UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): October 10, 2012

Commission File Number: 000-54014

VistaGen Therapeutics, Inc.

(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

20-5093315
(IRS Employer Identification No.)

384 Oyster Point Blvd, No. 8, South San Francisco, California 94080
(Address of principal executive offices)

650-244-9990
(Registrant's Telephone number)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

See Item 2.03 of this Current Report on Form 8-K.

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

Debt Financing by Platinum Long Term Growth VII, LLC

Issuance of Notes Payable in Shares of Stock

On October 11, 2012, VistaGen Therapeutics, Inc., a Nevada corporation (the "*Company*"), and Platinum Long Term Growth VII, LLC ("*Platinum*") entered into a Note Exchange and Purchase Agreement (the "*Agreement*"), pursuant to which Platinum agreed to purchase from the Company senior secured convertible promissory notes in the aggregate principal amount of up to $2.0 million (each an "*Investment Note*" and collectively, "*Investment Notes*"). An Investment Note for $500,000 was issued to Platinum on October 11, 2012, with the additional $1.5 million issuable in three separate tranches of $500,000 each, scheduled for issuance on October 19, 2012, November 15, 2012 and December 15, 2012. The final two tranches are conditioned on the closing by the Company of a debt or equity financing, or a combination of financings, resulting in gross proceeds of at least $850,000, as of the date of this Current Report on Form 8-K. In addition, under the terms of the Agreement, the secured convertible promissory notes issued by the Company to Platinum in July 2012 and August 2012 (the "*Existing Notes*") in the principal amounts of $500,000 and $750,000, respectively, were cancelled and exchanged for a senior secured convertible promissory note in the principal amount of $1,272,577 (the "*Exchange Note*"), which amount represented the sum of the principal amounts outstanding under the Existing Notes, plus all accrued interest. All Investment Notes and the Exchange Note accrue interest at a rate of 10% per annum.

Each of the Investment Notes and the Exchange Note (together, the "*Notes*") mature three years from the date of issuance (the "*Maturity Date*"). Upon the Maturity Date, all principal and accrued interest under the Notes shall be payable by the Company through the issuance of restricted shares of common stock to Platinum. Subject to certain potential adjustments set forth in the Notes, the number of shares of common stock issuable as payment in full for each Note will be calculated by dividing the outstanding Note balance by $0.50 per share. The Company's payment of the Notes is secured by a continuing security interest in the assets of the Company, a continuing security interest in all intellectual property owned by VistaGen Therapeutics, Inc., a California corporation and wholly owned subsidiary of the Company ("*VistaGen California*"), as well as by VistaGen California's equity interest in Artemis Neuroscience, Inc. ("*Artemis*"), a Maryland corporation and wholly owned subsidiary of VistaGen California. In addition, VistaGen California and Artemis entered into a Negative Covenant Agreement pursuant to which VistaGen California and Artemis shall refrain from incurring liens or certain indebtedness without the consent of Platinum.

Issuance of Warrants

As additional consideration for the purchase of the Investment Notes, the Company agreed to issue to Platinum warrants to purchase an aggregate of 2.0 million shares of the Company's common stock, issuable in separate tranches of 500,000 shares each, to be issued together with each Investment Note (each an "*Investment Warrant*" and collectively, "*Investment Warrants*"), of which an Investment Warrant to purchase 500,000 shares was issued to Platinum on October 11, 2012. In addition, Platinum was issued a warrant to purchase 1,272,577 shares of the Company's common stock as additional consideration for the Exchange Note (the "*Exchange Warrant*"). The Investment Warrants and the Exchange Warrant have a term of five years and are exercisable at a price of $1.50 per share.

Strategic Debt Restructuring

Cato Holding Company

On October 10, 2012, the Company and Cato Holding Company ("CHC") restructured certain indebtedness evidenced by an unsecured promissory note issued to CHC on April 29, 2011, in the principal amount of $352,273 (the "2011 CHC Note"). The 2011 CHC Note was cancelled and exchanged for a new unsecured promissory note in the principal amount of $310,443 (the "2012 CHC Note") and a warrant to purchase 250,000 shares of the Company's common stock at a price of $1.50 per share (the "CHC Warrant"). The 2012 CHC Note accrues interest at a rate of 7.5% per annum and is due and payable in monthly installments of $10,000, beginning November 1, 2012 and continuing until the outstanding balance is paid in full.

Cato Research Ltd.

On October 10, 2012, the Company issued to Cato Research Ltd. ("*CRL*") (i) an unsecured promissory note in the initial principal amount of $1,009,000, which promissory note accrues interest at the rate of 7.5% per annum (the "*CRL Note*"), as payment in full for contract research and development services and regulatory advice ("*CRO Services*") rendered by CRL to the Company and its affiliates through December 31, 2012 with respect to the clinical development of AV-101, and (ii) a warrant to purchase, at a price of $1.00 per share, 1,009,000 restricted shares of the Company's common stock, the amount equal to the sum of the principal amount of the CRL Note, plus all accrued interest thereon, divided by $1.00 per share (the "*CRL Warrant*"). The principal amount of the CRL Note may, at the Company's option, be automatically increased as a result of future CRO Services rendered by CRL to the Company and its affiliates from January 1, 2013 to June 30, 2013. The CRL Note is due and payable on March 31, 2016 and shall be payable solely by CRL's surrender from time to time of all or a portion of the principal and interest balance due on the CRL Note in connection with its concurrent exercise of the CRL Warrant, provided, however, that CRL shall have the option to require payment of the CRL Note in cash upon the occurrence of a change in control of VistaGen or an event of default, and only in such circumstances.

University Health Network

On October 10, 2012, the Company issued to University Health Network ("*UHN*") (i) an unsecured promissory note in the principal amount of $549,500, which promissory note accrues interest at the rate of 7.5% per annum, as payment in full for all sponsored stem cell research and development activities by UHN and Gordon Keller, Ph.D. under the Company's long-standing Sponsored Research Collaboration Agreement with UHN and Dr. Keller (the "*SRA*") through September 30, 2012 (the "*UHN Note*"), and (ii) a warrant to purchase, at a price of $1.00 per share, 549,500 restricted shares of the Company's common stock, the amount equal to the sum of the principal amount of the UHN Note, plus all accrued interest thereon, divided by $1.00 per share (the "*UHN Warrant*"). The UHN Note is due and payable on March 31, 2016 and shall be payable solely by CRL's surrender from time to time of all or a portion of the principal and interest balance due on the CRL Note in connection with its concurrent exercise of the CRL Warrant, provided, however, that CRL shall have the option to require payment of the CRL Note in cash upon the occurrence of a change in control of VistaGen or an event of default, and only in such circumstances.

Item 3.02 Unregistered Sales of Equity Securities

The Investment Note, Investment Warrant, Exchange Note, Exchange Warrant, 2012 CHC Note, CHC Warrant, CRL Note, CRL Warrant, UHN Note and UHN Warrant were offered and sold in transactions exempt from registration under the Securities Act of 1933, as amended ("*Securities Act*"), in reliance on Section 3(a)(9) and/or Section 4(2) thereof and Rule 506 of Regulation D thereunder. Each of the investors represented that it was an "accredited investor" as defined in Regulation D. The proceeds from the sale of the Investment Note are expected to be used for general corporate purposes.

Item 8.01 Other Events

See Item 2.03 of this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits

Exhibit Number	Description
10.1	Note Exchange and Purchase Agreement
10.2	Form of Platinum Note
10.3	Form of Platinum Warrant
10.4	Amended and Restated Security Agreement
10.5	Intellectual Property Security and Stock Pledge Agreement
10.6	Negative Covenant Agreement

SIGNATURES

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

VistaGen Therapeutics, Inc.

Date: *October 16, 2012*

By: /s/ Shawn K. Singh
Name: Shawn K. Singh
Title: Chief Executive Officer

Exhibit 10.1

NOTE EXCHANGE AND PURCHASE AGREEMENT

Dated as of October 11, 2012

By and Between

VISTAGEN THERAPEUTICS, INC.

and

PLATINUM LONG TERM GROWTH VII, LLC

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NOTE EXCHANGE AND PURCHASE AGREEMENT

This Note Exchange and Purchase Agreement (as amended, restated, supplemented or otherwise modified, this "Agreement") is dated as of October 11, 2012 by and between VISTAGEN THERAPEUTICS, INC., a Nevada corporation (the "Company"), and PLATINUM LONG TERM GROWTH VII, LLC, a Delaware limited liability company ("Platinum").

WHEREAS, Platinum currently holds (i) a Secured Convertible Promissory Note from the Company dated July 2, 2012 in the original principal amount of $500,000 (the "July Note") and (ii) a Secured Convertible Promissory Note from the Company dated August 30, 2012 in the original principal amount of $750,000 from the Company (the "August Note" and, together with the July Note, each an "Existing Note" and collectively the "Existing Notes");

WHEREAS, the Existing Notes are secured by all assets of the Company pursuant to a Security Agreement by and between the Company and Platinum dated as of July 2, 2012 (as amended, restated, supplemented or otherwise modified, the "Security Agreement");

WHEREAS, subject to the terms and conditions set forth herein, the Company and Platinum desire to combine both Existing Notes into one new Senior Secured Convertible Promissory Note (the "Exchange Note"), which Exchange Note shall: (i) be in the aggregate principal amount of the sum of (a) the principal amounts outstanding under the Existing Notes on the Closing Date, and (b) all accrued interest on the Existing Notes as of the Closing Date; (ii) be convertible at the option of the holder thereof at a price of $0.50, subject to adjustment as more particularly set forth therein; (iii) be secured by (a) all assets of the Company, including equity interests in all subsidiaries of the Company that are formed under and/or exist by virtue of the laws of any jurisdiction within the United States of America (each, a "Domestic Subsidiary" and collectively, "Domestic Subsidiaries"), and (b) certain assets of Vistagen Therapeutics Inc., a California corporation and a wholly owned subsidiary of the Company (the "California Subsidiary"), as set forth in the IP Security Agreement defined below; (iv) be payable in shares of the Company's common stock, $0.001 par value (the "Common Stock"), subject to certain conditions set forth therein, including without limitation a beneficial ownership blocker; (v) mature three (3) years from the date of issuance thereof; and (vi) be in the form attached hereto as Exhibit A;

WHEREAS, together with the Exchange Note, and as an inducement to make the Investments defined below, the Company shall deliver to Platinum a warrant to purchase such number of shares of the Company's common stock, $0.001 par value (the "Common Stock") as is equal to fifty percent (50%) of the quotient of (i) the original principal amount of the Exchange Note divided by (ii) 0.50 (the "Exchange Warrant"), which Exchange Warrant: (i) shall have an exercise price of $1.50, subject to adjustment, as more particularly set forth therein; (ii) shall have a cashless exercise feature under certain conditions; (iii) shall have a term of five (5) years, and (iv) shall be in the form attached hereto as Exhibit B;

WHEREAS, Platinum is willing, subject to the terms and conditions set forth herein, to make further investments in the Company ("Investments") in an aggregate amount not to exceed Two Million Dollars ($2,000,000), such Investments to be: (i) made upon satisfaction of certain conditions and in multiple tranches over a period of time as set forth below; and (ii) evidenced by Senior Secured Convertible Promissory Notes in the form attached hereto as Exhibit A, with each such note to (a) mature three (3) years from the date of issuance thereof, (b) be in the principal amount of each such tranche, (c) be secured by (1) all assets of the Company, including equity interests in all Domestic Subsidiaries, and (2) certain assets of the California Subsidiary, as set forth in the IP Security Agreement defined below, (d) be payable in Common Stock, subject to certain conditions set forth therein, including without limitation a beneficial ownership blocker, and (e) otherwise contain terms identical to those of the Exchange Note (each such note, an "Investment Note" and all Investment Notes, together with the Exchange Note, collectively the "Notes");

WHEREAS, together with each Investment Note, and as an inducement to make the Investments, the Company shall deliver to Platinum a warrant to purchase, at a price of $1.50 per share, such number of shares of Common Stock as is equal to fifty percent (50%) of the quotient of (i) the original principal amount of such Investment Note divided by (ii) 0.50 (each, an "Investment Warrant" and all Investment Warrants, together with the Exchange Warrant and the Series A Exchange Warrant defined below, collectively the "Warrants" and the Warrants, together with the Notes, the shares of Common Stock issuable upon exercise of the Warrants, the shares of Common Stock issuable upon conversion of the Notes, and the shares of Common Stock issuable upon the exchange of the Series A Shares defined below, collectively the "Securities"), which Investment Warrant: (i) shall, apart for the number of shares of Common Stock for which it is exercisable, otherwise contain terms identical to those of the Exchange Warrant; and (ii) shall be in the form attached hereto as Exhibit B;

WHEREAS, in connection with the delivery of the Exchange Note and the Investment Notes hereunder, the Company and Platinum shall enter into an amendment to the Security Agreement to define the obligations secured thereunder as all obligations of the Company to Platinum and/or any affiliate of Platinum of every kind and description, whether direct or indirect, absolute or contingent, primary or secondary, joint or several, due or to become due, or now existing or hereafter arising or acquired and whether by way of loan, discount, letter of credit, lease, guaranty, or otherwise, including, without limitation, all Obligations under and as defined in the Notes;

WHEREAS, as security for the Obligations of the Company as defined in the Security Agreement, the California Subsidiary, shall execute and deliver to Platinum an Intellectual Property Security and Stock Pledge Agreement dated on or about the date hereof (as amended, restated, supplemented or otherwise modified, the "IP Security Agreement"), pursuant to which the California Subsidiary shall grant to Platinum a security interest in (a) the intellectual property of the California Subsidiary identified therein, and (b) all of the capital stock and other equity interests in and to Artemis Neuroscience, Inc., a Maryland corporation and a wholly owned subsidiary of the California Subsidiary (the "Maryland Subsidiary") owned by the California Subsidiary;

WHEREAS, the California Subsidiary, the Maryland Subsidiary and the Company shall execute and deliver to Platinum a Negative Covenant Agreement dated on or about the date hereof (as amended, restated, supplemented or otherwise modified, the "Negative Covenant Agreement" and, the Negative Covenant Agreement, together with the IP Security Agreement, the Security Agreement, the Securities, this Agreement, and all documents and instruments delivered in connection herewith and therewith, collectively the "Transaction Documents");

WHEREAS, pursuant to the Exchange Agreement dated as of June 29, 2012 by and between the Company and Platinum (the "June Exchange Agreement"), Platinum exchanged 629,450 shares of Common Stock for 62,945 shares of the Company's Series A Preferred Stock;

WHEREAS, Platinum holds an aggregate of 500,000 shares of the Company's Series A Convertible Preferred Stock ("Series A Preferred") (such 500,000 shares, the "Series A Shares"), including shares acquired pursuant to the June Exchange Agreement; and

WHEREAS, the parties have agreed that Platinum may exchange (the "Series A Exchange") each of its Series A Shares for (i) thirty (30) shares of Common Stock, and (ii) a five-year warrant to purchase fifteen (15) shares of Common Stock (each, a "Series A Exchange Warrant"), which Series A Exchange Warrant shall be in the form attached hereto as Exhibit B, such that if Platinum were to exchange all of its Series A Shares, Platinum would receive in return for such exchange a total of 15.0 million shares of Common Stock and a five-year warrant to purchase 7.5 million shares of Common Stock.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby agreed and acknowledged, the parties hereby agree as follows:

Article 1– Exchange

Section 1.1 Terms of Exchange

1.1.1 Note Exchange. In consideration of and in express reliance upon the representations, warranties, covenants, terms and conditions of this Agreement, Platinum agrees to deliver the Existing Notes to the Company in exchange for the issuance of the Exchange Note and the Exchange Warrant, and the Company agrees to issue and deliver the Exchange Note and the Exchange Warrant to Platinum (the "Exchange"). The Exchange Note shall be issued in exchange for (and not in discharge of the indebtedness evidenced by) the Existing Notes.

Series A Exchange. Platinum shall have the right and option at any time and from time to time during the five-year period following the Closing Date to exchange each of its Series A Shares for (i) thirty (30) shares of Common Stock, and (ii) a Series A Exchange Warrant; provided, that, unless Platinum shall have delivered to the Company sixty-one (61) days' written notice waiving the beneficial ownership limitation set forth below, only such number of Series A Shares may be exchanged as would result in Platinum beneficially owning (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules thereunder) no more than 9.99% of all of the Common Stock outstanding at such time.

1.1.2 Mechanics of Series A Exchange. In the event that Platinum elects to exercise its option to exchange any of its Series A Shares at any time and from time to time during the five-year period following the Closing Date, Platinum shall deliver written notice of each such election to the Company. Within five (5) business days following the receipt of each such notice, the Company shall (i) issue a Series A Exchange Warrant to Platinum, which Series A Exchange Warrant shall be exercisable for such number of shares of Common Stock as is equal to fifteen (15) times the number of Series A Shares so exchanged, and (ii) instruct the transfer agent to issue to Platinum such number of shares of Common Stock as is equal to thirty (30) times the number of Series A Shares so exchanged, subject, however, to the beneficial ownership limitation set forth in Section 1.1.2 above.

1.1.3 Certificate of Designation. The parties hereto agree and acknowledge that the right of Platinum hereunder to consummate the Series A Exchange is in addition to any and all rights it may have as a holder of Series A Preferred under the terms of the Certificate of Designation of the Relative Rights and Preferences of the Series A Preferred, as filed with the Secretary of State of Nevada in December 2011.

Section 1.2 Closing

The closing under this Agreement (the "Closing") shall take place upon the satisfaction of each of the conditions set forth in Section 4.1 and Section 4.3 hereof (the "Closing Date").

Section 1.3 Delivery of Documents and Instruments

Within five (5) business days after the Closing Date: (i) Platinum shall deliver the Existing Notes to the Company, or an indemnification undertaking with respect to such Existing Notes in the event of the loss, theft or destruction of such Existing Notes; and (ii) the Company shall deliver to Platinum the Exchange Note and the Exchange Warrant.

Article 2 – Investments

Section 2.1 Amounts; Timing of Funding

Subject to satisfaction of the conditions precedent set forth in Section 4.4 below, Platinum agrees to make the following Investments no later than the following dates (each such date, an "Investment Date"):

Investment Date	Amount of Investment
On or before October 11, 2012	$500,000
On or before October 19, 2012	$500,000
On or before November 15, 2012	$500,000
On or before December 15, 2012	$500,000

Section 2.2 Method of Funding

Upon satisfaction of the conditions precedent set forth in Section 4.4 below, Platinum shall fund each Investment on or before the applicable Investment Date by wire transfer of immediately available funds to the Company using the wire instructions attached hereto as Exhibit 2.2.

Section 2.3 Delivery of Investment Notes and Investment Warrants

Upon satisfaction of the conditions set forth in Section 4.2 below, the Company shall deliver to Platinum an Investment Note and an Investment Warrant within five (5) business days of each Investment Date.

Article 3- Representations, Warranties and Covenants

Section 3.1 Representations and Warranties of Platinum

Platinum makes the following representations and warranties to the Company:

3.1.1 Organization. Platinum is a limited liability company validly existing and in good standing under the laws of the state of Delaware.

3.1.2 Execution; Binding Agreement. This Agreement has been duly authorized, validly executed and delivered by Platinum and is a valid and binding agreement and obligation of Platinum enforceable against Platinum in accordance with its terms, subject to limitations on enforcement by general principles of equity and by bankruptcy or other laws affecting the enforcement of creditors' rights generally, and Platinum has full power and authority to execute and deliver the Agreement and the other agreements and documents contemplated hereby and to perform its obligations hereunder and thereunder.

3.1.3 Securities Laws. Platinum understands that the Securities are being offered and sold to it in reliance on specific provisions of federal and state securities laws and that the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings of Platinum set forth herein for purposes of quailing for exemptions from registration under the Securities Act of 1933, as amended (the "Securities Act") and applicable state securities laws.

3.1.4 Accredited Investor. Platinum is an "accredited investor" as defined under Rule 501 of Regulation D promulgated under the Securities Act.

