maintenance costs decreased in the 2015 period due to the stage in the development cycle of PEER Online and in an effort to conserve cash. In the 2014 period, system development focused on updating our PEER Online system and Administrative dashboard applications;

(4) Conference and travel costs were greatly reduced for the 2015 period as there were no visits to Walter Reed as the clinical trial enrollment had been suspended for the internal review. In the 2014 period we had personnel who had relocated to Bethesda, MD, to manage the trial; and

(5) Other miscellaneous costs decreased by $12,100 in the 2015 period due to the suspension of the clinical trial. In the 2014 period we incurred a $28,000 expense as we had entered into an agreement with a manufacturer of EEG equipment to modify their equipment to be compatible with the Neuroguide system which is used in the generation of the PEER Online reports.

Sales and Marketing

	Nine months ended June 30,		Percent Change
	2015	2014	
Sales and Marketing			
Neurometric Services	$ 296,000	$ 290,500	2%

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

	Nine months ended June 30,		
Key Expense Categories	**2015**	**2014**	**Change**
(1) Salaries and benefit costs	$ 153,200	$ 154,800	$ (1,600)
(2) Consulting fees	108,900	90,000	18,900
(3) Advertising and marketing costs	21,700	36,500	(14,800)
(4) Conferences and travel costs	7,700	5,300	2,400
(5) Other miscellaneous costs	4,500	3,900	600
Total Sales and marketing	$ 296,000	$ 290,500	$ 5,500

Comparing the nine months ended June 30, 2015, with the corresponding period in 2014:

(1) Salaries and benefits for the 2015 period had a slight decrease compared to the 2014 period. This is primarily because as older option grants become fully vested, the amortization expense is therefore reduced. This reduction in amortization expense was offset by a new option grant to a U.K. based consultant tasked with obtaining a licensing agreement in the U.K.;

(2) Consulting fees for the 2015 period increased by a net $18,900: this was primarily due to $30,000 of the consulting fees for the abovementioned U.K. based consultant; the remaining increase in expenses were for the placement of public relations media opportunities, including “The Doctor’s” show on CBS television and for improvement in our website design. These increases were offset by the suspension of the Decision Calculus Associates (“DCA”) consulting contract at the end of February 2015, in order to conserve cash. For the 2014 period the Company had engaged DCA to assist with social media and general marketing efforts;

(3) Advertising and marketing expenses decreased in the 2015 period primarily because we engaged in a six-week test marketing campaign using social media. Results from the campaign were encouraging and showed a demonstrable increase in leads at a cost of approximately $75 per lead. In the 2014 period, expenses were elevated as we hired a public relations firm and an advertising agency to advise and assist in raising the awareness for our Walter Reed Trial in anticipation of the announcement of interim results;

(4) Conference and travel costs increased marginally for the 2015 period due to travel expenses related to being featured on “The Doctor’s” show in Los Angeles; and

(5) Miscellaneous expenditures for the 2015 and 2014 periods were minimal and substantially consistent.

General and administrative

	Nine months ended June 30,		Percent Change
	2015	2014	
General and administrative			
Neurometric Services	$ 1,259,500	$ 1,523,700	(17)%

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, conference and travel costs, dues and subscriptions and miscellaneous costs.

Key Expense Categories		Nine months ended June 30, 2015	2014	Change
(1)	Salaries and benefit costs	$ 540,900	$ 776,400	$ (235,500)
(2)	Legal fees	209,800	273,100	(63,300)
(3)	Other professional and consulting fees	99,000	128,500	(29,500)
(4)	Patent costs	90,200	72,100	18,100
(5)	Marketing and investor relations costs	49,000	3,700	45,300
(6)	Conference and travel costs	53,800	48,800	5,000
(7)	Dues & subscriptions fees	56,700	62,200	(5,500)
(8)	General administrative and occupancy costs	160,100	158,900	1,200
	Total General and administrative costs	$ 1,259,500	$ 1,523,700	$ (264,200)

Comparing the nine months ended June 30, 2015 with the corresponding period in 2014:

(1) Salaries and benefit expenses decreased for the 2015 period for several reasons: (a) Stock option grants for officers, directors and consultants became fully vested and consequently the amortization of option expenses were reduced by a net $455,300. This reduction was offset by (b) an increase in salaries and payroll taxes of $78,000 in the 2015 period as no salaries were paid to managers for the first half of the nine-month period ending June 2014, during which time managers were granted options to purchase Common Stock at $0.25 per share pursuant to the Employment Compensation Forfeiture and Exchange Agreement dated December 16, 2013. The resultant increase in salaries in the 2015 over the 2014 period was $204,500.