3.1.5 Acquisition for Own Account. Platinum is and will be acquiring the Securities for Platinum's own account, for investment purposes, and not with a view to any resale or distribution in whole or in part, in violation of the Securities Act or any applicable securities laws; provided, however, that notwithstanding the foregoing, Platinum does not covenant to hold the Securities for any minimum period of time other than as required by law.

3.1.6 Securities Act Exemption. The offer and sale of the Securities is intended to be exempt from registration under the Securities Act, by virtue of Section 3(a)(9) (with respect to the Exchange Note) and/or Section 4(2) thereof and Regulation D promulgated thereunder (with respect to the Exchange Warrant, the Investment Notes and the Investment Warrants). Platinum understands that the Securities purchased hereunder are "restricted securities," as that term is defined in the Securities Act and the rules thereunder, have not been registered under the Securities Act, and that none of the Securities can be sold or transferred unless they are first registered under the Securities Act and such state and other securities laws as may be applicable or the Company receives an opinion of counsel reasonably acceptable to the Company that an exemption from registration under the Securities Act is available (and then the Securities may be sold or transferred only in compliance with such exemption and all applicable state and other securities laws).

Section 3.2 Representations, Warranties and Covenants of the Company

The Company makes the following representations and warranties to Platinum, and covenants as follows for the benefit of Platinum:

3.2.1 Incorporation. The Company has been duly incorporated and is validly existing and in good standing under the laws of the state of Nevada, with full corporate power and authority to own, lease and operate its properties and to conduct its business as currently conducted, and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure to register or qualify would not have a Material Adverse Effect. For purposes of this Agreement, "Material Adverse Effect" shall mean any material adverse effect on the business, operations, properties, prospects, or financial condition of the Company and its subsidiaries and/or any condition, circumstance, or situation that would prohibit or otherwise materially interfere with the ability of the Company and/or any Domestic Subsidiary to perform any of its obligations under any Transaction Document.

3.2.2 Authorization of Securities. The Securities have been duly authorized by all necessary corporate action and, when paid for or issued in accordance with the terms hereof, the Securities shall be validly issued, fully paid and non-assessable, free and clear of all liens, encumbrances and rights of refusal of any kind.

3.2.3 Execution; Binding Agreement. This Agreement and the other Transaction Documents to which the Company is party have been duly authorized, validly executed and delivered on behalf of the Company and are valid and binding agreements and obligations of the Company enforceable against the Company in accordance with its terms, subject to limitations on enforcement by general principles of equity and by bankruptcy or other laws affecting the enforcement of creditors' rights generally, and the Company has full power and authority to execute and deliver the Agreement and the other Transaction Documents to which the Company is party and to perform its obligations hereunder and thereunder.

3.2.4 No Conflicts. The execution and delivery of the Agreement and the other Transaction Documents to which the Company is party and the consummation of the transactions contemplated by this Agreement and the other Transaction Documents by the Company, will not (i) conflict with or result in a breach of or a default under any of the terms or provisions of, (A) the Company's certificate of incorporation or by-laws, or (B) of any material provision of any indenture, mortgage, deed of trust or other material agreement or instrument to which the Company is a party or by which it or any of its material properties or assets is bound, (ii) result in a violation of any provision of any law, statute, rule, regulation, or any existing applicable decree, judgment or order by any court, federal or state regulatory body, administrative agency, or other governmental body having jurisdiction over the Company, or any of its material properties or assets or (iii) result in the creation or imposition of any material lien, charge or encumbrance upon any material property or assets of the Company or any of its subsidiaries pursuant to the terms of any agreement or instrument to which any of them is a party or by which any of them may be bound or to which any of their property or any of them is subject except in the case of clauses (i)(B), (ii) or (iii) for any such conflicts, breaches, or defaults or any liens, charges, or encumbrances which would not have a Material Adverse Effect.

3.2.5 Securities Act Exemption. The delivery and issuance of the Securities in accordance with the terms of and in reliance on the accuracy of Platinum's representations and warranties set forth in this Agreement will be exempt from the registration requirements of the Securities Act.

3.2.6 Governmental Approvals. No consent, approval or authorization of or designation, declaration or filing with any governmental authority on the part of the Company is required in connection with the valid execution and delivery of this Agreement or the offer, sale or issuance of the Securities or the consummation of any other transaction contemplated by this Agreement.

3.2.7 Compliance with Securities Laws. The Company has complied and will comply with all applicable federal and state securities laws in connection with the offer, issuance and delivery of the Securities hereunder. Neither the Company nor anyone acting on its behalf, directly or indirectly, has or will sell, offer to sell or solicit offers to buy any of the Securities, or similar securities to, or solicit offers with respect thereto from, or enter into any preliminary conversations or negotiations relating thereto with, any person, or has taken or will take any action so as to bring the issuance and sale of any of the Securities under the registration provisions of the Securities Act and applicable state securities laws. Neither the Company nor any of its affiliates, nor any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with the offer or sale of any of the Securities.

3.2.8 No Solicitation. The Company represents that it has not paid, and shall not pay, any commissions or other remuneration, directly or indirectly, to any third party for the solicitation of the Exchange.

3.2.9 Holding Period of Exchange Note. With respect to the Exchange Note, other than the exchange of the Existing Notes, the Company has not received any consideration for the Exchange Note. By virtue of such exchange, the holding period for the Exchange Note under Rule 144 of the Securities Act shall begin no later than the holding period for the Prior Notes.

3.2.10 Exchange Act Registration of Common Stock. The Company shall cause its Common Stock to continue to be registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934 (the "Exchange Act"), shall comply with all requirements related to any registration statement filed pursuant to this Agreement, and shall not take any action or file any document (whether or not permitted by the Securities Act or the rules promulgated thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under the Exchange Act and the Securities Act. The Company will take all action necessary to continue the listing or trading of its Common Stock on the OTC Bulletin Board or such other exchange or market on which the Common Stock is trading. If necessary, the Company will promptly file the "Listing Application" for, or in connection with, the issuance and delivery of the Securities. The Company further covenants that it will take such further actions as Platinum may reasonably request, all to the extent required from time to time to enable Platinum to sell the Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act. Upon the request of Platinum, the Company shall deliver to Platinum a written certification of a duly authorized officer as to whether it has complied with such requirements.

3.2.11 Legal Opinions. The Company will provide, at the Company's expense, such legal opinions in the future as are reasonably appropriate and necessary for the issuance and resale of the Securities pursuant to an effective registration statement, Rule 144 under the Securities Act or an exemption from registration. In the event that such Common Stock is sold in a manner that complies with an exemption from registration, the Company shall promptly cause its counsel (at its expense) to issue to the transfer agent an opinion permitting removal of the legend (indefinitely, but only if permitted pursuant to Rule 144(b)(1) of the Securities Act (or its successor provisions, including any provision that permits unlimited re-sales after the relevant holding period set forth in Rule 144), or to permit sales of the Common Stock if pursuant to the other provisions of Rule 144 of the Securities Act).

3.2.12 Delivery of Shares. The Company shall promptly deliver shares of Common Stock to Platinum upon Platinum's request to convert all or any portion of the Notes, to exercise any portion of the Warrants, and/or to exchange the Series A Shares.

3.2.13 Payment of Taxes and Claims. The Company shall, and shall cause each subsidiary of the Company to, pay (a) all taxes, estimated payments, assessments and governmental charges or levies imposed upon the Company and each subsidiary of the Company and its and their property or assets or in respect of any of its franchises, businesses, income or property when due; and (b) all claims of materialmen, mechanics, carriers, warehousemen, landlords, bailees and other like persons, (including without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien upon property or assets of the Company and/or the Domestic Subsidiaries, other than for Permitted Contests. "Permitted Contests" means the right of the Company to contest or protest any liens, taxes (other than payroll taxes or taxes that are the subject of a United States federal tax lien), or rental payment, provided that (i) a reserve with respect to such obligation is established on Company's books and records in such amount as is required under GAAP, (ii) any such protest is instituted promptly and prosecuted diligently by Company in good faith, and (iii) Platinum is satisfied in its reasonable discretion, that, while any such protest is pending, there will be no impairment of the enforceability, validity, or priority of any of Platinum's liens on any assets of the Company and/or any subsidiary of the Company. "GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board, the American Institute of Certified Public Accountants and the Financial Accounting Standards Board as in effect from time to time in the United States consistently applied.

3.2.14 Insurance. At all times in respect of its personal property, the Company shall, and shall cause each subsidiary of the Company to, have and maintain insurance substantially similar in terms of coverage, amounts and scope as the Company's and each of the Company's Subsidiaries existing insurance policies as of the date of this Agreement.

3.2.15 Place of Business; Books and Records.

3.2.15.1 The Company shall, and shall cause each Domestic Subsidiary of the Company to, (i) deliver to Platinum at least thirty (30) days prior to the occurrence of any of the following events, written notice of such impending events: (A) a change in its principal place of business or chief executive office, and (B) a change in its name, identity or structure; and (ii) remain organized in the state or jurisdiction of its incorporation or formation as of the date of this Agreement.

3.2.15.2 The Company shall, and shall cause each Domestic Subsidiary of the Company to, at all times keep accurate and complete records of its assets and finances in accordance with GAAP, and at all reasonable times and from time to time, shall allow Platinum promptly following receipt of written notice, by or through any of its officers, agents, attorneys or accountants, to examine, inspect and make extracts from such books and records.

3.2.16 Maintenance; Certain Covenants. The Company shall, and shall cause each Domestic Subsidiary of the Company to, (i) maintain its property in a condition comparable or superior to that on the date hereof, except for normal wear and tear and routine maintenance and obsolescence in the ordinary course of business; (ii) do or cause to be done all things reasonably necessary to maintain its status as duly organized and existing, and in good standing, under the laws of the state of its organization; (iii) conduct continuously and operate actively its business and take all actions reasonably necessary to enforce and protect the validity of all intellectual property material to the business of the Company and/or any subsidiary of the Company; and (iv) not be in violation of any law, rule and/or regulation, which violation is reasonably likely to have a Material Adverse Effect.

3.2.17 Negative Pledge. The Company shall not, and shall not permit any Domestic Subsidiary of the Company to, cause or permit or permit to exist or agree or consent to cause or permit in the future (upon the happening of a contingency or otherwise), any personal property or real property of the Company and/or any Domestic Subsidiary of the Company, whether now owned or hereafter acquired, to become subject to a Lien, except for "Permitted Liens" as defined below, with respect to the Company, and (ii) "Permitted Liens" as defined in the Negative Covenant Agreement, with respect to the Domestic Subsidiaries.

3.2.17.1 As used herein:

(a) "Lien" means any lien, security interest, mortgage, charge or other encumbrance whatsoever; and

(b) "Permitted Liens" means (a) Liens in favor of Platinum and/or an affiliate of Platinum, (B) Liens granted in connection with Permitted Purchase Money Indebtedness (as defined below), and (C) Liens that are subordinate to the security interest of Platinum and/or an affiliate of Platinum under the terms of the Security Agreement and the IP Security Agreement and as evidenced by a subordination agreement in form and substance satisfactory to Platinum in Platinum's sole and absolute discretion. The Company hereby authorizes Platinum to file such Uniform Commercial Code filings with respect to the Company and its Domestic Subsidiaries in such jurisdictions and with such public offices as Platinum reasonably determines to evidence such negative pledge.

3.2.18 Indebtedness. The Company shall not, and shall not permit any Domestic Subsidiary to, directly or indirectly create, incur, assume, guarantee, or otherwise become or remain liable with respect to any material Indebtedness, except for (i) "Permitted Indebtedness" as defined below, with respect to the Company, and (ii) "Permitted Indebtedness" as defined in the Negative Covenant Agreement, with respect to the Domestic Subsidiaries.

3.2.18.1 As used herein:

(a) "Indebtedness" means, at any time, (i) all indebtedness, obligations and other liabilities which in accordance with GAAP should be classified as liabilities on a balance sheet, including without limitation, (A) for borrowed money or evidenced by debt securities, debentures, acceptances, notes or other similar instruments, and any accrued interest, fees and charges relating thereto, (B) under profit payment agreements or in respect of obligations to redeem, repurchase or exchange any securities or to pay dividends in respect of any stock, (C) with respect to letters of credit, bankers acceptances, interest rate swaps or other contracts, currency agreement or other financial products, (D) to pay the deferred purchase price of property or services, or (E) in respect of Capital Leases; (ii) all indebtedness, obligations or other liabilities secured by a lien on any property, whether or not such indebtedness, obligations or liabilities are assumed by the owner of the same; and (iii) all contingent obligations;

(b) "Permitted Indebtedness" means (i) Indebtedness to Platinum or any affiliate of Platinum, (ii) Permitted Purchase Money Indebtedness, (iii) Indebtedness set forth on Schedule 3.2.18 hereto in the amounts set forth on such schedule, (iv) debt incurred in the ordinary course of business in an amount not to exceed $250,000 in the aggregate, (iv) accounts payable arising in the ordinary course of business that are otherwise converted into Indebtedness, and (v) debt issued or incurred necessary to satisfy the condition to Platinum's obligation to make Investments set forth in Section 4.4.13 herein; and

(c) "Permitted Purchase Money Indebtedness" means secured or unsecured purchase money Indebtedness (including obligations under capital leases) incurred to finance the acquisition of fixed assets or equipment, if such purchase money Indebtedness (a) has a scheduled maturity and is not due on demand, (b) does not exceed the purchase price of the items being purchased, and (c) is not secured by any property or assets other than the item or items being purchased with the proceeds of purchase money financing.

3.2.19 Financial Information and Reporting. The Company shall deliver or make available the following to Platinum:

3.2.19.1 within 90 days after the end of each fiscal year, audited, unqualified consolidated financial statements of Company and its subsidiaries prepared in accordance with GAAP and certified by the Company's independent public accountant, containing (i) balance sheets, (ii) statements of income and surplus, and (iii) statements of cash flows and reconciliation of capital accounts, and accompanied by a certification by an officer of the Company that such financial statements are true, correct and complete in all material respects, and that all representations and warranties of the Company made herein remain true and accurate as of the date of the delivery of such financial statements; and

3.2.19.2 immediately upon becoming aware of the existence of any action or omission that could reasonably be expected to result in a Material Adverse Effect and/or any breach of any term or condition of this Agreement or any Security, a written notice specifying the nature and period of existence thereof and what action Company and its subsidiaries are taking or proposes to take with respect thereto.

3.2.20 Fundamental Changes; Asset Transfers.

3.2.20.1 So long as any Notes are held by Platinum or are otherwise issued and outstanding, without the consent of Platinum, the Company shall not, and shall not permit any Domestic Subsidiary of the Company to, merge into or consolidate with any other entity, or permit any other entity to merge into or consolidate with it, unless, as a condition to the consummation of any such transaction:

(a) With respect to any merger or consolidation involving the Company: (i) no Event of Default shall have occurred under and as defined in any of the Transaction Documents; (ii) the Company shall be the surviving entity in any such transaction; (iii) both before and after giving effect to such transaction, the Company and each Domestic Subsidiary will be in compliance with its and their obligations under the Transaction Documents (including without limitation its and their obligation not to incur or permit to exist Indebtedness); and (iv) if the holders of the Common Stock of the Company before such transaction, on a fully diluted basis, would hold fewer than fifty percent (50%) of the number of shares of Common Stock of the Company, on a fully diluted basis, after the consummation of such transaction, then all Notes shall be paid in full in cash at the closing of such transaction unless Platinum otherwise waives such requirement; and

(b) With respect to any merger or consolidation involving any Domestic Subsidiary: (i) no Event of Default shall have occurred under and as defined in any of the Transaction Documents; (ii) such Domestic Subsidiary shall be the surviving entity in any such transaction; and (iii) both before and after giving effect to such transaction, such Domestic Subsidiary and the Company will be in compliance with its and their obligations under the Transaction Documents (including without limitation the obligations of the California Subsidiary under the IP Security Agreement, and the obligations of the Domestic Subsidiaries under the Negative Covenant Agreement).

3.2.20.2 The Company shall not, and shall not permit any subsidiary of the Company to, acquire or create any subsidiary.

3.2.20.3 The Company shall not, and shall not permit any subsidiary of the Company to, sell, transfer, lease, license or otherwise dispose of, in one transaction or a series of transactions: (i) assets representing all or substantially all the assets of the Company and the Company's subsidiaries; and/or (ii) assets material to the conduct of business of the Company and the Company's subsidiaries; *provided*, *however*, that nothing set forth in this Section 3.2.20.3 shall prevent or prohibit the Company or any of its subsidiaries from entering into any agreement (y) to license the Company's or any of its Domestic Subsidiaries' intellectual property or other assets in the ordinary course of business and on an arm's-length basis for terms deemed to be in the best interest of the Company by the Company's board of directors, or (z) that does not materially detract from the value of the affected asset in the hands of the Company and the Company's subsidiaries, or interfere with the ordinary conduct of business of the Company and Company's subsidiaries.

3.2.21 Transactions with Affiliates. The Company shall not, and shall not permit any of its subsidiaries to, sell, lease, license or otherwise transfer any assets to, or purchase, lease, license or otherwise acquire any assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) transactions that are at prices and on terms and conditions not less favorable to the Company or such subsidiary than those that would prevail in arm's-length transactions with unrelated third parties, (b) issuances by the Company of equity and receipt by the Company of capital contributions on terms deemed to be fair and reasonable by a majority of the disinterested directors of the Company's board of directors, (c) compensation and indemnification of, and other employment arrangements with, directors, officers and employees of the Company or any subsidiary of the Company, (d) any transaction determined by a majority of the disinterested directors of the applicable entity's board of directors to be fair to the applicable entity, (e) any transaction with respect to which the fair market value of the related property or assets, nor the consideration therefor, does not exceed $500,000, and (f) transfers of intellectual Property from a subsidiary of the Company to the Company. As used herein, "Affiliate" means, as applied to any person or entity, any other person or entity who, directly or indirectly, controls, is controlled by, or is under common control with, such person or entity, or is a family member related by birth or marriage. For purposes of the definition of Affiliate, "control" means the possession, directly or indirectly, of the power to direct the management and policies of a person or entity, whether through the ownership of equity interests, by contract, or otherwise; *provided*, *however*, that, in any event: (i) any person or entity who owns directly or indirectly fifty percent (50%) or more of the securities having ordinary voting power for the election of directors or other members of the governing body of a person or entity or fifty percent (50%) or more of the partnership, member or other ownership interests of a person or entity (other than as a limited partner of such entity) shall be deemed to control such entity; and (ii) each officer or director (or manager) of an entity shall be deemed to be an Affiliate of such entity. The Company shall not, and shall not permit any Domestic Subsidiary to, sell, convey, distribute, assign or otherwise transfer any assets to the Maryland Subsidiary. The Company shall not permit the Maryland Subsidiary to acquire ownership of any patents, patent applications, trademarks, trademark applications, copyrights and/or copyright applications. All of the forgoing intellectual property shall be owned only by the Company and/or the California Subsidiary.

3.2.22 Security Agreement. The Company shall execute and deliver an amendment to and restatement of the Security Agreement in the form attached hereto as Exhibit 3.2.22, pursuant to which the Company shall grant a security interest to Platinum in all assets of the Company as security for all Obligations (as defined in the Security Agreement) of the Company to Platinum, including without limitation the Company's obligations under the Notes. Such pledged assets shall include all equity interests held by the Company in each Domestic Subsidiary.

3.2.23 IP Security Agreement. The California Subsidiary shall execute and deliver to Platinum the IP Security Agreement in the form attached hereto as Exhibit 3.2.23, pursuant to which the California Subsidiary shall grant a security interest to Platinum in the assets of the California Subsidiary identified therein as security for all Obligations (as defined in the IP Security Agreement) of the Company to Platinum, including without limitation the Company's obligations under the Notes.

3.2.24 Negative Covenant Agreement. The Domestic Subsidiaries shall execute and deliver to Platinum the Negative Covenant Agreement, which shall be in the form attached hereto as Exhibit 3.2.24.

3.2.25 Disclosure of Material Information. The Company shall comply with its obligations under Regulation FD under the Exchange Act, and shall not disclose to Platinum any material non-public information unless Platinum shall have first agreed in writing to hold such information in confidence. Upon any disclosure in violation of the terms hereof, the Company shall comply with its public dissemination obligations under Regulation FD within the periods set forth therein. The Company understands and confirms that Platinum shall be relying on the foregoing representations and covenants in effecting transactions in securities of the Company.

3.2.26 No Amendments. The Company shall not amend or waive any provision of its Articles of Incorporation or Bylaws in any way that would adversely affect the rights of any holder of the Securities.

3.2.27 No Distributions. The Company shall not, and shall not permit any Domestic Subsidiary of the Company to, (i) declare or pay any dividends or make any distributions (other than Permitted Issuances) to any holder(s) of Common Stock (or any security convertible into or exercisable for Common Stock) or (ii) purchase or otherwise acquire for value, directly or indirectly, any Common Stock or other security of the Company. As used herein, "Permitted Issuance" means (a) an issuance of shares of Common Stock or options to employees, officers, consultants or directors of the Company pursuant to any stock or option plan duly approved by the shareholders of the Company if such issuances are approved by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose, or their respective designees as permitted under the terms of such plan, and (b) an issuance of securities upon the exercise or exchange of or conversion of any securities issued hereunder and/or securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise, exchange or conversion price of any such securities.

3.2.28 No Investments. The Company shall not, and shall not permit any subsidiary of the Company to, make or suffer to exist any Investments or commitments therefor in excess of $250,000 in the aggregate; provided, that, nothing herein shall be deemed to prohibit the Company or any subsidiary of the Company from holding cash or cash equivalents, such as deposit accounts, money market accounts, U.S. treasuries or similar highly liquid assets.

3.2.29 DTC Eligibility. The Company shall use its best efforts to cause its Common Stock to be eligible for transfer pursuant to the Depository Trust Company Automated Securities Transfer Program at all times while any Notes and/or Warrants remain outstanding.

3.2.30 Legal Fees. The Company shall pay all legal fees incurred by Platinum in connection with (a) negotiation, drafting and closing of this Agreement, the Notes, the Warrants and the other documents and instruments executed in connection herewith, provided, however, such amount shall not exceed $15,000 in the aggregate, and (b) any and all actions by Platinum to enforce its rights hereunder or thereunder.

3.2.31 Solvency. Both before and after giving effect to (a) the incurrence of indebtedness to Platinum hereunder in the aggregate amount of all Investment Notes, and (b) the incurrence of up to $1,000,000 of subordinated indebtedness as set forth in Section 4.4.13 below, each of the Company and each of the Company's Domestic Subsidiaries are and will be Solvent.

3.2.31.1 As used herein, "Solvent" means, on any date, that each of the Company and each of the Company's Domestic Subsidiaries are "solvent" within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances, including that (a) the present fair salable value of the assets of each of the Company and each of the Company's Domestic Subsidiaries (i.e., the amount that may be realized within a reasonable time, considered to be six months to one year, either through collection or sale at the regular market value, conceiving the latter as the amount that could be obtained for the property in question within such period by a capable and diligent businessperson from an interested buyer who is willing to purchase under ordinary selling conditions) is not less than the amount that will be required to pay the probable liability of the each of the Company and each of the Company's Domestic Subsidiaries on their debts (including contingent, unmatured and unliquidated liabilities) as they become absolute and matured, (b) each of the Company and each of the Company's Domestic Subsidiaries will not have an unreasonably small capital in relation to their business or with respect to any transaction then contemplated and (c) each of the Company and each of the Company's Domestic Subsidiaries, will have sufficient cash flow to enable them to pay their debts as they mature.

Article 4 – Conditions Precedent

Section 4.1 Conditions Precedent to the Delivery of Exchange Note and Exchange Warrant

The obligation hereunder of the Company to issue and deliver the Exchange Note and the Exchange Warrant to Platinum and consummate the Exchange is subject to the satisfaction, on or before the Closing Date, of each of the conditions set forth below in this Section 4.1.

4.1.1 Execution and Delivery. Platinum shall have executed and delivered this Agreement.

4.1.2 Performance. Platinum shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by Platinum at or prior to the Closing Date.

4.1.3 Representations and Warranties. The representations and warranties of Platinum shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time, except for representations and warranties that are expressly made as of a particular date, which shall be true and correct in all material respects as of such date.

Section 4.2 Conditions Precedent to Delivery of Investment Notes and Investment Warrants

The obligation hereunder of the Company to issue and deliver Investment Notes and Investment Warrants to Platinum is subject to the satisfaction, on or before the applicable Investment Date, of each of the conditions set forth below in this Section 4.2.

4.2.1 Closing Conditions. The conditions set forth in Section 4.1 above shall have been satisfied.

4.2.2 Funding. The Company shall have received from Platinum, via wire transfer of immediately available funds, the principal amount of the applicable Investment on or before the applicable Investment Date.

Section 4.3 Conditions Precedent to Delivery of Existing Notes

The obligation hereunder of Platinum to deliver the Existing Notes, accept the Exchange Note and the Exchange Warrant and consummate the Exchange is subject to the satisfaction on or before the Closing Date, of each of the conditions set forth below.

4.3.1 Execution and Delivery. The Company shall have executed and delivered this Agreement.

4.3.2 Performance. The Company and the Domestic Subsidiaries shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company and the Domestic Subsidiaries at or prior to the Closing Date.

4.3.3 No Default. No default or Event of Default shall have occurred under and as defined in any of (a) this Agreement, (b) the July Note, (c) the August Note, and/or (d) any Transaction Document.

4.3.4 No Pending Default. No action or omission shall have occurred that, with the passage of time and/or the giving of notice, would constitute an Event of Default under and as defined in any of (a) this Agreement, (b) the July Note, (c) the August Note, and/or (d) any Transaction Document.

4.3.5 Representations and Warranties. The representations and warranties of the Company and the Domestic Subsidiaries contained herein, in the July Note, in the August Note and in the Transaction Documents shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time, except for representations and warranties that are expressly made as of a particular date, which shall be true and correct in all material respects as of such date.

4.3.6 No Prohibition. No statute, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement or any Transaction Document at or prior to the Closing Date.

4.3.7 No Litigation. As of the Closing Date, no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, shall be pending against or affecting the Company, any Domestic Subsidiary, or any assets of the Company and/or any Domestic Subsidiary, which questions the validity of any Transaction Document or the transactions contemplated thereby or any action taken or to be taken pursuant thereto. As of the Closing Date, no action, suit, claim or proceeding before or by any court or governmental agency or body, domestic or foreign, shall be pending against or affecting the Company, any Domestic Subsidiary, or any assets of the Company and/or any Domestic Subsidiary, which, if adversely determined, is reasonably likely to result in a Material Adverse Effect.

4.3.8 Legal Opinion. Platinum shall have received an opinion of counsel to the Company, which opinion shall be in form and substance satisfactory to Platinum.

4.3.9 No Material Adverse Effect. No event shall have occurred or failed to occur that could reasonably be expected to result in a Material Adverse Effect.

4.3.10 Reservation of Shares. The Company shall have reserved for issuance a number of shares of Common Stock equal to at least 110% of the aggregate number of shares of Common Stock issuable upon (1) conversion in full of the Exchange Note, and (2) exercise in full of the Exchange Warrant.

4.3.11 Security. The Company shall have executed and delivered to Platinum an amendment to and restatement of the Security Agreement, which amendment and restatement shall be in the form attached hereto as Exhibit 3.2.22.

4.3.12 IP Security. The California Subsidiary shall have executed and delivered to Platinum the IP Security Agreement, which IP Security Agreement shall be in the form attached hereto as Exhibit 3.2.23.

4.3.13 Negative Covenant Agreement. The Domestic Subsidiaries shall have executed and delivered to Platinum the Negative Covenant Agreement, which Negative Covenant Agreement shall be in the form attached hereto as Exhibit 3.2.24.

4.3.14 Liens. There shall be no UCC financing statements of record with respect to any assets of the Company and/or any Domestic Subsidiary other than such financing statements as may evidence Permitted Liens.

4.3.15 Secretary's Certificates. The Company shall have delivered to Platinum a secretary's certificate, dated as of the Closing Date, as to (i) the resolutions adopted by the Board of Directors of the Company approving the transactions contemplated hereby, (ii) the articles of incorporation of the Company, as in effect on the Closing Date, (iii) the bylaws of the Company, as in effect on the Closing Date, and (iv) the authority and incumbency of the officers of the Company executing the Transaction Documents. Each Domestic Subsidiary shall have delivered to Platinum a secretary's certificate, dated as of the Closing Date, as to (i) the resolutions adopted by the Board of Directors of such Domestic Subsidiary approving the execution, delivery and performance by such Domestic Subsidiary under the Transaction Documents to be delivered by such Domestic Subsidiary, (ii) the articles of incorporation of such Domestic Subsidiary, as in effect on the Closing Date, (iii) the bylaws of such Domestic Subsidiary, as in effect on the Closing Date, and (iv) the authority and incumbency of the officers of such Domestic Subsidiary executing the Transaction Documents.

Section 4.4 Conditions Precedent to Making Investments

The obligation hereunder of Platinum to make any Investment is subject to the satisfaction as of each Investment Date, of each of the conditions set forth below in this Section 4.4.

4.4.1 Closing Conditions. The conditions set forth in Section 4.3 above shall been satisfied.

4.4.2 Performance. The Company and the Domestic Subsidiaries shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company and the Domestic Subsidiaries on or prior to such Investment Date.

4.4.3 No Default. No default or Event of Default shall have occurred under and as defined in any of (a) this Agreement, (b) the Exchange Note, (c) the Exchange Warrant, (d) any Investment Note, (e) any Investment Warrant, and/or (f) any Transaction Document.

4.4.4 No Pending Default. No action or omission shall have occurred that, with the passage of time and/or the giving of notice, would constitute an Event of Default under and as defined in any of (a) this Agreement, (b) the Exchange Note, (c) the Exchange Warrant, (d) any Investment Note, (e) any Investment Warrant, and/or (f) any Transaction Document.

4.4.5 Representations and Warranties. The representations and warranties of the Company and the Domestic Subsidiaries contained herein, in the Exchange Note, in the Exchange Warrant, in the Transaction Documents, in all Investment Notes then issued and in all Investment Warrants then issued shall be true and correct in all material respects as of the date when made and as of such Investment Date as though made at that time, except for representations and warranties that are expressly made as of a particular date, which shall be true and correct in all material respects as of such date.

4.4.6 USPTO Recording. Platinum shall have received evidence of recordation with the United States Patent and Trademark Office of Platinum's security interest in all patents and trademarks owned by the Company and the California Subsidiary.

4.4.7 Pledged Securities. Platinum shall have received stock certificates and executed stock powers evidencing the "Pledged Securities" (as defined in the Security Agreement and the IP Security Agreement).

4.4.8 Officer's Certificate. Platinum shall have received a certificate executed by an officer of the Company and dated as of such Investment Date, which certificate ratifies and confirms the representations and warranties of the Company contained herein.

4.4.9 No Prohibition. No statute, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement and/or any other Transaction Document on or prior to such Investment Date.

4.4.10 No Litigation. As of such Investment Date, no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, shall be pending against or affecting the Company and/or any Domestic Subsidiary, or any of the assets of the Company and/or any Domestic Subsidiary, which questions the validity of the Agreement, any document or instrument to be delivered in connection herewith, or the transactions contemplated thereby or any action taken or to be taken pursuant thereto. As of such Investment Date, no action, suit, claim or proceeding before or by any court or governmental agency or body, domestic or foreign, shall be pending against or affecting the Company and/or any Domestic Subsidiary, or any assets of the Company and/or any Domestic Subsidiary, which, if adversely determined, is reasonably likely to result in a Material Adverse Effect.

4.4.11 No Material Adverse Effect. No event shall have occurred or failed to occur that could reasonably be expected to result in a Material Adverse Effect.

4.4.12 Reservation of Shares. The Company shall have reserved for issuance a number of shares of Common Stock equal to at least 110% of the aggregate number of shares of Common Stock issuable upon (1) conversion in full of the Exchange Note, all Investment Notes then outstanding and the Investment Note to be delivered in connection with the Investment to be made on such Investment Date, and (2) exercise in full of the Exchange Warrant, all Investment Warrants then outstanding and the Investment Warrant to be delivered in connection with the Investment to be made on such Investment Date.

4.4.13 November and December Investments. With respect to the Investments to be made on or before November 15, 2012 and December 15, 2012 only, the Company shall have received, between the date of the August Note and November 15, 2012, gross proceeds of not less than $1,000,000 from the sale of equity or debt securities; provided, that, any such debt securities shall (a) not permit payment prior to payment in full of the Notes, and (b) be expressly subordinate in payment and priority to all obligations of the Company to Platinum, including without limitation the obligations of the Company under the Exchange Note and all Investment Notes, pursuant to a subordination agreement in form and substance satisfactory to Platinum in Platinum's sole and absolute discretion.

4.4.14 Legal Opinion. Platinum shall have received an opinion of counsel to the Company dated as of such Investment Date, which opinion shall be in form and substance satisfactory to Platinum.

Article 5 – Events of Default

Section 5.1 Events of Default

The occurrence of any one or more of the following events shall be an "Event of Default" hereunder:

5.1.1 Failure to Deliver Exchange Note and Exchange Warrant. If the Company fails to deliver the Exchange Note and the Exchange Warrant to Platinum within five (5) business days of the Closing Date, notwithstanding satisfaction of the conditions precedent set forth in Section 4.1 above.

5.1.2 Failure to Deliver Investment Notes and Investment Warrants. If the Company fails to deliver an Investment Note and an Investment Warrant to Platinum within five (5) business days of any Investment Date, notwithstanding satisfaction of the conditions precedent set forth in Section 4.2 above with respect to such Investment.

Section 5.2 Effect of Event of Default

5.2.1 Upon the occurrence of an Event of Default specified in Section 5.1.1 above or under any other Transaction Document, all amounts due and owing under the July Note and the August Note shall be immediately due and payable in full at the option of Platinum.

5.2.2 Upon the occurrence of an Event of Default specified in Section 5.1.2 above or under any other Transaction Document, all amounts due and owing under the Exchange Note and all Investment Notes then outstanding shall be immediately due and payable in full at the option of Platinum.

Section 5.3 No Limitation

All rights and remedies of Platinum pursuant to this Agreement and the other Transaction Documents shall be cumulative, and no such right or remedy shall be exclusive of any other such right or remedy. Nothing contained in this Agreement shall be deemed to limit Platinum's rights under the other Transaction Documents.

Article 6 – Miscellaneous

Section 6.1 Governing Law; Consent to Jurisdiction

This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York without giving effect conflicts of law principles that would result in the application of the substantive laws of another jurisdiction. Each of Platinum and the Company consents to the exclusive jurisdiction of the federal courts whose districts encompass any part of the State of New York in connection with any dispute arising under this Agreement and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions. **EACH OF PLATINUM AND THE COMPANY HEREBY WAIVES ITS RIGHT TO A TRIAL BY JURY**. Each of Platinum and the Company irrevocably consents to the service of process in any such proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to such Party at its address set forth herein. Nothing herein shall affect the right of Platinum or the Company to serve process in any other manner permitted by law.

Section 6.2 Notices

All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, express overnight courier, registered first class mail, or fax (provided that any notice sent by fax shall be confirmed by other means pursuant to this Section 6.2), initially to the address set forth below, and thereafter at such other address, notice of which is given in accordance with the provisions of this Section. All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when receipt is acknowledged, if faxed; or when actually received or refused if sent by other means.

If to the Company:

VistaGen Therapeutics, Inc.
384 Oyster Point Blvd., Suite No. 8
South San Francisco, California 9408
Attention: Chief Executive Officer
Fax No.: (888) 482-2602

with a copy to:

Disclosure Law Group
501 West Broadway, Suite 800
San Diego, California 92101
Attention: Daniel W. Rumsey, Esquire
Fax No.: (619) 330-2101

If to Platinum:

Platinum Long Term Growth VII, LLC
152 West 57th Street, 4th Floor
New York, NY 10019
Attention: Michael Goldberg, M.D.
Fax No.: (212) 582-2424

with a copy to:

Burak Anderson & Melloni, PLC
30 Main Street, Suite 210
Burlington, Vermont 05401
Fax No.: (802) 862-8176

Section 6.3 Disclosure of Transaction

The Company shall file with the Securities and Exchange Commission a Current Report on Form 8-K describing the material terms of the transactions contemplated hereby (and attaching as exhibits thereto this Agreement and such other documents and instruments as the Company's counsel may deem necessary or appropriate) as soon as practicable following the Closing Date but in no event more than two (2) business days following the Closing Date.

Section 6.4 Entire Agreement

This Agreement and the other Transaction Documents constitute the entire understanding and agreement of Platinum and the Company with respect to the subject matter hereof and supersede all prior and/or contemporaneous oral or written proposals or agreements relating thereto all of which are merged herein.

Section 6.5 Amendments

This Agreement may not be amended or any provision hereof waived in whole or in part, except by a written amendment signed by both Platinum and the Company.

Section 6.6 Counterparts

This Agreement may be executed by facsimile signature and in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

Section 6.7 Assignments; Successors and Assigns

This Agreement shall be binding on and inure to the benefit of the successors and assigns of each of Platinum and the Company. The Company may not assign its rights and obligations hereunder to any person or entity. Platinum may assign its rights and obligations hereunder to any affiliate of Platinum without the consent of the Company, and Platinum may assign any Securities to any person or entity without the consent of the Company.

[signature page follows]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first set forth above.

VISTAGEN THERAPEUTICS, INC.

By: /s/ Shawn K. Singh
Chief Executive Officer

PLATINUM LONG TERM GROWTH VII, LLC

By:/s/ Joan Janczewski
Its Duly Authorized Agent

Exhibit 2.2
Wire Instructions for the Company

Exhibit 3.2.24
Form of Negative Covenant Agreement

Exhibit 10.2

THIS NOTE AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR RECEIPT BY THE MAKER OF AN OPINION OF COUNSEL IN THE FORM, SUBSTANCE AND SCOPE REASONABLY SATISFACTORY TO THE MAKER THAT THIS NOTE AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION HEREOF MAY BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF, UNDER AN EXEMPTION FROM REGISTRATION UNDER THE ACT AND SUCH STATE SECURITIES LAWS.

VISTAGEN THERAPEUTICS, INC.

Senior Secured Convertible Promissory Note

Dated: _____ ___, 2012 $_____

For value received, VISTAGEN THERAPEUTICS, INC., a Nevada corporation with an address of 384 Oyster Point Boulevard, No. 8, South San Francisco, California 94080 (the "Maker"), hereby promises to pay to the order of PLATINUM LONG TERM GROWTH VII, LLC a Delaware limited liability company with an address of 152 West 57th Street, 4th Floor, New York, NY 10019 (together with its successors, representatives, and permitted assigns, the "Holder"), in accordance with the terms hereinafter provided, the principal amount of _____ Dollars and _____ Cents ($_____), together with interest thereon. This Note is issued pursuant to the Purchase Agreement (as defined in Section 1.1 below). Each other senior secured convertible promissory note issued to the Holder by the Maker pursuant to the Purchase Agreement is referred to as an "Other Note", and all such Other Notes are collectively referred to as "Other Notes".

The outstanding principal balance of and interest on this Note shall be due and payable in shares of the Maker's common stock, $0.001 par value ("Common Stock"), subject to the provisions of Section 1.9 below, on _____ ___, 20__, the date that is three (3) years from the initial issuance date hereof (the "Maturity Date"), or at such earlier time as provided herein.

ARTICLE I - GENERAL TERMS

Section 1.1 Purchase Agreement

This Note has been executed and delivered pursuant to the Note Exchange and Purchase Agreement, dated as of _____, 2012, by and between the Maker and the Holder (as amended, restated, supplemented or otherwise modified, the "Purchase Agreement"). Capitalized terms used and not otherwise defined herein shall have the meanings set forth for such terms in the Purchase Agreement.