Effective February 28, 2015, corporate officers have voluntarily agreed to reduce their salaries to $4,000 per month through to July 31, 2015, in order to help the Company conserve cash: deferred salaries are being accrued;

(2) Legal fees showed a net decrease for the 2015 period: the primary reason for this is (a) the Brandt litigation is on hold therefore no litigation expenses were incurred during the 2015 period compared to $83,000 incurred during the 2014 period; this reduction was offset by (b) other legal fees associated with our lobbying efforts which increased by $18,800 as a result of increased lobbying activity; (c) general and securities legal expenses were substantially similar for the two periods;

(3) Other professional and consulting fees decreased by $29,500 in the 2015 period as (a) $16,500 in Public Relations consulting fees incurred in the 2014 period did not reoccur during the 2015 period, and (b) the balance of the expenditure which were for audit and tax fees decreased by $13,000 due the timing of tax preparation services;

(4) Patent costs increased largely due to the timing and volume of patent applications and maintenance costs;

(5) Marketing and investor relations costs increased in the 2015 period by $45,300 of which $22,500 was for the engagement fees of the RedChip Companies, Inc. and $21,600 was the fair value of the warrant to purchase Common Stock at $0.25 share issued to RedChip for their investor relations services;

(6) Conference and travel costs for the 2015 period increased by $5,000 due to (a) travel to the U.K. to investigate a licensing opportunity; and (b) a non-deal investor roadshow organized by our investor relations firm, Red Chip Companies, Inc.;

(7) Dues and subscription costs decreased marginally in the 2015 period with the increase of software licenses for providers accessing the PEER Online portal; and

(8) General administrative and occupancy expenses increased marginally in the 2015 period with minor increases in telecommunications and insurance costs.

Other Income and Expenses

	Nine months ended June 30, 2015	2014	Percent Change
Other Income (Expenses)			
Neurometric Services income (expense), net	$ 13,300	$ 1,102,300	(99)%

For the nine months ended June 30, 2015 and 2014 net other non-operating income for Neurometric Services were as follows:

- For the 2015 period, we incurred non-cash interest charges totaling $171,900 of which $69,300 was accrued interest on our convertible promissory notes at 5% per annum; the remaining balance was comprised of $100,100 of beneficial conversion discount amortization on convertible promissory notes; only $2,500 was for actual net interest paid in cash during that period. For the 2014 period we incurred only $2,900 in net interest expense which was paid in cash; we incurred no non-cash interest charges.

- 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 2015 period we revalued our derivative liabilities for the promissory note beneficial conversion feature which resulted in a non-cash gain on derivative liabilities of $185,200. For the 2014 period we had no derivative instruments to value and consequently no associated expense or gain.

- For the 2014 period we experience a non-cash gain on the extinguishment of debt of $1,105,200 related to the settlement of long-outstanding trade payable balances which were renegotiated. For the 2015 period we had no similar transaction.

Net Loss from Continuing Operations

	Nine months ended June 30,		Percent Change
	2015	2014	
Neurometric Services net loss	$ (2,105,100)	$ (1,821,300)	16%

The net loss for our Neurometric Services business of $2.11 million for the nine months ended June 30, 2015, compared to the approximately $1.82 million loss for the same period in the prior year; the 2014 period loss was significantly reduced by an approximately $1.10 million in Other Income as a result of the extinguishment of debt transaction described above; however, during the 2015 period, operating costs were reduced by $0.81 million versus the 2014 period by substantial reductions in costs across most cost centers. These reductions were due to the Walter Reed Trial being put on hold as well as efforts to reduce expenditures across the board.