Section 1.2 Interest

Beginning on the issuance date of this Note (the "Issuance Date"), the outstanding principal balance of this Note shall bear interest, in arrears, at a rate per annum equal to ten percent (10%), payable in full on the Maturity Date or upon earlier acceleration hereof. Subject to the provisions of Section 1.9 below, interest shall be paid in shares of Common Stock.

Interest shall be computed on the basis of a 360-day year of twelve (12) 30-day months, shall be payable for the actual number of days elapsed, shall compound monthly, and shall accrue commencing on the Issuance Date. Furthermore, upon the occurrence of an Event of Default (as defined in Section 2.1 hereof), the Maker will pay interest to the Holder, payable on demand, on the outstanding principal balance of and unpaid interest on the Note from the date of the Event of Default until such Event of Default is cured at the rate of the lesser of (i) eighteen percent (18%) and (ii) the maximum applicable legal rate per annum (the "Default Rate").

To the extent it may lawfully do so, the Maker hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any claim, action or proceeding that may be brought by the Holder in order to enforce any right or remedy under any Transaction Document; provided, that, notwithstanding any provision to the contrary contained in any Transaction Document, it is expressly agreed and provided that the total liability of the Maker under the Transaction Documents for payments in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the "Maximum Rate"), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums in the nature of interest that the Maker may be obligated to pay under the Transaction Documents exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by law and applicable to the Transaction Documents is increased or decreased by statute or any official governmental action subsequent to the date hereof, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to the Transaction Documents from the effective date forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Maker to the Holder with respect to indebtedness evidenced by the Transaction Documents, such excess shall be applied by the Holder to the unpaid principal balance of any such indebtedness or be refunded to the Maker, the manner of handling such excess to be at the Holder's election.

Section 1.3 Payment of Principal and Interest; Prepayment

The principal amount hereof shall be paid in full on the Maturity Date or, if earlier, upon acceleration of this Note in accordance with the terms hereof or, subject to the terms and conditions set forth in this Note, pre-paid upon the election of the Maker. Subject to the provisions of Section 1.9 below, payments of principal and interest shall be made in shares of Common Stock. Any amount of principal repaid hereunder may not be re-borrowed.

Notwithstanding anything to the contrary contained herein, prepayment may only be made in immediately available funds. The Maker may prepay the principal amount of this Note in full or in part; provided, that, the Maker shall give the Holder at least 10 Business Days' prior written notice (the "Prepayment Notice Period") of such prepayment to the Holder; and provided, further, that any and all such prepayments shall be at a price equal to the sum of: (A) the portion of the outstanding principal amount of this Note being prepaid; (B) all accrued and unpaid interest on such principal amount as of the date of such prepayment; and (C) any and all fees due and payable hereunder as of the date of such prepayment. As a condition precedent to any such prepayment, the Maker shall have honored all Conversion Notices delivered by the Holder during the Prepayment Notice Period.

Section 1.4 Security

The obligations of the Maker hereunder are secured by (1) a continuing security interest in all assets of the Maker pursuant to the terms of an Amended and Restated Security Agreement dated as of _____, 2012 by and among the Maker and the Holder (as amended, restated, supplemented or otherwise modified, the "Security Agreement"), and (2) a continuing security interest in certain assets of the California Subsidiary pursuant to the terms of the Intellectual Property Security Agreement.

Section 1.5 Payment on Non-Business Days

Whenever any payment to be made shall be due on a Saturday, Sunday or a public holiday under the laws of the State of New York, such payment may be due on the next succeeding business day and such next succeeding day shall be included in the calculation of the amount of accrued interest payable on such date.

Section 1.6 Transfer

This Note may be transferred or sold, subject to the provisions of Section 5.8 of this Note, or pledged, hypothecated or otherwise granted as security by the Holder without the consent of the Maker.

Section 1.7 Replacement.

Upon receipt of a duly executed, notarized and unsecured written statement from the Holder with respect to the loss, theft or destruction of this Note (or any replacement hereof), or, in the case of a mutilation of this Note, upon surrender and cancellation of such Note, the Maker shall issue a new Note, of like tenor and amount, in lieu of such lost, stolen, destroyed or mutilated Note.

Section 1.8 Use of Proceeds.

The Maker shall use the proceeds of this Note to satisfy its working capital obligations and to make such payments as are otherwise required in the ordinary course of business.

Section 1.9 Common Stock Payment Conditions

Payments of principal and interest hereunder may only be made in shares of Common Stock upon satisfaction of the conditions specified in Section 1.9.1 below. If the conditions specified in Section 1.9.1 below have not been satisfied with respect to any payment hereunder (including without limitation any payment due upon acceleration hereof), then such payment shall be made in immediately available funds via wire transfer to the Holder using the instructions attached hereto as Exhibit A. No prepayment may be made in shares of Common Stock.

In connection with all payments permitted to be made hereunder in shares of Common Stock, the Maker shall deliver to the Holder via DWAC (as defined below) on the date each such payment is due such number of shares of duly authorized and issued Common Stock as is equal to the dollar amount of such payment when the shares of Common Stock delivered for such payment are valued at the lesser of (i) the Conversion Price on such payment date, or (ii) the VWAP (as defined in Section 5.13 below) of the Common Stock over the ten Trading-Day period ending on the Trading Day immediately preceding the date of such payment (in either event, the "Note Payment Value"); *provided, however,* the Note Payment Value shall in no event be less than fifty percent (50%) of the VWAP of the Common Stock over the ten Trading-Day period ending on the Trading Day immediately preceding the date of such payment.

1.9.1 Conditions to Payment in Shares of Common Stock. No payment hereunder may be made in shares of Common Stock unless all of the following conditions have been satisfied:

1.9.1.1 no Event of Default or event or omission that, with the giving of notice and/or the passage of time would constitute an Event of Default shall have occurred since the date of original issuance of this Note;

1.9.1.2 the VWAP of the Common Stock over the ten-Trading-Day period ending on the Trading Day immediately preceding the Maturity Date shall be at least $0.50;

1.9.1.3 the issuance of shares of Common Stock as payment hereunder would not violate the applicable limitations set forth in Section 3.4 below; and

1.9.1.4 at all times during the twenty (20) Trading Days immediately prior to the Maturity Date and through and including the date any shares of Common Stock are issued to the Holder as payment hereunder, all of the Equity Conditions (as defined in Section 5.13 below) shall be and remain satisfied.

To the extent that the conditions of this Section 1.9.1 are satisfied except that the issuance of shares of Common Stock as payment hereunder would violate the applicable limitations set forth in Section 3.4 hereof, the Maker may pay a portion of amounts due and owing hereunder in shares of Common Stock to the extent that the issuance of Common Stock to the Holder for such portion of such payment would not violate the applicable limitations set forth in Section 3.4 hereof; *provided, however,* in the event the number of shares of Common Stock issued as payment hereunder is insufficient to satisfy amounts due and owing Maker hereunder due to the limitations set forth in Section 3.4 hereof, and Maker is otherwise unable to pay the remaining amount due and payable Holder in cash or other immediately available funds (the "Residual Amount"), the Maturity Date with respect to the Residual Amount shall be extended for one year, and this Note shall continue in full force and effect with respect to the Residual Amount, and the failure of Maker to pay such Residual Amount on or before the initial Maturity Date due to the limitations set forth in Section 3.4 hereof shall not constitute an Event of Default under the terms of Section 2.1 below. For the avoidance of doubt, however, upon and after the date that is one day following any one-year extension of the Maturity Date as to any Residual Amount hereunder, all amounts due and owing hereunder shall be due and payable immediately in immediately available funds, the failure of the Maker to immediately pay such amounts shall be an immediate Event of Default hereunder.

ARTICLE II - EVENTS OF DEFAULT; REMEDIES

Section 2.1 Events of Default.

The occurrence of any of the following events shall be an "Event of Default" under this Note:

2.1.1 any default in the payment of (1) the principal amount hereunder when due, and/or (2) interest on, or liquidated damages in respect of, this Note, as and when the same shall become due and payable (whether on the Maturity Date or by acceleration or otherwise); or

2.1.2 the Maker shall fail to observe or perform any other covenant or agreement contained in this Note and/or any Other Note which failure is not cured, if possible to cure, within ten (10) Business Days after notice of such default sent by the Holder; or

2.1.3 the suspension from listing, without subsequent listing on any one of, or the failure of the Common Stock, to be listed on at least one of the OTC Bulletin Board, the OTCQB, the OTCQX, the American Stock Exchange, the Nasdaq National Market, the Nasdaq Capital Market or The New York Stock Exchange, Inc. for a period of three (3) or more consecutive Trading Days; or

2.1.4 the Maker's notice to the Holder, including by way of public announcement or otherwise, at any time, of its inability to comply (including for any of the reasons described in Section 3.7.1 hereof) or its intention not to comply with proper requests for conversion of this Note into shares of Common Stock; or

2.1.5 the Maker shall fail to (i) deliver within five (5) Business Days following delivery of any Conversion Notice the shares of Common Stock upon conversion of the Note or any interest accrued and unpaid, or (ii) make the payment of any fees and/or liquidated damages under this Note, the Purchase Agreement, or the other Transaction Documents; or

2.1.6 default by the Maker and/or any of its Subsidiaries shall be made in the performance or observance of any covenant, condition or agreement contained in this Note (other than as set forth elsewhere in this Section 2.1) or any other Transaction Document and such default is not fully cured within five (5) Business Days after the Maker receives notice from the Holder of the occurrence thereof; or

2.1.7 If (a) any material provision, in the reasonable opinion of the Holder, of any Transaction Document shall at any time for any reason cease to be valid, binding and enforceable against the Maker and/or any of its Subsidiaries; (b) the validity, binding effect or enforceability of any Transaction Document against any party other than the Holder shall be contested; or (c) any Transaction Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to Holder the benefits purported to be created thereby.

2.1.8 any material representation or warranty made by the Maker and/or any of its Subsidiaries herein, in any Other Note, in the Purchase Agreement and/or any in other Transaction Document shall prove to have been false or incorrect or breached in a material respect on the date as of which made; or

2.1.9 the Maker and/or any of its Subsidiaries shall (A) default in any payment of any amount or amounts of principal of or interest on any Indebtedness (other than the Indebtedness hereunder) the aggregate principal amount of which Indebtedness is in excess of $20,000 or (B) default in the observance or performance of any other agreement or condition relating to any Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders or beneficiary or beneficiaries of such Indebtedness to cause with the giving of notice and/or the passage of time, if required, such Indebtedness to become due prior to its stated maturity; or

2.1.10 the Maker or any of its Subsidiaries shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property or assets, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the United States Bankruptcy Code (as now or hereafter in effect) or under the comparable laws of any jurisdiction (foreign or domestic), (iv) file a petition seeking to take advantage of any bankruptcy, insolvency, moratorium, reorganization or other similar law affecting the enforcement of creditors' rights generally, (v) acquiesce in writing to any petition filed against it in an involuntary case under United States Bankruptcy Code (as now or hereafter in effect) or under the comparable laws of any jurisdiction (foreign or domestic), (vi) issue a notice of bankruptcy or winding down of its operations or issue a press release regarding same, or (vii) take any action under the laws of any jurisdiction (foreign or domestic) analogous to any of the foregoing; or

2.1.11 a proceeding or case shall be commenced in respect of the Maker or any of its Subsidiaries, without its application or consent, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, moratorium, dissolution, winding up, or composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets in connection with the liquidation or dissolution of the Maker or (iii) similar relief in respect of it under any law providing for the relief of debtors, and such proceeding or case described in clause (i), (ii) or (iii) shall continue undismissed, or unstayed and in effect, for a period of thirty (30) days or any order for relief shall be entered in an involuntary case under United States Bankruptcy Code (as now or hereafter in effect) or under the comparable laws of any jurisdiction (foreign or domestic) against the Maker or action under the laws of any jurisdiction (foreign or domestic) analogous to any of the foregoing shall be taken with respect to the Maker and shall continue undismissed, or unstayed and in effect for a period of thirty (30) days; or

2.1.12 the failure of the Maker to instruct its transfer agent to remove any legends from shares of Common Stock eligible to be sold under Rule 144 of the Securities Act and issue such unlegended certificates to the Holder within four (4) Business Days of the Holder's request so long as the Holder has provided reasonable assurances and representations to the Maker and its legal counsel that such shares of Common Stock can be sold pursuant to Rule 144; or

2.1.13 One or more judgments for the payment of money in an aggregate amount in excess of $100,000 shall be rendered against the Maker or any of its Subsidiaries and the same shall remain undischarged for a period of thirty (30) consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Maker or any of its Subsidiaries to enforce any such judgment; and/or

2.1.14 the occurrence of any Event of Default of the Maker and/or any of its Subsidiaries under the Purchase Agreement, any Other Note, and/or any other Transaction Document.

Section 2.2 Remedies Upon An Event of Default.

If an Event of Default shall have occurred and shall be continuing, the Holder of this Note may at any time at its option may: (a) either (i) declare the entire unpaid principal balance of this Note, together with all interest accrued hereon, due and payable, and thereupon, the same shall be accelerated and so due and payable, without presentment, demand, protest, or notice, all of which are hereby expressly unconditionally and irrevocably waived by the Maker, or (ii) demand that the principal amount of this Note then outstanding and all accrued and unpaid interest thereon shall be converted into shares of Common Stock at the Conversion Price or the Default Conversion Price per share on the Trading Day immediately preceding the date the Holder demands conversion hereunder; and (b) exercise or otherwise enforce any one or more of the Holder's rights, powers, privileges, remedies and interests under this Note, the Purchase Agreement, the other Transaction Documents or applicable law. No course of delay on the part of the Holder shall operate as a waiver thereof or otherwise prejudice the right of the Holder. No remedy conferred hereby shall be exclusive of any other remedy referred to herein or now or hereafter available at law, in equity, by statute or otherwise.

ARTICLE III - CONVERSION; ANTI-DILUTION; PREPAYMENT

Section 3.1 Conversion

3.1.1 Conversion Option. At any time and from time to time on or after the Issuance Date, this Note shall be convertible (in whole or in part), at the option of the Holder (the "Conversion Option"), into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing (x) that portion of the outstanding principal balance plus any accrued but unpaid interest under this Note as of such date that the Holder elects to convert by (y) the Conversion Price (as defined in Section 3.2 hereof) then in effect on the date on which the Holder e-mails, faxes or otherwise provides a notice of conversion (the "Conversion Notice"), duly executed, to the Maker (the "Conversion Date"), provided, however, that the Conversion Price shall be subject to adjustment as described in Section 3.5 below. The Holder shall deliver this Note to the Maker at the address designated in the Purchase Agreement at such time that this Note is fully converted. With respect to partial conversions of this Note, the Maker shall keep written records of the amount of this Note converted as of each Conversion Date.

Section 3.2 Conversion Price

The term "Conversion Price" shall mean $0.50, subject to adjustment under Section 3.5 hereof.

Section 3.3 Mechanics of Conversion

3.3.1 Not later than three (3) Trading Days after any Conversion Date, the Maker or its designated transfer agent, as applicable, shall issue and deliver to the Depository Trust Company ("DTC") account on the Holder's behalf via the Deposit Withdrawal Agent Commission System ("DWAC") as specified in the Conversion Notice, registered in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder shall be entitled. In the alternative, not later than three (3) Trading Days after any Conversion Date, the Maker shall deliver to the applicable Holder by express courier a certificate or certificates which shall be free of restrictive legends and trading restrictions representing the number of shares of Common Stock being acquired upon the conversion of this Note (the "Delivery Date"). Notwithstanding the foregoing to the contrary, the Maker or its transfer agent shall only be obligated to issue and deliver the shares to the DTC on the Holder's behalf via DWAC (or certificates free of restrictive legends) if such conversion is in connection with a sale and the Holder has complied with the applicable prospectus delivery requirements (as evidenced by documentation furnished to and reasonably satisfactory to the Maker) or the Holder may effect such sales pursuant to Rule 144 under the Securities Act. If in the case of any Conversion Notice such certificate or certificates are not delivered to or as directed by the applicable Holder by the Delivery Date, the Holder shall be entitled by written notice to the Maker at any time on or before its receipt of such certificate or certificates thereafter, to rescind such conversion, in which event the Maker shall immediately return this Note tendered for conversion, whereupon the Maker and the Holder shall each be restored to their respective positions immediately prior to the delivery of such notice of revocation, except that any amounts described in Sections 3.3.2 and 3.3.3 shall be payable through the date notice of rescission is given to the Maker.

3.3.2 The Maker understands that a delay in the delivery of the shares of Common Stock upon conversion of this Note beyond the Delivery Date could result in economic loss to the Holder. If the Maker fails to deliver to the Holder such shares via DWAC (or, if applicable, certificates) by the Delivery Date, the Maker shall pay to the Holder, in cash, an amount per Trading Day for each Trading Day until such shares are delivered via DWAC or certificates are delivered (if applicable), together with interest on such amount at a rate of 10% per annum, accruing until such amount and any accrued interest thereon is paid in full, equal to the greater of (A) (i) 5% of the amount of this Note requested to be converted for the first five (5) Trading Days after the Delivery Date and (ii) 10% of the amount of this Note requested to be converted for each Trading Day thereafter and (B) $2,000 per day (which amount shall be paid as liquidated damages and not as a penalty). Nothing herein shall limit the Holder's right to pursue actual damages for the Maker's failure to deliver certificates representing shares of Common Stock upon conversion within the period specified herein and the Holder shall have the right to pursue all remedies available to it at law or in equity (including, without limitation, a decree of specific performance and/or injunctive relief). Notwithstanding anything to the contrary contained herein, the Holder shall be entitled to withdraw a Conversion Notice, and upon such withdrawal the Maker shall only be obligated to pay the liquidated damages accrued in accordance with this Section 3.3.2 through the date the Conversion Notice is withdrawn.

3.3.3 In addition to any other rights available to the Holder, if the Maker fails to cause its transfer agent to transmit via DWAC or transmit to the Holder a certificate or certificates representing the shares of Common Stock issuable upon conversion of this Note on or before the Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of the shares of Common Stock issuable upon conversion of this Note which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Maker shall (1) pay in cash to the Holder the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of shares of Common Stock issuable upon conversion of this Note that the Maker was required to deliver to the Holder in connection with the conversion at issue times (B) the price at which the sell order giving rise to such purchase obligation was executed, and (2) at the option of the Holder, either reinstate the portion of the Note and equivalent number of shares of Common Stock for which such conversion was not honored or deliver to the Holder the number of shares of Common Stock that would have been issued had the Maker timely complied with its conversion and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (1) of the immediately preceding sentence the Maker shall be required to pay the Holder $1,000. The Holder shall provide the Maker written notice indicating the amounts payable to the Holder in respect of the Buy-In, together with applicable confirmations and other evidence reasonably requested by the Maker. Nothing herein shall limit the Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Maker's failure to timely deliver certificates representing shares of Common Stock upon conversion of this Note as required pursuant to the terms hereof.

Section 3.4 Ownership Cap and Certain Conversion Restrictions

3.4.1 Notwithstanding anything to the contrary set forth in this Note, at no time may the Holder convert all or a portion of this Note if the number of shares of Common Stock to be issued pursuant to such conversion would exceed, when aggregated with all other shares of Common Stock owned by the Holder at such time, the number of shares of Common Stock which would result in the Holder, together with its affiliates, beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act and the rules thereunder) more than 4.9% of all of the Common Stock outstanding at such time; provided, however, that upon the Holder providing the Maker with sixty-one (61) days' notice (the "Waiver Notice") that the Holder would like to waive this Section 3.4.1 with regard to any or all shares of Common Stock issuable upon conversion of this Note, this Section 3.4.1 will be of no force or effect with regard to all or a portion of the Note referenced in the Waiver Notice.

3.4.2 Notwithstanding anything to the contrary set forth in this Note, at no time may the Holder convert all or a portion of this Note if the number of shares of Common Stock to be issued pursuant to such conversion, when aggregated with all other shares of Common Stock owned by the Holder at such time, would result in the Holder, together with its affiliates, beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act and the rules thereunder) in excess of 9.9% of the then issued and outstanding shares of Common Stock outstanding at such time (the "9.9% Threshold"); provided, however, that upon the Holder providing the Maker with at least 61 days' notice pursuant to a Waiver Notice that the Holder would like to waive this Section 3.4.2 with regard to any or all shares of Common Stock issuable upon conversion of this Note, this Section 3.4.2 shall be of no force or effect with regard to all or a portion of the Note referenced in the Waiver Notice.

Section 3.5 Adjustment of Conversion Price

3.5.1 Adjustments. Until the Note has been paid in full or converted in full, the Conversion Price shall be subject to adjustment from time to time as follows (but shall not be increased, other than pursuant to Section 3.5.1.1 hereof):

3.5.1.1 Adjustments for Stock Splits and Combinations. If the Maker shall at any time or from time to time after the Issuance Date, effect a stock split of the outstanding Common Stock, the applicable Conversion Price in effect immediately prior to the stock split shall be proportionately decreased. If the Maker shall at any time or from time to time after the Issuance Date, combine the outstanding shares of Common Stock, the applicable Conversion Price in effect immediately prior to the combination shall be proportionately increased. Any adjustments under this Section 3.5.1.1 shall be effective at the close of business on the date the stock split or combination occurs.

3.5.1.2 Adjustments for Certain Dividends and Distributions. If the Maker shall at any time or from time to time after the Issuance Date, make or issue or set a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in shares of Common Stock, then, and in each event, the applicable Conversion Price in effect immediately prior to such event shall be decreased as of the time of such issuance or, in the event such record date shall have been fixed, as of the close of business on such record date, by multiplying, the applicable Conversion Price then in effect by a fraction: (x) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date; and (y) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

3.5.1.3 Adjustment for Other Dividends and Distributions. If the Maker shall at any time or from time to time after the Issuance Date, make or issue or set a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in other than shares of Common Stock, then, and in each event, an appropriate revision to the applicable Conversion Price shall be made and provision shall be made (by adjustments of the Conversion Price or otherwise) so that the holders of this Note shall receive upon conversions thereof, in addition to the number of shares of Common Stock receivable thereon, the number of securities of the Maker or other issuer (as applicable) which they would have received had this Note been converted into Common Stock on the date of such event and had thereafter, during the period from the date of such event to and including the Conversion Date, retained such securities (together with any distributions payable thereon during such period), giving application to all adjustments called for during such period under this Section 3.5.1.3 with respect to the rights of the Holder; provided, however, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions.

3.5.1.4 Adjustments for Reclassification, Exchange or Substitution. If the Common Stock issuable upon conversion of this Note at any time or from time to time after the Issuance Date shall be changed to the same or different number of shares of any class or classes of stock, whether by reclassification, exchange, substitution or otherwise (other than by way of a stock split or combination of shares or stock dividends provided for in Sections 3.5.1.1, 3.5.1.2 and 3.5.1.3, or a reorganization, merger, consolidation, or sale of assets provided for in Section 3.5.1.5), then, and in each event, an appropriate revision to the Conversion Price shall be made and provisions shall be made (by adjustments of the Conversion Price or otherwise) so that the Holder shall have the right thereafter to convert this Note into the kind and amount of shares of stock and other securities receivable upon reclassification, exchange, substitution or other change, by holders of the number of shares of Common Stock into which such Note might have been converted immediately prior to such reclassification, exchange, substitution or other change, all subject to further adjustment as provided herein.

3.5.1.5 Adjustments for Reorganization, Merger, Consolidation or Sales of Assets. If at any time or from time to time after the Issuance Date there shall be a capital reorganization of the Maker (other than by way of a stock split or combination of shares or stock dividends or distributions provided for in Sections 3.5.1.1, 3.5.1.2 and 3.5.1.3, or a reclassification, exchange or substitution of shares provided for in Section 3.5.1.4), or a merger or consolidation of the Maker with or into another corporation where the holders of outstanding voting securities prior to such merger or consolidation do not own over fifty percent (50%) of the outstanding voting securities of the merged or consolidated entity, immediately after such merger or consolidation, or the sale of all or substantially all of the Maker's properties or assets to any other person (an "Organic Change"), then as a part of such Organic Change, (A) if the surviving entity in any such Organic Change is a public company that is registered pursuant to the Securities Exchange Act of 1934, as amended, and its common stock is listed or quoted on a national exchange or the OTC Bulletin Board, an appropriate revision to the Conversion Price shall be made and provision shall be made (by adjustments of the Conversion Price or otherwise) so that the Holder shall have the right thereafter to convert such Note into the kind and amount of shares of stock and other securities or property of the Maker or any successor corporation resulting from Organic Change, and (B) if the surviving entity in any such Organic Change is not a public company that is registered pursuant to the Securities Exchange Act of 1934, as amended, or its common stock is not listed or quoted on a national exchange or the OTC Bulletin Board, the Holder shall have the right to demand prepayment pursuant to Section 3.6.1 hereof. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 3.5.1.5 with respect to the rights of the Holder after the Organic Change to the end that the provisions of this Section 3.5.1.5 (including any adjustment in the applicable Conversion Price then in effect and the number of shares of stock or other securities deliverable upon conversion of this Note) shall be applied after that event in as nearly an equivalent manner as may be practicable.

3.5.1.6 Adjustments for Issuance of Additional Shares of Common Stock. In the event that the Maker shall, at any time, or from time to time, issue or sell any additional shares of common stock (otherwise than as provided in the foregoing subsections 3.5.1.1 through 3.5.1.5 of this Section 3.5.1, or Permitted Issuances, or pursuant to Common Stock Equivalents (hereafter defined) granted or issued prior to the Issuance Date) ("Additional Shares of Common Stock"), at a price per share less than the Conversion Price then in effect or without consideration, then the Conversion Price upon each such issuance or sale shall be reduced to a price equal to the consideration per share paid for such Additional Shares of Common Stock.

3.5.1.7 Issuance of Common Stock Equivalents. The provisions of this Section 3.5.1.7 shall apply if (a) the Maker, at any time after the Issuance Date, shall issue any securities (other than Permitted Issuances) convertible into or exchangeable for, directly or indirectly, Common Stock ("Convertible Securities"), other than this Note, or (b) any rights or warrants or options to purchase any such Common Stock or Convertible Securities (collectively, the "Common Stock Equivalents") shall be issued or sold. If the price per share for which Additional Shares of Common Stock may be issuable pursuant to any such Common Stock Equivalent shall be less than the applicable Conversion Price then in effect, or if, after any such issuance of Common Stock Equivalents, the price per share for which Additional Shares of Common Stock may be issuable thereafter is amended or adjusted, and such price as so amended or adjusted shall be less than the applicable Conversion Price in effect at the time of such amendment or adjustment, then the applicable Conversion Price upon each such issuance or amendment shall be adjusted as provided in the first sentence of subsection 3.5.1.6.1.

3.5.1.8 Consideration for Stock. In case any shares of Common Stock or any Common Stock Equivalents shall be issued or sold:

3.5.1.8.1 in connection with any merger or consolidation in which the Maker is the surviving corporation (other than any consolidation or merger in which the previously outstanding shares of Common Stock of the Maker shall be changed to or exchanged for the stock or other securities of another corporation), the amount of consideration therefor shall be, deemed to be the fair value, as determined reasonably and in good faith by the Board of Directors of the Maker, of such portion of the assets and business of the non-surviving corporation as such Board may determine to be attributable to such shares of Common Stock, Convertible Securities, rights or warrants or options, as the case may be; or

3.5.1.8.2 in the event of any consolidation or merger of the Maker in which the Maker is not the surviving corporation or in which the previously outstanding shares of Common Stock of the Maker shall be changed into or exchanged for the stock or other securities of another corporation, or in the event of any sale of all or substantially all of the assets of the Maker for stock or other securities of any corporation, the Maker shall be deemed to have issued a number of shares of its Common Stock for stock or securities or other property of the other corporation computed on the basis of the actual exchange ratio on which the transaction was predicated, and for a consideration equal to the fair market value on the date of such transaction of all such stock or securities or other property of the other corporation. If any such calculation results in adjustment of the applicable Conversion Price, or the number of shares of Common Stock issuable upon conversion of the Note, the determination of the applicable Conversion Price or the number of shares of Common Stock issuable upon conversion of the Note immediately prior to such merger, consolidation or sale, shall be made after giving effect to such adjustment of the number of shares of Common Stock issuable upon conversion of the Note. In the event Common Stock is issued with other shares or securities or other assets of the Maker for consideration which covers both, the consideration computed as provided in this Section 3.5.1.8 shall be allocated among such securities and assets as determined in good faith by the Board of Directors of the Maker; or

3.5.1.8.3 for services or other non-cash consideration, the amount of consideration therefor shall be deemed to be the par value of the Common Stock.

3.5.2 Record Date. In case the Maker shall take record of the holders of its Common Stock for the purpose of entitling them to subscribe for or purchase Common Stock or Convertible Securities, then the date of the issue or sale of the shares of Common Stock shall be deemed to be such record date.

3.5.3 Certain Issues Excepted. Anything herein to the contrary notwithstanding, the Maker shall not be required to make any adjustment to the Conversion Price in connection with any of the transactions described in the definition of Permitted Issuance (as set forth in the Purchase Agreement).

3.5.4 No Impairment. The Maker shall not, by amendment of its Articles or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Maker, but will at all times in good faith, assist in the carrying out of all the provisions of this Section 3.5 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the Holder against impairment. In the event the Holder shall elect to convert all or any portion of this Note as provided herein, the Maker cannot refuse conversion based on any claim that the Holder or anyone associated or affiliated with the Holder has been engaged in any violation of law, violation of an agreement to which the Holder is a party or for any reason whatsoever, unless, an injunction from a court, or notice, restraining and or adjoining conversion of all or any portion of this Note shall have issued and the Maker posts a surety bond for the benefit of the Holder in an amount equal to one hundred thirty percent (130%) of the amount of the Note that the Holder has elected to convert, which bond shall remain in effect until the completion of arbitration/litigation of the dispute and the proceeds of which shall be payable to the Holder (as liquidated damages) in the event it obtains judgment.

3.5.5 Certificates as to Adjustments. Upon occurrence of each adjustment or readjustment of the Conversion Price or number of shares of Common Stock issuable upon conversion of this Note pursuant to this Section 3.5, the Maker at its expense shall promptly and, in no event more than 10 days following such adjustment, compute such adjustment or readjustment in accordance with the terms hereof and furnish to the Holder a certificate setting forth such adjustment and readjustment, showing in detail the facts upon which such adjustment or readjustment is based. The Maker shall, upon written request of the Holder, at any time, furnish or cause to be furnished to the Holder a like certificate setting forth such adjustments and readjustments, the applicable Conversion Price in effect at the time, and the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon the conversion of this Note. Notwithstanding the foregoing, the Maker shall not be obligated to deliver a certificate unless such certificate would reflect an increase or decrease of at least one percent (1%) of such adjusted amount.

3.5.6 Issue Taxes. The Maker shall pay any and all issue and other taxes, excluding federal, state or local income taxes, that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of this Note pursuant thereto; provided, however, that the Maker shall not be obligated to pay any transfer taxes resulting from any transfer requested by the Holder in connection with any such conversion.

3.5.7 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of this Note. In lieu of any fractional shares to which the Holder would otherwise be entitled, the Maker shall pay cash equal to the product of such fraction multiplied by the average of the Closing Bid Prices of the Common Stock for the five (5) consecutive Trading Days immediately preceding the Conversion Date.

3.5.8 Reservation of Common Stock. The Maker shall at all times when this Note shall be outstanding, reserve and keep available out of its authorized but unissued Common Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of this Note in full and all interest accrued thereon; provided, that, the number of shares of Common Stock so reserved shall at no time be less than one hundred ten percent (110%) of the number of shares of Common Stock for which this Note and all interest accrued thereon are at any time convertible. The Maker shall, from time to time in accordance with the laws of its jurisdiction of formation, increase the authorized number of shares of Common Stock if at any time the unissued number of authorized shares shall not be sufficient to satisfy the Maker's obligations under this Section 3.5.8.

3.5.9 Regulatory Compliance. If any shares of Common Stock to be reserved for the purpose of conversion of this Note or any interest accrued thereon require registration or listing with or approval of any governmental authority, stock exchange or other regulatory body under any federal or state law or regulation or otherwise before such shares may be validly issued or delivered upon conversion, the Maker shall, at its sole cost and expense, in good faith and as expeditiously as possible, endeavor to secure such registration, listing or approval, as the case may be.

Section 3.6 Prepayment

3.6.1 Prepayment Option Upon Major Transaction. In addition to all other rights of the Holder contained herein, simultaneous with the consummation of a Major Transaction (as defined below), the Holder shall have the right, at the Holder's option, to require the Maker to prepay all or a portion of this Note in cash at a price equal to the sum of (i) the greater of (A) one hundred percent (100%) of the aggregate principal amount of this Note plus one hundred percent (100%) of all accrued and unpaid interest, fees and other amounts and (B) in the event at such time the Holder is unable to obtain the benefit of its conversion rights through the conversion of this Note and resale of the shares of Common Stock issuable upon conversion hereof in accordance with the terms of this Note and the other Transaction Documents or the Equity Conditions are not satisfied with respect to all shares of common stock issuable upon conversion of this Note, the aggregate principal amount of this Note plus all accrued but unpaid interest hereon, divided by the Conversion Price on (x) the date the Prepayment Price (as defined below) is demanded or otherwise due or (y) the date the Major Transaction Prepayment Price is paid in full, whichever is less, multiplied by the VWAP on (x) the date the Major Transaction Prepayment Price is demanded or otherwise due, and (y) the date the Major Transaction Prepayment Price is paid in full, whichever is greater, and (ii) all other amounts, costs, expenses and liquidated damages due in respect of this Note and the other Transaction Documents (the "Major Transaction Prepayment Price").

3.6.2 Prepayment Option Upon Triggering Event. In addition to all other rights of the Holder contained herein, after a Triggering Event (as defined below), the Holder shall have the right, at the Holder's option, to require the Maker to prepay all or a portion of this Note in cash at a price equal to the sum of (i) the greater of (A) one hundred percent (100%) of the aggregate principal amount of this Note plus one hundred percent (100%) of all accrued and unpaid interest, fees and other amounts and (B) the aggregate principal amount of this Note plus all accrued but unpaid interest hereon, divided by the Conversion Price on (x) the date the Prepayment Price (as defined below) is demanded or otherwise due or (y) the date the Prepayment Price is paid in full, whichever is less, multiplied by the VWAP on (x) the date the Prepayment Price is demanded or otherwise due, and (y) the date the Prepayment Price is paid in full, whichever is greater, and (ii) all other amounts, costs, expenses and liquidated damages due in respect of this Note and the other Transaction Documents (the "Triggering Event Prepayment Price," and, collectively with the Major Transaction Prepayment Price, the "Prepayment Price").

3.6.3 Major Transaction. A "Major Transaction" shall be deemed to have occurred at such time as any of the following events:

3.6.3.1 the consolidation, merger or other business combination of the Maker with or into another Person (other than (A) pursuant to a migratory merger effected solely for the purpose of changing the jurisdiction of incorporation of the Maker or (B) a consolidation, merger or other business combination in which holders of the Maker's voting power immediately prior to the transaction continue after the transaction to hold, directly or indirectly, the voting power of the surviving entity or entities necessary to elect a majority of the members of the board of directors (or their equivalent if other than a corporation) of such entity or entities).

3.6.3.2 the sale or transfer of more than fifty percent (50%) of the Maker's assets (based on the fair market value as determined in good faith by the Maker's Board of Directors) other than inventory in the ordinary course of business in one or a related series of transactions; or

3.6.3.3 closing of a purchase, tender or exchange offer made to the holders of more than fifty percent (50%) of the outstanding shares of Common Stock in which more than fifty percent (50%) of the outstanding shares of Common Stock were tendered and accepted.

3.6.4 Triggering Event. A "Triggering Event" shall be deemed to have occurred at such time as any of the following events:

3.6.4.1 the suspension from listing, without subsequent listing on any one of, or the failure of the Common Stock to be listed on at least one of the OTC Bulletin Board, the OTCQB, the OTCQX, the American Stock Exchange, the Nasdaq National Market, the Nasdaq Capital Market or The New York Stock Exchange, Inc., for a period of three (3) or more consecutive Trading Days;

3.6.4.2 the Maker's notice to the Holder, including by way of public announcement, at any time, of its inability to comply (including without limitation for any of the reasons described in Section 3.7) or its intention not to comply with proper requests for conversion of this Note into shares of Common Stock; or

3.6.4.3 the Maker's failure to comply with a Conversion Notice tendered in accordance with the provisions of this Note within five (5) Business Days after the receipt by the Maker of the Conversion Notice; or

3.6.4.4 the Maker deregisters its shares of Common Stock and as a result such shares of Common Stock are no longer publicly traded; or

3.6.4.5 the Maker consummates a "going private" transaction and as a result the Common Stock is no longer registered under Sections 12(b) or 12(g) of the Exchange Act; or

3.6.4.6 the Maker shall fail to comply with Section 5.12.4 of this Note.

3.6.5 Mechanics of Prepayment at Option of Holder Upon Major Transaction. No sooner than fifteen (15) days nor later than ten (10) days prior to the consummation of a Major Transaction, but not prior to the public announcement of such Major Transaction, the Maker shall deliver written notice thereof via facsimile and overnight courier ("Notice of Major Transaction") to the Holder of this Note. At any time after receipt of a Notice of Major Transaction (or, in the event a Notice of Major Transaction is not delivered at least ten (10) days prior to a Major Transaction, at any time within ten (10) days prior to a Major Transaction), the Holder may require the Maker to prepay this Note, effective immediately prior to or contemporaneous with the consummation of such Major Transaction, by delivering written notice thereof via email and overnight courier ("Notice of Prepayment at Option of Holder Upon Major Transaction") to the Maker, which Notice of Prepayment at Option of Holder Upon Major Transaction shall indicate (i) the principal amount of this Note that the Holder is electing to have prepaid and (ii) the applicable Major Transaction Prepayment Price, as calculated pursuant to Section 3.6.1 above.

3.6.6 Mechanics of Prepayment at Option of Holder Upon Triggering Event. Within five (5) Business Day after the occurrence of a Triggering Event, the Maker shall deliver written notice thereof via facsimile and overnight courier ("Notice of Triggering Event") to the Holder. At any time after the earlier of the Holder's receipt of a Notice of Triggering Event and the Holder becomes aware of a Triggering Event, the Holder may require the Maker to prepay this Note by delivering written notice thereof via facsimile and overnight courier ("Notice of Prepayment at Option of Holder Upon Triggering Event") to the Maker, which Notice of Prepayment at Option of Holder Upon Triggering Event shall indicate (i) the amount of the Note that the Holder is electing to have prepaid and (ii) the applicable Triggering Event Prepayment Price, as calculated pursuant to Section 3.6.2 above. The Holder shall only be permitted to require the Maker to prepay this Note pursuant to Section 3.6 hereof for the greater of a period of thirty (30) days after receipt by the Holder of a Notice of Triggering Event or for so long as such Triggering Event is continuing.