Loss from Discontinued operations:

	Nine months ended June 30,		Percent Change
	2015	2014	
Clinical Services net loss	(2,500)	(4,400)	(43)%

For our discontinued Clinical Services, the net loss for the nine months ended June 30, 2015, of $2,500 is a decrease of $1,900 over the same period in the prior year. As there were no ongoing operations during either the 2015 or 2014 period, the losses incurred were due to medical record storage fees and, in the 2014 period, charges associated with a lease.

Liquidity and Capital Resources

Since our inception, we have incurred significant losses. As of June 30, 2015, and 2014 we had accumulated deficits of approximately $61.3 million and $58.4 million respectively. We have not yet achieved profitability and anticipate that we will continue to incur net losses for the foreseeable future. Our management expects that with our clinical trials, sales and marketing and general and administrative costs, 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 June 30, 2015, we had $141,800 in cash and cash equivalents and a working capital deficit of approximately $3.7 million. This is comparable to our cash position of $63,900 in cash and cash equivalents as of June 30, 2014, and a working capital deficit of $1.4 million. The increase in our working capital deficit is due to our Secured Convertible Notes totaling $2.3 million, plus interest thereon, which mature on March 21, 2016, and are now treated as current liabilities, a component of working capital.

Between September 22, 2014, and June 03, 2015, the Company entered into the Note Purchase Agreement in connection with a bridge financing, with nine accredited investors, including lead investor RSJ PE. Pursuant to the Note Purchase Agreement, the Company issued twelve secured convertible promissory notes (each, a "September 2014 Note") in the aggregate principal amount of $2.3 million. Of this amount, RSJ PE purchased a September 2014 Note for $750,000. The September 2014 Notes were also purchased by the following affiliates of the Company or entities under their control: the Company's Director, John Pappajohn, purchased three September 2014 Notes for $400,000; the Follman Family Trust of which Robert Follman is a Director of the Company, purchase a September 2014 Note for $100,000; The Tierney Family Trust, which is a greater than 5% shareholder of the Company, purchased four September 2014 Notes for $515,000, Thomas Tierney, a former Director and Chairman of the Board of Directors of the Company, is a trustee; and Oman Ventures, of which Mark Oman, a greater than 5% stockholder of the Company, is the President, purchased a September 2014 Note for $200,000. The obligations represented by these September 2014 Notes are secured by substantially all of the assets of the Company, including its intellectual property, and mature on March 21, 2016. We do not now have, and will not likely have on the maturity date thereof, the cash necessary to repay the Notes when they become due. If we are unable to repay the Notes when due, the holders could pursue any remedies available to them, which could result in a complete foreclosure on their security interest in the assets of the Company.

Operating Capital and Capital Expenditure Requirements

Our continued operating losses and limited capital raise substantial 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 substantial indebtedness, we are insolvent and need to raise additional funds and restructure our debt in order to continue our operations. Our financial statements include an opinion of our auditors that our continued operating losses and limited capital raise substantial doubt about our ability to continue as an ongoing concern.

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

We expect to continue to incur operating losses in the future. We anticipate that our cash on hand and cash generated through our operations will not be sufficient to fund our operations beyond the next few 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 clinical trials and product development activities, including enhancements to our PEER Online database and costs we incur to further validate the efficacy of our referenced EEG technology;
- the amount and timing of costs we incur in connection with the expansion of our commercial operations, including our selling and marketing efforts;
- whether we incur additional consulting and legal fees in our efforts to conducting a Non-Significant Risk study under an FDA requirements which will enable us to obtain a 510(k) clearance from the FDA; and
- if we expand our business by acquiring or investing in complimentary businesses.

Sources of Liquidity

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

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

Between September 2014, and June 2015 we raised $2.3 million through the private placement of secured convertible debt with an exercise price of $0.25. Of this funding $1.0 million, or 49%, was acquired by directors, officers and affiliates of the Company.

For details of these financings please See Note 4 and Note 7 of the Notes to the Unaudited Condensed Consolidated Financial Statements.