3.6.7 Payment of Prepayment Price. Upon the Maker's receipt of a Notice(s) of Prepayment at Option of Holder Upon Triggering Event or a Notice(s) of Prepayment at Option of Holder Upon Major Transaction from the Holder, the Maker shall immediately notify the Holder of the Maker's receipt of such Notice(s) of Prepayment at Option of Holder Upon Triggering Event or Notice(s) of Prepayment at Option of Holder Upon Major Transaction and the Holder that has sent such a notice shall promptly submit to the Maker the Holder's certificates representing the Note which the Holder has elected to have prepaid. The Maker shall deliver the applicable Triggering Event Prepayment Price, in the case of a prepayment pursuant to Section 3.6.6, to the Holder within five (5) Business Days after the Maker's receipt of a Notice of Prepayment at Option of Holder Upon Triggering Event and, in the case of a prepayment pursuant to Section 3.6.5, the Maker shall deliver the applicable Major Transaction Prepayment Price immediately prior to or contemporaneous with the consummation of the Major Transaction; provided, that the Holder's original Note shall have been so delivered to the Maker. If the Maker shall fail to prepay this Note, in addition to any remedy the Holder may have under this Note, the Purchase Agreement and the Transaction Documents, the applicable Prepayment Price payable in respect of this Note shall bear interest at the lesser of (i) the Maximum Rate and (ii) two percent (2%) per month (prorated for partial months) until paid in full. Until the Maker pays such unpaid applicable Prepayment Price in full to the Holder, the Holder shall have the option (the "Void Optional Prepayment Option") to, in lieu of prepayment, require the Maker to promptly return this Note to the Holder under this Section 3.6 and for which the applicable Prepayment Price has not been paid, by sending written notice thereof to the Maker via facsimile (the "Void Optional Prepayment Notice"). Upon the Maker's receipt of such Void Optional Prepayment Notice(s) and prior to payment of the full applicable Prepayment Price to the Holder, (i) the Notice(s) of Prepayment at Option of Holder Upon Triggering Event or the Notice(s) of Prepayment at Option of Holder Upon Major Transaction, as the case may be, shall be null and void with respect to this Note and for which the applicable Prepayment Price has not been paid, (ii) the Maker shall immediately return the Note submitted to the Maker by the Holder for prepayment under this Section 3.6.7 and for which the applicable Prepayment Price has not been paid and (iii) the Conversion Price of such returned Note(s) shall be adjusted to the lesser of (A) the Conversion Price as in effect on the date on which the Void Optional Prepayment Notice(s) is delivered to the Maker and (B) the lowest Closing Bid Price during the period beginning on the date on which the Notice(s) of Prepayment of Option of Holder Upon Major Transaction or the Notice(s) of Prepayment at Option of Holder Upon Triggering Event, as the case may be, is delivered to the Maker and ending on the date on which the Void Optional Prepayment Notice(s) is delivered to the Maker; provided, that, no adjustment shall be made if such adjustment would result in an increase of the Conversion Price then in effect. The Holder's delivery of a Void Optional Prepayment Notice and exercise of its rights following such notice shall not affect the Maker's obligations to make any payments which have accrued prior to the date of such notice. Payments provided for in this Section 3.6 shall have priority to payments to other stockholders in connection with a Major Transaction.

Section 3.7 Inability to Fully Convert

3.7.1 Holder's Option if Maker Cannot Fully Convert. If, upon the Maker's receipt of a Conversion Notice, the Maker cannot or does not issue shares of Common Stock issuable upon conversion of this Note for any reason, including, without limitation, because the Maker (i) does not have a sufficient number of shares of Common Stock authorized and available, or (ii) is otherwise prohibited by applicable law or by the rules or regulations of any stock exchange, interdealer quotation system or other self-regulatory organization with jurisdiction over the Maker or any of its securities from issuing all of the Common Stock which is to be issued to the Holder pursuant to a Conversion Notice, then the Maker shall issue as many shares of Common Stock as it is able to issue in accordance with the Holder's Conversion Notice and, with respect to the unconverted portion of this Note, the Holder, solely at Holder's option and in addition to the Holder's other rights and remedies hereunder, may elect to either:

3.7.1.1 require the Maker to prepay that portion of this Note for which the Maker is unable to issue Common Stock in accordance with the Holder's Conversion Notice (the "Mandatory Prepayment") at a price per share equal to the Triggering Event Prepayment Price as of such Conversion Date (the "Mandatory Prepayment Price");

3.7.1.2 void its Conversion Notice and retain or have returned, as the case may be, this Note that was to be converted pursuant to the Conversion Notice (provided that the Holder's voiding its Conversion Notice shall not affect the Maker's obligations to make any payments which have accrued prior to the date of such notice); or

3.7.1.3 exercise its Buy-In rights pursuant to and in accordance with the terms and provisions of Section 3.3.3 of this Note.

3.7.2 Mechanics of Fulfilling Holder's Election. The Maker shall immediately send via email to the Holder, upon receipt of a copy of a Conversion Notice from the Holder which cannot be fully satisfied as described in Section 3.7.1 above, a notice of the Maker's inability to fully satisfy the Conversion Notice (the "Inability to Fully Convert Notice"). Such Inability to Fully Convert Notice shall indicate (i) the reason why the Maker is unable to fully satisfy the Holder's Conversion Notice, (ii) the amount of this Note which cannot be converted and (iii) the applicable Mandatory Prepayment Price. The Holder shall notify the Maker of its election pursuant to Section 3.7.1 above by delivering written notice via facsimile to the Maker ("Notice in Response to Inability to Convert").

3.7.3 Payment of Prepayment Price. If the Holder shall elect to have this Note prepaid pursuant to Section 3.7.1.1 above, the Maker shall pay the Mandatory Prepayment Price to the Holder within ten (10) days of the Maker's receipt of the Holder's Notice in Response to Inability to Convert, provided that prior to the Maker's receipt of the Holder's Notice in Response to Inability to Convert the Maker has not delivered a notice to the Holder stating, to the satisfaction of the Holder, that the event or condition resulting in the Mandatory Prepayment has been cured and all Conversion Shares issuable to the Holder can and will be delivered to the Holder in accordance with the terms of this Note. If the Maker shall fail to pay the applicable Mandatory Prepayment Price to the Holder on the date that is one (1) Business Day following the Maker's receipt of the Holder's Notice in Response to Inability to Convert (other than pursuant to a dispute as to the determination of the arithmetic calculation of the Prepayment Price), in addition to any remedy the Holder may have under this Note, the Purchase Agreement and the Transaction Documents, such unpaid amount shall bear interest at the lesser of (i) the Maximum Rate and (ii) two percent (2%) per month (prorated for partial months) until paid in full. Until the full Mandatory Prepayment Price is paid in full to the Holder, the Holder may (i) void the Mandatory Prepayment with respect to that portion of the Note for which the full Mandatory Prepayment Price has not been paid, (ii) receive back such Note, and (iii) require that the Conversion Price of such returned Note be adjusted to the lesser of (A) the Conversion Price as in effect on the date on which the Holder voided the Mandatory Prepayment and (B) the lowest Closing Bid Price during the period beginning on the Conversion Date and ending on the date the Holder voided the Mandatory Prepayment.

Section 3.8 No Rights as Shareholder

Nothing contained in this Note shall be construed as conferring upon the Holder, prior to the conversion of this Note, the right to vote or to receive dividends or to consent or to receive notice as a shareholder in respect of any meeting of shareholders for the election of directors of the Maker or of any other matter, or any other rights as a shareholder of the Maker.

ARTICLE IV - COVENANTS

For so long as this Note is outstanding:

Section 4.1 No Liens

The Maker shall not, and shall not permit the Maker's wholly-owned domestic subsidiaries ("Subsidiaries") to, enter into, create, incur, assume or suffer to exist any liens, security interests, charges, claims or other encumbrances of any kind (collectively, "Liens") on or with respect to any of its of their assets now owned or hereafter acquired or any interest therein or any income or profits therefrom other than (i) "Permitted Liens" as defined in the Purchase Agreement, with respect to the Maker, and (ii) "Permitted Liens" as defined in the Negative Covenant Agreement, with respect to the Subsidiaries.

Section 4.2 No Indebtedness

The Maker shall not, and shall not permit any of its Subsidiaries to, enter into, create, incur, assume or suffer to exist any Indebtedness, other than (i) "Permitted Indebtedness" as defined in the Purchase Agreement, with respect to the Maker, and (ii) "Permitted Indebtedness" as defined in the Negative Covenant Agreement, with respect to the Subsidiaries.

Section 4.3 Compliance with Transaction Documents

The Maker shall, and shall cause its Subsidiaries to, comply with its obligations under this Note and the other Transaction Documents.

Section 4.4 Compliance with Law

The Maker shall, and shall cause each of its Subsidiaries to, comply with law and duly observe and conform in all material respects to all valid requirements of governmental authorities relating to the conduct of its business or to its properties or assets.

Section 4.5 Transactions with Affiliates

The Maker shall not, and shall not permit any of its Subsidiaries to, engage in any transactions with any officer, director, employee or any Affiliate of the Maker, including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Maker, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in excess of $50,000 in the aggregate, other than for the following in an amount not to exceed $50,000 in the aggregate: (i) payment of reasonable salary for services actually rendered, as approved by the Board of Directors of the Maker as fair in all respects to the Maker, and (ii) reimbursement for expenses incurred on behalf of the Maker.

Section 4.6 No Dividends

The Maker shall not, and shall not permit any of its Subsidiaries to, (i) declare or pay any dividends or make any distributions to any holder(s) of Common Stock or other equity security of the Maker or such Subsidiaries (other than dividends and distributions from a Subsidiary to the Maker), (ii) purchase or otherwise acquire for value, directly or indirectly, any shares or other equity security of the Maker, (iii) form or create any subsidiary become a partner in any partnership or joint venture, or make any acquisition of any interest in any Person or acquire substantially all of the assets of any Person, or (iv) transfer, assign, pledge, issue or otherwise permit any equity or other ownership interests in the Subsidiaries to be beneficially owned or held by any person other than the Maker.

Section 4.7 No Merger or Sale of Assets

Without the consent of Holder, the Maker shall not, and shall not permit any Domestic Subsidiary to, (i) merge or consolidate or sell or dispose of all its assets or any substantial portion thereof, or (ii) in any way or manner alter its organizational structure or effect a change of entity, unless, as a condition of any such transaction:

4.7.1 With respect to any merger or consolidation involving the Maker: (i) no Event of Default shall have occurred; (ii) the Maker shall be the surviving entity in any such transaction; (iii) both before and after giving effect to such transaction, the Maker and the Domestic Subsidiaries will be in compliance with its and their obligations under the Transaction Documents (including without limitation its and their obligation not to incur or permit to exist Indebtedness); and (iv) if the holders of the Common Stock of the Maker before such transaction, on a fully diluted basis, would hold fewer than fifty percent (50%) of the number of shares of Common Stock of the Maker, on a fully diluted basis, after the consummation of such transaction, then this Note and all Other Notes shall be paid in full in cash at the closing of such transaction unless the Holder otherwise waives such requirement; and

4.7.2 With respect to any merger or consolidation involving any Domestic Subsidiary: (i) no Event of Default shall have occurred; (ii) such Domestic Subsidiary shall be the surviving entity in any such transaction; and (iii) both before and after giving effect to such transaction, such Domestic Subsidiary and the Maker will be in compliance with its and their obligations under the Transaction Documents (including without limitation the obligations of the California Subsidiary under the IP Security Agreement, and the obligations of the Domestic Subsidiaries under the Negative Covenant Agreement).

Section 4.8 Payment of Taxes, Etc.

The Maker shall, and shall cause each of its Subsidiaries to, promptly pay and discharge, or cause to be paid and discharged, when due and payable, all lawful taxes, assessments and governmental charges or levies imposed upon the income, profits, property or business of the Maker and the Subsidiaries, except for such failures to pay that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect; provided, however, that any such tax, assessment, charge or levy need not be paid if the validity thereof shall currently be contested in good faith by appropriate proceedings and if the Maker or such Subsidiaries shall have set aside on its books adequate reserves with respect thereto, and provided, further, that the Maker and such Subsidiaries will pay all such taxes, assessments, charges or levies forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor.

Section 4.9 Corporate Existence

The Maker shall, and shall cause each of its Subsidiaries to, maintain in full force and effect its corporate existence, rights and franchises and all licenses and other rights to use property owned or possessed by it and reasonably deemed to be necessary to the conduct of its business.

Section 4.10 Investment Company Act

The Maker shall conduct its businesses in a manner so that it will not become subject to the Investment Company Act of 1940, as amended.

Section 4.11 Maintenance of Assets

The Maker shall, and shall cause its Subsidiaries to, keep its properties in good repair, working order and condition, reasonable wear and tear excepted, and from time to time make all necessary and proper repairs, renewals, replacements, additions and improvements thereto.

Section 4.12 Restriction on Dividends

The Maker shall not, and shall not permit any Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to pay dividends or distributions to the Maker, pay any indebtedness owed to the Maker or transfer any properties or assets to the Maker.

Section 4.13 No Investments

The Maker shall not, and shall not permit any Subsidiary to, make or suffer to exist any Investments.

Section 4.14 No Lien on IP

The Maker shall not, and the Maker shall not permit any of its subsidiaries to, directly or indirectly, to encumber or allow any Liens on, any of its copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business of the Maker and its Subsidiaries connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, and any claims for damage by way of any past, present, or future infringement of any of the foregoing, other than Liens in favor of the Holder.

Section 4.15 DTC Status

The Maker shall cause its Common Stock to be eligible for delivery to the Holder via DWAC.

Section 4.16 Legal Opinions

The Maker shall provide, at the Maker's expense, such legal opinions in the future as are appropriate and necessary for the issuance and resale of the Common Stock issuable upon conversion of this Note pursuant to an effective registration statement, Rule 144 under the Securities Act or an exemption from registration. In the event that such shares of Common Stock issuable upon conversion of this Note are sold in a manner that complies with an exemption from registration, the Maker shall promptly cause its counsel (at the Maker's expense) to issue to the Holder and the Maker's transfer agent an opinion permitting removal of the legend to permit sales of the shares of Common Stock issuable upon conversion of this Note under Rule 144 of the Securities Act.

Section 4.17 Registration; Common Stock

The Maker shall cause its Common Stock to continue to be registered under Section 12(b) of the Exchange Act and to comply in all respects with its reporting and filing obligations under the Exchange Act. The Maker shall not take any action or file any document (whether or not permitted by the Securities Act or the rules promulgated thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under the Exchange Act or Securities Act. The Maker further covenants that it will take such further action as the Holder may reasonably request, all to the extent required from time to time to enable the Holder to sell the shares of Common Stock issuable upon conversion of this Note without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act. The Maker shall timely file all reports required to be filed with the SEC pursuant to the Exchange Act, and the Maker shall not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would permit such termination.

Section 4.18 No New Subsidiaries

The Maker shall not, and shall not permit any subsidiary of the Maker to, acquire or create any subsidiary.

ARTICLE V - MISCELLANEOUS

Section 5.1 Notices

Any notice, demand, request, waiver or other communication required or permitted to be given hereunder shall be in writing and shall be effective (a) upon hand delivery, telecopy or facsimile at the address or number first set forth above (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The Maker will give written notice to the Holder at least ten (10) days prior to the date on which the Maker takes a record (x) with respect to any dividend or distribution upon the Common Stock, (y) with respect to any pro rata subscription offer to holders of Common Stock or (z) for determining rights to vote with respect to any Organic Change, dissolution, liquidation or winding-up and in no event shall such notice be provided to the Holder prior to such information being made known to the public. The Maker will also give written notice to the Holder at least ten (10) days prior to the date on which any Organic Change, dissolution, liquidation or winding-up will take place and in no event shall such notice be provided to the Holder prior to such information being made known to the public.

Section 5.2 Governing Law

This Note shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to any of the conflicts of law principles which would result in the application of the substantive law of another jurisdiction. This Note shall not be interpreted or construed with any presumption against the party causing this Note to be drafted.

Section 5.3 Headings

Article and section headings in this Note are included herein for purposes of convenience of reference only and shall not constitute a part of this Note for any other purpose.

Section 5.4 Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief.

The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note, at law or in equity (including, without limitation, a decree of specific performance and/or other injunctive relief), no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein shall limit a holder's right to pursue actual damages for any failure by the Maker to comply with the terms of this Note. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the holder thereof and shall not, except as expressly provided herein, be subject to any other obligation of the Maker (or the performance thereof). The Maker acknowledges that a breach by it of its obligations hereunder will cause irreparable and material harm to the Holder and that the remedy at law for any such breach may be inadequate. Therefore the Maker agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available rights and remedies, at law or in equity, to seek and obtain such equitable relief, including but not limited to an injunction restraining any such breach or threatened breach, without the necessity of showing economic loss and without any bond or other security being required.

Section 5.5 Enforcement Expenses

The Maker agrees to pay all costs and expenses of enforcement of this Note, including, without limitation, attorneys' fees and expenses.

Section 5.6 Binding Effect

The obligations of the Maker and the Holder set forth herein shall be binding upon the successors and assigns of each such party, whether or not such successors or assigns are permitted by the terms hereof.

Section 5.7 Amendments

This Note may not be modified or amended in any manner except in writing executed by the Maker and the Holder.

Section 5.8 Compliance with Securities Laws

The Holder of this Note acknowledges that this Note is being acquired solely for the Holder's own account and not as a nominee for any other party, and for investment, and that the Holder shall not offer, sell or otherwise dispose of this Note except in compliance with applicable securities laws. This Note and any Note issued in substitution or replacement therefor shall be stamped or imprinted with a legend in substantially the following form:

> "THIS NOTE AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR RECEIPT BY THE MAKER OF AN OPINION OF COUNSEL IN THE FORM, SUBSTANCE AND SCOPE REASONABLY SATISFACTORY TO THE MAKER THAT THIS NOTE AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION HEREOF HAVE MAY BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE DISPOSED OF, UNDER AN EXEMPTION FROM REGISTRATION UNDER THE ACT AND SUCH STATE SECURITIES LAWS."

Section 5.9 Consent to Jurisdiction

Each of the Maker and the Holder (i) hereby irrevocably submits to the exclusive jurisdiction of the United States District Court sitting in the Southern District of New York and the courts of the State of New York located in New York county for the purposes of any suit, action or proceeding arising out of or relating to this Note and (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Each of the Maker and the Holder consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under the Purchase Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this Section 5.9 shall affect or limit any right to serve process in any other manner permitted by law. Each of the Maker and the Holder hereby agree that the prevailing party in any suit, action or proceeding arising out of or relating to this Note shall be entitled to reimbursement for reasonable legal fees from the non-prevailing party. The Maker acknowledges that this Note constitutes an instrument for the payment of money only, and consents and agrees that the Holder, at the Holder's sole option, in the event of a dispute by the Maker in the payment of any moneys due hereunder, shall have the right to bring motion-action under New York CPLR Section 3213.

Section 5.10 Parties in Interest

This Note shall be binding upon, inure to the benefit of and be enforceable by the Maker, the Holder and their respective successors and permitted assigns.

Section 5.11 Failure or Indulgence Not Waiver

No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

Section 5.12 Maker Waivers; Dispute Resolution

5.12.1 Except as otherwise specifically provided herein, the Maker and all others that may become liable for all or any part of the obligations evidenced by this Note, hereby waive presentment, demand, notice of nonpayment, protest and all other demands' and notices in connection with the delivery, acceptance, performance and enforcement of this Note, and do hereby consent to any number of renewals of extensions of the time or payment hereof and agree that any such renewals or extensions may be made without notice to any such persons and without affecting their liability herein and do further consent to the release of any person liable hereon, all without affecting the liability of the other persons, firms or Maker liable for the payment of this Note, AND DO HEREBY WAIVE TRIAL BY JURY.

5.12.2 No delay or omission on the part of the Holder in exercising its rights under this Note, or course of conduct relating hereto, shall operate as a waiver of such rights or any other right of the Holder, nor shall any waiver by the Holder of any such right or rights on any one occasion be deemed a waiver of the same right or rights on any future occasion.

5.12.3 THE MAKER ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS NOTE IS A PART IS A COMMERCIAL TRANSACTION, AND TO THE EXTENT ALLOWED BY APPLICABLE LAW, HEREBY WAIVES ITS RIGHT TO NOTICE AND HEARING WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE HOLDER OR ITS SUCCESSORS OR ASSIGNS MAY DESIRE TO USE.