Cash Flows

Net cash used in operating activities was $1.7 million for the nine months ended June 30, 2015 compared to $2.6 million for the same period in 2014. Of the net $0.88 million reduction in the use of cash between the two periods:

(a) $0.67 million was due to the change in deferred compensation: during the 2014 period, approximately $0.41 million was used to payout managers for salaries which were earned and accrued during fiscal years 2013 and earlier. While being paid out the accrued salaries in fiscal year 2014, the managers received stock option grants to purchase Common Stock at $0.25 per share in lieu of a portion of their 2014 salaries pursuant to the Employment Compensation Forfeiture and Exchange Agreement dated December 16, 2013. During the 2015 period, starting February 2015, the managers voluntarily agreed to limit their salaries to $4,000 per month each in order to assist the Company weather the shortage of cash; as a result of this the Company accrued approximately $0.25 million.

(b) The balance of the reduction in the use of cash was primarily due to reduced expenditures on the Walter Reed Trial, as it had been suspended effective May 2014, and due to general cost cutting as a result of our limited cash resources.

Proceeds from investing activities for nine months ended June 30, 2015, were $1,500 due to the return to the manufacturer of some unused equipment. For the same period in 2014 we had no investing activities.

Financing activities for the nine months ended June 30, 2015, were $0.6 million in cash proceeds from the private placement of secured convertible notes (September 2014 Notes) with accredited investors, which convert at $0.25 per share. For the nine months ended June 30, 2014, net proceeds of $1.4 million were raised through the private placement of Common Stock in with accredited investors at $0.25 per share. Cash used in the repayment of capital leases during the nine months ended June 30, 2015 and 2014, was $2,700 and $5,300 respectively.

Net cash used in discontinued operations for the nine months ended June 30, 2015, was $31,800 which was primarily for costs associated with NTC's accrued payroll liabilities and the cost of medical record storage. For the same period ended June 30, 2014, the net cash used was $67,100 which was primarily for NTC's accrued payroll liabilities, medical record storage and costs associated with the lease.

Income Taxes

Current and non-current deferred taxes have been recorded on a net basis in the accompanying balance sheet. As of September 30, 2014, the Company had Federal net operating loss carryforwards of approximately $31.6 million and State net operating loss carryforwards of approximately $51.0 million. Both the Federal and State net operating loss carryforwards will begin to expire in 2034. Our ability to utilize net operating loss carryforwards may be limited in the event that a change in ownership, as defined in the Internal Revenue Code, occurs in the future. The Company has placed a valuation allowance against the deferred tax assets in excess of deferred tax liabilities due to the uncertainty surrounding the realization of such excess tax assets. Management periodically evaluates the recoverability of the deferred tax assets and the level of the valuation allowance. At such time as it is determined that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be reduced accordingly.

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 Rule 13a-15, as of June 30, 2015, the end of the period covered by this report. Based on this evaluation, our PEO and PFO concluded that our disclosure controls and procedures were effective as of June 30, 2015.

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, there were none of the aforementioned deficiencies leading to a misstatement of our results of operations for the nine months ended June 30, 2015, or statement of financial position as of June 30, 2015.

Changes in Internal Control Over Financial Reporting

During the quarterly period ending June 30, 2015, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

Please see Note 9 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, 2014.

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

Private Placement Transactions

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

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

Refer to *Note 6. Stockholders' Deficit* and *Note 7. Related Party Transactions* for details of the abovementioned transactions, which detail is herewith incorporated herein by reference to such note.

From September 22, 2014, through June 3, 2015, the Company entered into the Note Purchase Agreement in connection with a bridge financing, with nine accredited investors. Pursuant to the Note Purchase Agreement, the Company issued twelve secured convertible promissory notes in the aggregate principal amount of $2.3 million.

Refer to *Note 4. Convertible debt and Equity Financings, Note 7. Related Party Transactions* 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**
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: August 14, 2015

/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)**

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: August 14, 2015

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

EXHIBIT 31.2

Certification of CFO 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, Paul Buck, 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: August 14, 2015

/s/ Paul Buck
Name: **Paul Buck**
Title: **Chief Financial Officer (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, 2015 (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: August 14, 2015

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

Date: August 14, 2015

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