5.12.4 In the case of a dispute as to the determination of the Closing Bid Price or the VWAP or the arithmetic calculation of the Conversion Price, any adjustment to the Conversion Price, liquidated damages amount, interest or dividend calculation, or any redemption price, redemption amount, adjusted Conversion Price, or similar calculation, or as to whether a subsequent issuance of securities is prohibited hereunder or would lead to an adjustment to the Conversion Price, the Maker shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) Business Days of receipt, or deemed receipt, of the Conversion Notice, any redemption notice, default notice or other event giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Maker are unable to agree upon such determination or calculation within two (2) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then, at the Holder's election the Maker shall, within two (2) Business Days submit via facsimile (a) the disputed determination of the Closing Price or the VWAP to an independent, reputable investment bank selected by the Maker and approved by the Holder, which approval shall not be unreasonably withheld, (b) the disputed arithmetic calculation of the Conversion Price, adjusted Conversion Price or any redemption price, redemption amount or default amount to the Maker's independent, outside accountant or (c) the disputed facts regarding whether a subsequent issuance of securities is prohibited hereunder or would lead to an adjustment to the Conversion Price (or any of the other above described facts not expressly designated to the investment bank or accountant), to an attorney from a nationally recognized outside law firm (having at least 100 attorneys and having with no prior relationship with the Maker) selected by the Maker and approved by the Holder). The Maker, at the Maker's expense, shall cause the investment bank, the accountant, the law firm, or other expert, as the case may be, to perform the determinations or calculations and notify the Maker and the Holder of the results no later than five (5) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's, accountant's or attorney's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

Section 5.13 Definitions

Capitalized terms used herein and not defined shall have the meanings set forth in the Purchase Agreement. For the purposes hereof, the following terms shall have the following meanings:

"Business Day" (whether or not capitalized) means any day banking transactions can be conducted in New York City, New York, USA, and does not include any day which is a federal or state holiday in such location.

"Closing Bid Price" shall mean, on any particular date (i) the last trading price per share of the Common Stock on such date on the OTC Bulletin Board or a national securities exchange on which the Common Stock is then listed, or if there is no such price on such date, then the last trading price on such exchange or quotation system on the date nearest preceding such date, or (ii) if the Common Stock is not listed then on the OTC Bulletin Board or any registered national stock exchange, the last trading price for a share of Common Stock in the over the counter market, as reported by the OTC Bulletin Board, the OTCQB, the OTCQX or in the National Quotation Bureau Incorporated or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date, or (iii) if the Common Stock is not then reported by the OTC Bulletin Board or the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), then the average of the "Pink Sheet" quotes for the relevant conversion period, as determined in good faith by the Holder, or (iv) if the Common Stock is not then publicly traded the fair market value of a share of Common Stock as determined by the Holder and reasonably acceptable to the Maker.

"Equity Conditions" shall mean, during the period in question, (i) the Maker shall have duly honored all conversions and redemptions scheduled to occur or occurring by virtue of one or more Conversion Notices of the Holder, if any, (ii) all liquidated damages and other amounts owing to the Holder in respect of this Note shall have been paid; (iii) (A) there is an effective Registration Statement pursuant to which the Holder is permitted to utilize the prospectus thereunder to resell all of the shares issuable pursuant to the Transaction Documents, whether by conversion or exercise, forced conversion, in lieu of cash interest or otherwise (and the Maker believes, in good faith, that such effectiveness will continue uninterrupted for the foreseeable future), or (B) all of the shares of Common Stock issuable upon conversion of this Note may immediately be sold pursuant to Rule 144 of the Securities Act without volume or manner of sale limitations, (iv) the Common Stock is trading on the Trading Market and all of the shares issuable pursuant to the Transaction Documents are listed for trading on a Trading Market (and the Maker believes, in good faith, that trading of the Common Stock on a Trading Market will continue uninterrupted for the foreseeable future), (v) there is a sufficient number of authorized but unissued and otherwise unreserved shares of Common Stock for the issuance of all of the shares issuable pursuant to the Transaction Documents, (vi) there is then existing no Event of Default or event or omission which, with the passage of time or the giving of notice, would constitute an Event of Default, (vii) the issuance of the shares in question to the Holder would not violate the applicable limitations set forth in Section 3.4 hereof, (viii) no public announcement of a pending or proposed Major Transaction or Triggering Event has occurred, and (ix) the average daily trading dollar volume of the Common Stock for each Trading Day throughout such period exceeds $50,000.

"Indebtedness" shall have the meaning given to such term in the Purchase Agreement.

"Investment" means, with respect to any Person, all investments in any other Person, whether by way of extension of credit, loan, advance, purchase of stock or other ownership interest, bonds, notes, debentures or other securities, or otherwise, and whether existing on the date of this Agreement or thereafter made, but such term shall not include the cash surrender value of life insurance policies on the lives of officers or employees, excluding amounts due from customers for services or products delivered or sold in the ordinary course of business.

"Permitted Issuances" shall have the meaning given to such term in the Purchase Agreement.

"Person" means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Trading Day" means (a) a day on which the Common Stock is traded on the OTC Bulletin Board, or (b) if the Common Stock is not traded on the OTC Bulletin Board, a day on which the Common Stock is quoted in the over the counter market as reported by the National Quotation Bureau Incorporated (or any similar organization or agency succeeding its functions of reporting prices); provided, however, that in the event that the Common Stock is not listed or quoted as set forth in (a) or (b) hereof, then Trading Day shall mean any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York are authorized or required by law or other government action to close.

"Trading Market" means the Over the Counter Bulletin Board, the OTCQB, the OTCQX, the New York Stock Exchange, the Nasdaq Capital Markets, the Nasdaq Global Markets, the Nasdaq Global Select Market or the American Stock Exchange.

"Transaction Documents" means and includes this Note, all Other Notes, the Purchase Agreement, the Security Agreement, the IP Security Agreement (as defined in the Purchase Agreement), the "Securities" (as defined in the Purchase Agreement), the "Negative Covenant Agreement" (as defined in the Purchase Agreement), the "Transaction Documents" (as defined in the Purchase Agreement), and all documents and instruments executed in connection therewith, in each case as amended, restated, supplemented or otherwise modified from time to time.

"VWAP" means, for any date, (i) the daily volume weighted average price of the Common Stock for such date on the OTC Bulletin Board or another Trading Market as reported by Bloomberg Financial L.P. (based on a Trading Day from 9:30 a.m. Eastern Time to 4:02 p.m. Eastern Time); (ii) if the Common Stock is not then listed or quoted on a Trading Market for which the daily volume weighted average price of the Common Stock is available on Bloomberg L.P., or if prices for the Common Stock are then reported in the "Pink Sheets" published by the Pink Sheets, LLC (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (iii) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Maker.

[*signature page follows*]

IN WITNESS WHEREOF, the Maker has caused this Note to be duly executed by its duly authorized officer as of the date first above indicated.

VISTAGEN THERAPEUTICS, INC.

By: /s/ Shawn K. Singh
Name: Shawn K. Singh
Title: Chief Executive Officer

EXHIBIT A
WIRE INSTRUCTIONS

Payee: PLATINUM LONG TERM GROWTH VII, LLC

Sterling National Bank
New York, NY 10022
425 Park Ave

SWIFT: STETUS33425
ABA: 026007773

Account Name: Platinum Long Term Growth VII, LLC
Account Number: 0370610295

FORM OF
NOTICE OF CONVERSION

(To be Executed by the Registered Holder in order to Convert the Note)

The undersigned hereby irrevocably elects to convert $_____ of the principal amount of the above Note No. ___ into shares of Common Stock of Vistagen Therapeutics, Inc. (the "Maker") according to the conditions hereof, as of the date written below.
Date of Conversion _____

Applicable Conversion Price _____

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the Date of Conversion:
_____

Signature_____
[Name]

Address:_____
_____

Exhibit 10.3

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE ISSUER SHALL HAVE RECEIVED AN OPINION OF COUNSEL THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

SERIES 2012 WARRANT TO PURCHASE

SHARES OF COMMON STOCK

OF

VISTAGEN THERAPEUTICS, INC.

Expires _____ ___, 20__

No.: W-__-__ Number of Shares: _____
Date of Issuance: _____ ____, 20__

FOR VALUE RECEIVED, subject to the provisions hereinafter set forth, the undersigned, VISTAGEN THERAPEUTICS, INC., a Nevada corporation (together with its successors and assigns, the "Issuer"), hereby certifies that PLATINUM LONG TERM GROWTH VII, LLC a Delaware limited liability company or its registered assigns is entitled to subscribe for and purchase, during the period specified in this Warrant, up to _____ (_____) shares (subject to adjustment as hereinafter provided) of the duly authorized, validly issued, fully paid and non-assessable Common Stock of the Issuer, at an exercise price per share equal to the Warrant Price then in effect, subject, however, to the provisions and upon the terms and conditions hereinafter set forth. Capitalized terms used in this Warrant and not otherwise defined herein shall have the respective meanings specified in Article 8 hereof.

ARTICLE 1 - Term

Section 1.1 Term

The right to subscribe for and purchase shares of Warrant Stock represented hereby shall commence on _____ ____, 20__ (the "Commencement Date") and shall expire at 5:00 p.m., Eastern Time, on _____ _____, 20__, the date that is five (5) years from the Commencement Date (such period being the "Term").

ARTICLE 2 - Method of Exercise; Issuance of New Warrant; Transfer and Exchange.

Section 2.1 Time of Exercise

The purchase rights represented by this Warrant may be exercised in whole or in part at any time and from time to time during the Term commencing on the Commencement Date.

Section 2.2 Method of Exercise

The Holder hereof may exercise this Warrant, in whole or in part by the payment to the Issuer of an amount of consideration therefor equal to the Warrant Price in effect on the date of such exercise multiplied by the number of shares of Warrant Stock with respect to which this Warrant is then being exercised, payable at such Holder's election (i) by certified or official bank check or by wire transfer to an account designated by the Issuer, (ii) by "cashless exercise" in accordance with the provisions of Section 2.3 below, or (iii) by a combination of the foregoing methods of payment selected by the Holder of this Warrant. The Holder need not surrender this Warrant upon exercise (other than an exercise in whole), but shall provide notice of such exercise by e-mail, fax or other transmission substantially in the form attached hereto.

Section 2.3 Cashless Exercise

Notwithstanding any provisions herein to the contrary at any time following the Original Issue Date, if the Per Share Market Value of one share of Common Stock is greater than the Warrant Price (at the date of calculation as set forth below), the Holder may exercise this Warrant by a cashless exercise; but, only if the shares of Common Stock are not registered under a registration statement filed by the Issuer with the Securities and Exchange Commission. In the event of a cashless exercise, the Holder shall receive the number of shares of Common Stock equal to an amount (as determined below) by surrender of this Warrant at the principal office of the Issuer together with the properly endorsed Notice of Exercise in which event the Issuer shall issue to the Holder a number of shares of Common Stock computed using the following formula:

$$X = Y - \frac{(A)(Y)}{B}$$

Where X = the number of shares of Common Stock to be issued to the Holder.

Y = the number of shares of Common Stock purchasable upon exercise of all of the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised.

A = the Warrant Price.

B = the Per Share Market Value of one share of Common Stock.

Section 2.4 Issuance of Stock Certificates

In the event of any exercise of the rights represented by this Warrant in accordance with and subject to the terms and conditions hereof: (i) certificates for the shares of Warrant Stock so purchased shall be dated the date of such exercise and delivered to the Holder hereof within a reasonable time, not exceeding three (3) Trading Days after such exercise (the "Delivery Date") or, at the request of the Holder, issued and delivered to the Depository Trust Company ("DTC") account on the Holder's behalf via the Deposit Withdrawal Agent Commission System ("DWAC") within a reasonable time, not exceeding three (3) Trading Days after such exercise, and the Holder hereof shall be deemed for all purposes to be the Holder of the shares of Warrant Stock so purchased as of the date of such exercise, and (ii) unless this Warrant has expired, a new Warrant representing the number of shares of Warrant Stock, if any, with respect to which this Warrant shall not then have been exercised (less any amount thereof which shall have been canceled in payment or partial payment of the Warrant Price as hereinabove provided) shall also be issued to the Holder hereof at the Issuer's expense within such time.

Section 2.5 Transferability of Warrant

Subject to Section 2.7, this Warrant may be transferred by the Holder without the consent of the Issuer. If transferred pursuant to this paragraph, this Warrant may be transferred on the books of the Issuer by the Holder hereof in person or by the Holder's duly authorized attorney, upon surrender of this Warrant at the principal office of the Issuer, properly endorsed (by the Holder executing an assignment in the form attached hereto) and upon payment of any necessary transfer tax or other governmental charge imposed upon such transfer. This Warrant is exchangeable at the principal office of the Issuer for Warrants for the purchase of the same aggregate number of shares of Warrant Stock, each new Warrant to represent the right to purchase such number of shares of Warrant Stock as the Holder hereof shall designate at the time of such exchange. All Warrants issued on transfers or exchanges shall be dated the Original Issue Date and shall be identical with this Warrant except as to the number of shares of Warrant Stock issuable pursuant hereto.

Section 2.6 Continuing Rights of Holder

The Issuer will, at the time of or at any time after each exercise of this Warrant, upon the request of the Holder hereof, acknowledge in writing the extent, if any, of its continuing obligation to afford to such Holder all rights to which such Holder shall continue to be entitled after such exercise in accordance with the terms of this Warrant, provided that if any such Holder shall fail to make any such request, the failure shall not affect the continuing obligation of the Issuer to afford such rights to such Holder.

Section 2.7 Compliance with Securities Laws

2.7.1 The Holder of this Warrant, by acceptance hereof, acknowledges that this Warrant and the shares of Warrant Stock to be issued upon exercise hereof are being acquired solely for the Holder's own account and not as a nominee for any other party, and for investment, and that the Holder will not offer, sell or otherwise dispose of this Warrant or any shares of Warrant Stock to be issued upon exercise hereof except pursuant to an effective registration statement, or an exemption from registration, under the Securities Act and any applicable state securities laws.

2.7.2 Except as provided in Section 2.7.3 below, this Warrant and all certificates representing shares of Warrant Stock issued upon exercise hereof shall be stamped or imprinted with a legend in substantially the following form:

> THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR VISTAGEN THERAPEUTICS, INC. SHALL HAVE RECEIVED AN OPINION OF COUNSEL THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

2.7.3 The restrictions imposed by this Section 2.7 upon the transfer of this Warrant or the shares of Warrant Stock to be purchased upon exercise hereof shall terminate (A) when such securities shall have been resold pursuant to an effective registration statement under the Securities Act, (B) upon the Issuer's receipt of an opinion of counsel, in form and substance reasonably satisfactory to the Issuer, addressed to the Issuer to the effect that such restrictions are no longer required to ensure compliance with the Securities Act and state securities laws or (C) upon the Issuer's receipt of other evidence reasonably satisfactory to the Issuer that such registration and qualification under the Securities Act and state securities laws are not required. Whenever such restrictions shall cease and terminate as to any such securities, the Holder thereof shall be entitled to receive from the Issuer (or its transfer agent and registrar), without expense (other than applicable transfer taxes, if any), new Warrants (or, in the case of shares of Warrant Stock, new stock certificates) of like tenor not bearing the applicable legend required by Section 2.7.2 above relating to the Securities Act and state securities laws.

Section 2.8 Buy In

In addition to any other rights available to the Holder, if the Issuer fails to cause its transfer agent to transmit to the Holder a certificate or certificates representing the Warrant Stock pursuant to an exercise on or before the Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Stock which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Issuer shall (1) pay in cash to the Holder the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of shares of Warrant Stock that the Issuer was required to deliver to the Holder in connection with the exercise at issue times, (B) the price at which the sell order giving rise to such purchase obligation was executed, and (2) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of shares of Warrant Stock for which such exercise was not honored or deliver to the Holder the number of shares of Common Stock that would have been issued had the Issuer timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (1) of the immediately preceding sentence the Issuer shall be required to pay the Holder $1,000. The Holder shall provide the Issuer written notice indicating the amounts payable to the Holder in respect of the Buy-In, together with applicable confirmations and other evidence reasonably requested by the Issuer. Nothing herein shall limit the Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Issuer's failure to timely deliver certificates representing shares of Common Stock upon exercise of this Warrant as required pursuant to the terms hereof.

ARTICLE 3 - Stock Fully Paid; Reservation and Listing of Shares; Covenants

Section 3.1 Stock Fully Paid

The Issuer represents, warrants, covenants and agrees that all shares of Warrant Stock which may be issued upon the exercise of this Warrant or otherwise hereunder will, upon issuance, be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges created by or through Issuer. The Issuer further covenants and agrees that during the period within which this Warrant may be exercised, the Issuer will at all times have authorized and reserved for the purpose of the issue upon exercise of this Warrant a number of shares of Common Stock equal to at least 150% of the aggregate number of shares of Common Stock exercisable hereunder to provide for the exercise of this Warrant (without regard to limitations on exercisability set forth in Article 7).

Section 3.2 Reservation

If any shares of Common Stock required to be reserved for issuance upon exercise of this Warrant or as otherwise provided hereunder require registration or qualification with any governmental authority under any federal or state law before such shares may be so issued, the Issuer will in good faith use its best efforts as expeditiously as possible at its expense to cause such shares to be duly registered or qualified. If the Issuer shall list any shares of Common Stock on any securities exchange or market it will, at its expense, list thereon, maintain and increase when necessary such listing, of, all shares of Warrant Stock from time to time issued upon exercise of this Warrant or as otherwise provided hereunder, and, to the extent permissible under the applicable securities exchange's rules, all unissued shares of Warrant Stock which are at any time issuable hereunder, so long as any shares of Common Stock shall be so listed. The Issuer will also so list on each securities exchange or market, and will maintain such listing of, any other securities which the Holder of this Warrant shall be entitled to receive upon the exercise of this Warrant if at the time any securities of the same class shall be listed on such securities exchange or market by the Issuer.

Section 3.3 Covenants

The Issuer shall not by any action including, without limitation, amending the Articles of Incorporation or the by-laws of the Issuer, or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of the Holder hereof against dilution (to the extent specifically provided herein) or impairment. Without limiting the generality of the foregoing, the Issuer will (i) not permit the par value, if any, of its Common Stock to exceed the then effective Warrant Price, (ii) not amend or modify any provision of the Articles of Incorporation or by-laws of the Issuer in any manner that would adversely affect the rights of the Holders of the Warrants, (iii) take all such action as may be reasonably necessary in order that the Issuer may validly and legally issue fully paid and nonassessable shares of Common Stock, free and clear of any liens, claims, encumbrances and restrictions upon the exercise of this Warrant, and (iv) use its best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be reasonably necessary to enable the Issuer to perform its obligations under this Warrant. The Issuer shall cause its Common Stock to continue to be registered under Section 12(g) or Section 12(b) of the Exchange Act and to comply in all respects with its reporting and filing obligations under the Exchange Act. The Issuer shall not take any action or file any document (whether or not permitted by the Securities Act or the rules promulgated thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under the Exchange Act or Securities Act. The Issuer further covenants that it will take such further action as the Holder may reasonably request, all to the extent required from time to time to enable the Holder to sell the shares of Common Stock issuable upon exercise of this Warrant without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act. The Issuer shall provide, at the Issuer's expense, such legal opinions in the future as are appropriate and necessary for the issuance and resale of the Common Stock issuable upon exercise of this Warrant pursuant to an effective registration statement, Rule 144 under the Securities Act or an exemption from registration. In the event that such shares of Common Stock issuable upon exercise of this Warrant are sold in a manner that complies with an exemption from registration, the Issuer shall promptly cause its counsel (at the Issuer's expense) to issue to the Holder and the Issuer's transfer agent an opinion permitting removal of the legend to permit sales of the shares of Common Stock issuable upon exercise of this Warrant under Rule 144 of the Securities Act. The Issuer shall timely file all reports required to be filed with the SEC pursuant to the Exchange Act, and the Issuer shall not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would permit such termination. The Issuer shall cause its Common Stock to be eligible for transfer pursuant to the Depository Trust Issuer Automated Securities Transfer Program at all times.

Section 3.4 Loss, Theft, Destruction of Warrants

Upon receipt of evidence satisfactory to the Issuer of the ownership of and the loss, theft, destruction or mutilation of any Warrant and, in the case of any such loss, theft or destruction, upon receipt of indemnity or security satisfactory to the Issuer or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Issuer will make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same number of shares of Common Stock.

ARTICLE 4- Adjustment of Warrant Price and Warrant Share Number

The number of shares of Common Stock for which this Warrant is exercisable, and the price at which such shares may be purchased upon exercise of this Warrant, shall be subject to adjustment from time to time as set forth in this Article 4. The Issuer shall give the Holder notice of any event described below which requires an adjustment pursuant to this Article 4 in accordance with Article 5. Notwithstanding any adjustment hereunder, at no time shall the Warrant Price be increased, except if it is adjusted pursuant to Section 4.2.3.

Section 4.1 Recapitalization, Reorganization, Reclassification, Consolidation, Merger or Sale.

4.1.1 In case the Issuer after the Original Issue Date shall do any of the following (each, a "Triggering Event"): (a) consolidate with or merge into any other Person and the Issuer shall not be the continuing or surviving corporation of such consolidation or merger, or (b) permit any other Person to consolidate with or merge into the Issuer and the Issuer shall be the continuing or surviving Person but, in connection with such consolidation or merger, any Capital Stock of the Issuer shall be changed into or exchanged for Securities of any other Person or cash or any other property, or (c) transfer all or substantially all of its properties or assets to any other Person, or (d) effect a capital reorganization or reclassification of its Capital Stock, then, and in the case of each such Triggering Event, proper provision shall be made so that, upon the basis and the terms and in the manner provided in this Warrant, the Holder of this Warrant shall be entitled upon the exercise hereof at any time after the consummation of such Triggering Event, to the extent this Warrant is not exercised prior to such Triggering Event, to receive at the Warrant Price in effect at the time immediately prior to the consummation of such Triggering Event in lieu of the Common Stock issuable upon such exercise of this Warrant prior to such Triggering Event, the Securities, cash and property to which such Holder would have been entitled upon the consummation of such Triggering Event if such Holder had exercised the rights represented by this Warrant immediately prior thereto (including the right to elect the type of consideration, if applicable), subject to adjustments (subsequent to such corporate action) as nearly equivalent as possible to the adjustments provided for elsewhere in this Article 4. Unless the surviving entity in any such Triggering Event is a public company under the Securities Exchange Act of 1934, the common equity securities of which are traded or quoted on a national securities exchange or the OTC Bulletin Board (a "Qualifying Entity"), the Holder, at its option, shall be permitted to require that the Company pay to the Holder an amount equal to the Black-Scholes value of this Warrant.

4.1.2 Notwithstanding anything contained in this Warrant to the contrary and so long as the surviving entity is a Qualifying Entity, the Issuer will not be deemed to have effected any Triggering Event if, prior to the consummation thereof, each Person (other than the Issuer) which may be required to deliver any Securities, cash or property upon the exercise of this Warrant as provided herein shall assume, by written instrument delivered to the Holder of this Warrant and reasonably satisfactory to the Holder, (A) the obligations of the Issuer under this Warrant (and if the Issuer shall survive the consummation of such Triggering Event, such assumption shall be in addition to, and shall not release the Issuer from, any continuing obligations of the Issuer under this Warrant) and (B) the obligation to deliver to such Holder such shares of Securities, cash or property as, in accordance with the foregoing provisions of this Section 4.1, such Holder shall be entitled to receive, and such Person shall have similarly delivered to such Holder, an opinion of counsel for such Person, which shall be reasonably satisfactory to the Holder, stating that this Warrant shall thereafter continue in full force and effect and the terms hereof (including, without limitation, all of the provisions of this subsection Section 4.1) shall be applicable to the Securities, cash or property which such Person may be required to deliver upon any exercise of this Warrant or the exercise of any rights pursuant hereto.

Section 4.2 Stock Dividends, Subdivisions and Combinations

If at any time the Issuer shall:

4.2.1 set a record date or take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend payable in, or other distribution of, shares of Common Stock,

4.2.2 subdivide its outstanding shares of Common Stock into a larger number of shares of Common Stock, or

4.2.3 combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock,

then (1) the number of shares of Common Stock for which this Warrant is exercisable immediately after the occurrence of any such event shall be adjusted to equal the number of shares of Common Stock which a record holder of the same number of shares of Common Stock for which this Warrant is exercisable immediately prior to the occurrence of such event (without giving effect to Article 7 hereof) would own or be entitled to receive after the happening of such event, and (2) the Warrant Price then in effect shall be adjusted to equal (A) the Warrant Price then in effect multiplied by the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the adjustment divided by (B) the number of shares of Common Stock for which this Warrant is exercisable immediately after such adjustment.

Section 4.3 Certain Other Distributions

If at any time the Issuer shall set a record date or take a record of the holders of its Common Stock for the purpose of entitling them to receive any dividend or other distribution of:

4.3.1 cash (other than a cash dividend payable out of earnings or earned surplus legally available for the payment of dividends under the laws of the jurisdiction of incorporation of the Issuer),

4.3.2 any evidences of its indebtedness, any shares of stock of any class or any other securities or property of any nature whatsoever (other than cash, Common Stock Equivalents, Additional Shares of Common Stock or Permitted Issuances), or

4.3.3 any warrants or other rights to subscribe for or purchase any evidences of its indebtedness, any shares of stock of any class or any other securities or property of any nature whatsoever (other than cash, Common Stock Equivalents, Additional Shares of Common Stock or Permitted Issuances),

then (1) the number of shares of Common Stock for which this Warrant is exercisable shall be adjusted to equal the product of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such adjustment multiplied by a fraction (A) the numerator of which shall be the Per Share Market Value of Common Stock at the date of taking such record and (B) the denominator of which shall be such Per Share Market Value minus the amount allocable to one share of Common Stock of any such cash so distributable and of the fair value (as determined in good faith by the Board of Directors of the Issuer and supported by an opinion from an investment banking firm reasonably acceptable to the Holder) of any and all such evidences of indebtedness, shares of stock, other securities or property or warrants or other subscription or purchase rights so distributable, and (2) the Warrant Price then in effect shall be adjusted to equal (A) the Warrant Price then in effect multiplied by the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the adjustment divided by (B) the number of shares of Common Stock for which this Warrant is exercisable immediately after such adjustment. A reclassification of the Common Stock (other than a change in par value, or from par value to no par value or from no par value to par value) into shares of Common Stock and shares of any other class of stock shall be deemed a distribution by the Issuer to the holders of its Common Stock of such shares of such other class of stock within the meaning of this Section 4.3 and, if the outstanding shares of Common Stock shall be changed into a larger or smaller number of shares of Common Stock as a part of such reclassification, such change shall be deemed a subdivision or combination, as the case may be, of the outstanding shares of Common Stock within the meaning of Section 4.2.

Section 4.4 Issuance of Additional Shares of Common Stock

4.4.1 In the event the Issuer shall at any time following the Original Issue Date, issue any Additional Shares of Common Stock (otherwise than as provided in Section 4.1, Section 4.2, or Section 4.3), at a price per share less than the Warrant Price then in effect or without consideration (other than a Permitted Issuance (as defined below)), then the Warrant Price upon each such issuance shall be adjusted to the price equal to the consideration per share paid for such Additional Shares of Common Stock.

4.4.2 No adjustment of the Warrant Price shall be made under Section 4.4.1 upon the issuance of any Additional Shares, Other Common, Convertible Securities or Common Stock Equivalents which are issued (i) pursuant to the exercise or conversion of any Common Stock Equivalents if any such adjustment shall previously have been made upon the issuance of such Common Stock Equivalents; (ii) pursuant to that certain Private Offering Memorandum of Terms (the "Unit Offering"), as approved by the Issuer's Board of Directors on August 28, 2012; (iii) upon the issuance of any security, warrant or other rights therefor pursuant to or contemplated by Section 4.5 hereof or Section 4.4.13 of the Purchase Agreement; (v) in connection with the payment for technology or related licenses, or in connection with sponsored research services or initiatives; or (vi) in connection with any Permitted Issuances.

Section 4.5 Issuance of Warrants or Other Rights

If at any time the Issuer shall take a record of the Holders of its Common Stock for the purpose of entitling them to receive a distribution of, or shall in any manner (whether directly or by assumption in a merger in which the Issuer is the surviving corporation) issue or sell any warrants or options, whether or not immediately exercisable, and the Warrant Consideration (hereafter defined) per share for which Common Stock is issuable upon the exercise of such warrant or option shall be less than the Warrant Price in effect immediately prior to the time of such issue or sale, then the Warrant Price then in effect immediately prior to the time of such issue or sale, shall be adjusted to the price equal to the Warrant Consideration per share for which Common Stock is issuable upon the exercise of such warrant or option. No adjustments of the Warrant Price then in effect shall be made upon the actual issue of such Common Stock or of such Common Stock Equivalents upon exercise of such warrants or other rights or upon the actual issue of such Common Stock upon such conversion or exchange of such Common Stock Equivalents if adjustment has been previously made pursuant to this section. No adjustments of the Warrant Price shall be made under this Section 4.5 in connection with any Permitted Issuances.

Section 4.6 Issuance of Common Stock Equivalents

If at any time prior the Issuer shall take a record of the Holders of its Common Stock for the purpose of entitling them to receive a distribution of, or shall in any manner (whether directly or by assumption in a merger in which the Issuer is the surviving corporation) issue or sell, any Common Stock Equivalents, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the Common Stock Equivalent Consideration (hereafter defined) per share for which Common Stock is issuable upon such conversion or exchange shall be less than the Warrant Price in effect immediately prior to the time of such issue or sale, or if, after any such issuance of Common Stock Equivalents, the price per share for which Additional Shares of Common Stock may be issuable thereafter is amended or adjusted, and such price as so amended shall be less than the applicable Conversion Price in effect at the time of such amendment or adjustment, then the Warrant Price then in effect immediately prior to the time of such issue or sale, shall upon each such issuance or sale be adjusted to the price equal to the Common Stock Equivalent Consideration per share paid for such Common Share Equivalents. No further adjustments of the Warrant Price then in effect shall be made upon the actual issue of such Common Stock upon conversion or exchange of such Common Stock Equivalents if adjustment shall have previously been fully made pursuant to this section; provided, that, any adjustment to the exercise or conversion price of such Common Stock Equivalent shall cause an adjustment to the Warrant Price if such adjusted price is lower than the then-effective Warrant Price. No adjustments of the Warrant Price shall be made under this Section 4.6 in connection with any Permitted Issuances.

Section 4.7 Purchase of Common Stock by the Issuer

If the Issuer at any time while this Warrant is outstanding shall, directly or indirectly through a Subsidiary or otherwise, purchase, redeem or otherwise acquire any shares of Common Stock at a price per share greater than the Per Share Market Value, then the Warrant Price upon each such purchase, redemption or acquisition shall be adjusted to that price determined by multiplying such Warrant Price by a fraction (i) the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such purchase, redemption or acquisition minus the number of shares of Common Stock which the aggregate consideration for the total number of such shares of Common Stock so purchased, redeemed or acquired would purchase at the Per Share Market Value; and (ii) the denominator of which shall be the number of shares of Common Stock outstanding immediately after such purchase, redemption or acquisition. For the purposes of this Section 4.7, the date as of which the Per Share Market Price shall be computed shall be the earlier of (x) the date on which the Issuer shall enter into a firm contract for the purchase, redemption or acquisition of such Common Stock, or (y) the date of actual purchase, redemption or acquisition of such Common Stock. For the purposes of this Section 4.7, a purchase, redemption or acquisition of a Common Stock Equivalent shall be deemed to be a purchase of the underlying Common Stock, and the computation herein required shall be made on the basis of the full exercise, conversion or exchange of such Common Stock Equivalent on the date as of which such computation is required hereby to be made, whether or not such Common Stock Equivalent is actually exercisable, convertible or exchangeable on such date.

Section 4.8 Other Provisions Applicable to Adjustments under this Article

The following provisions shall be applicable to the making of adjustments of the number of shares of Common Stock for which this Warrant is exercisable and the Warrant Price then in effect provided for in this Article 4:

4.8.1 Computation of Consideration. To the extent that any Additional Shares of Common Stock or any Common Stock Equivalents (or any warrants or other rights therefor) shall be issued for cash consideration, the consideration received by the Issuer therefor shall be the amount of the cash received by the Issuer therefor, or, if such Additional Shares of Common Stock or Common Stock Equivalents are offered by the Issuer for subscription, the subscription price, or, if such Additional Shares of Common Stock or Common Stock Equivalents are sold to underwriters or dealers for public offering without a subscription offering, the initial public offering price (in any such case subtracting any amounts paid or receivable for accrued interest or accrued dividends and without taking into account any compensation, discounts or expenses paid or incurred by the Issuer for and in the underwriting of, or otherwise in connection with, the issuance thereof). To the extent that such issuance shall be for a consideration other than cash, then, except as herein otherwise expressly provided, the amount of such consideration shall be deemed to be the fair value of such consideration at the time of such issuance as mutually determined in good faith by the Board of Directors of the Issuer and the Holder. The consideration for any Additional Shares of Common Stock issuable pursuant to any warrants or other rights to subscribe for or purchase the same shall be the consideration received by the Issuer for issuing such warrants or other rights divided by the number of shares of Common Stock issuable upon the exercise of such warrant or right plus the additional consideration payable to the Issuer upon exercise of such warrant or other right for one share of Common Stock (together the "Warrant Consideration"). The consideration for any Additional Shares of Common Stock issuable pursuant to the terms of any Common Stock Equivalents shall be the consideration received by the Issuer for issuing such Common Stock Equivalent, divided by the number of shares of Common Stock issuable upon the conversion or other exercise of such Common Stock Equivalent, plus the additional consideration, if any, payable to the Issuer upon the exercise of the right of conversion or exchange in such Common Stock Equivalent for one share of Common Stock (together the "Common Stock Equivalent Consideration"). In case of the issuance at any time of any Additional Shares of Common Stock or Common Stock Equivalents in payment or satisfaction of any dividends upon any class of stock other than Common Stock, the Issuer shall be deemed to have received for such Additional Shares of Common Stock or Common Stock Equivalents a consideration equal to the amount of such dividend so paid or satisfied. If any shares of Common Stock or any Common Stock Equivalents shall be issued for services or other non-cash consideration, other than Permitted Issuances, the amount of consideration therefor shall be deemed to be the par value of the Common Stock. In the event that "units", or other similar combinations of Common Stock Equivalents and Common Stock are issued, the consideration received per share of Common Stock shall be deemed to be the Closing Bid Price of the Common Stock on the day of issuance and the consideration received for any additional components of such unit shall be deemed to be equal to the consideration received by the Issuer for such unit less such Closing Bid Price.

4.8.2 Adjustments of Number of Shares. In connection with an adjustment of the Warrant Price pursuant to Section 4.4, Section 4.5, Section 4.6, and Section 4.7, the number of shares of Common Stock issuable hereunder shall be increased such that the aggregate Warrant Price payable hereunder (assuming exercise in full), after taking into account the decrease in the Exercise Price, shall be equal to the aggregate Warrant Price (assuming exercise in full) prior to such adjustment.

4.8.3 Fractional Interests. In computing adjustments under this Article 4, fractional interests in Common Stock shall be taken into account to the nearest one one-hundredth ($1/100^{th}$) of a share.

4.8.4 When Adjustment Not Required. If the Issuer shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or distribution or subscription or purchase rights and shall, thereafter and before the distribution to stockholders thereof, legally abandon its plan to pay or deliver such dividend, distribution, subscription or purchase rights, then thereafter no adjustment shall be required by reason of the taking of such record and any such adjustment previously made in respect thereof shall be rescinded and annulled.

Section 4.9 Form of Warrant after Adjustments

The form of this Warrant need not be changed because of any adjustments in the Warrant Price or the number and kind of securities purchasable upon exercise of this Warrant.

Section 4.10 Escrow of Property

If after any property becomes distributable pursuant to this Article 4 by reason of the taking of any record of the holders of Common Stock, but prior to the occurrence of the event for which such record is taken, and the Holder exercises this Warrant, such property shall be held in escrow for the Holder by the Issuer to be distributed to the Holder upon and to the extent that the event actually takes place, upon payment of the then current Warrant Price. Notwithstanding any other provision to the contrary herein, if the event for which such record was taken fails to occur or is rescinded, then such escrowed property shall be returned to the Issuer.

ARTICLE 5 - Notice of Adjustments

Whenever the Warrant Price or Warrant Share Number shall be adjusted pursuant to Article 4 hereof (for purposes of this Article 5, each an "adjustment"), the Issuer shall cause its Chief Financial Officer to prepare and execute a certificate setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated (including a description of the basis on which the Board made any determination hereunder), and the Warrant Price and Warrant Share Number after giving effect to such adjustment, and shall cause copies of such certificate to be delivered to the Holder of this Warrant promptly after each adjustment. Any dispute between the Issuer and the Holder of this Warrant with respect to the matters set forth in such certificate may, at the sole option of the Holder of this Warrant, be submitted to one of the national accounting firms currently known as the "big four" selected by the Holder, provided that the Issuer shall have ten (10) days after receipt of notice from such Holder of its selection of such firm to object thereto, in which case such Holder shall select another such firm and the Issuer shall have no such right of objection. The firm selected by the Holder of this Warrant as provided in the preceding sentence shall be instructed to deliver a written opinion as to such matters to the Issuer and such Holder within thirty (30) days after submission to it of such dispute. Such opinion shall be final and binding on the parties hereto. The Issuer shall pay all expenses in connection with such opinion.

ARTICLE 6 - Fractional Shares

No fractional shares of Warrant Stock will be issued in connection with any exercise hereof, but in lieu of such fractional shares, the Issuer shall at its option either (a) make a cash payment therefor equal in amount to the product of the applicable fraction multiplied by the Per Share Market Value then in effect or (b) issue one whole share in lieu of such fractional share.

ARTICLE 7 - Certain Exercise Restrictions

Section 7.1 4.99% Limit

Notwithstanding anything to the contrary set forth in this Warrant, at no time may the holder exercise this Warrant if the number of shares of Common Stock to be issued pursuant to such exercise would exceed, when aggregated with all other shares of Common Stock owned by such holder at such time, the number of shares of Common Stock which would result in such holder beneficially owning (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules thereunder) in excess of 4.99% of all of the Common Stock outstanding at such time; provided, however, that upon the Holder providing the Issuer with sixty-one (61) days' notice (pursuant to Section 10.3 hereof) (the "Waiver Notice") that such holder would like to waive this Section 7.1 with regard to any or all shares of Common Stock issuable upon exercise of this Warrant, this Section 7.1 will be of no force or effect with regard to all or a portion of the Warrant referenced in the Waiver Notice; provided, further, that this provision shall be of no further force or effect during the sixty-one (61) days immediately preceding the expiration of the term of this Warrant.

Section 7.2 9.99% Limit

Notwithstanding anything to the contrary set forth in this Warrant, at no time may the Holder exercise this Warrant if the number of shares of Common Stock to be issued pursuant to such exercise would exceed, when aggregated with all other shares of Common Stock owned by such holder at such time, the number of shares of Common Stock which would result in such holder beneficially owning (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules thereunder) in excess of 9.99% of all of the Common Stock outstanding at such time; provided, however, that upon the Holder providing the Issuer with sixty-one (61) days' notice (pursuant to Section 10.3 hereof) (the "Waiver Notice") that such holder would like to waive this Section 7.2 with regard to any or all shares of Common Stock issuable upon exercise of this Warrant, this Section 7.2 will be of no force or effect with regard to all or a portion of the Warrant referenced in the Waiver Notice; provided, further, that this provision shall be of no further force or effect during the sixty-one (61) days immediately preceding the expiration of the term of this Warrant.

ARTICLE 8 – Definitions

Capitalized terms used herein and not otherwise defined shall have the meanings given in the Note Exchange and Purchase Agreement dated as of _____ , 2012 by and between the Issuer and the Holder (as amended, restated, supplemented or otherwise modified, the "Purchase Agreement").

For the purposes of this Warrant, the following terms have the following meanings:

"Additional Shares of Common Stock" means all shares of Common Stock issued by the Issuer after the Original Issue Date, and all shares of Other Common, if any, issued by the Issuer after the Original Issue Date, except for Permitted Issuances.

"Board" shall mean the Board of Directors of the Issuer.

"Capital Stock" means and includes (i) any and all shares, interests, participations or other equivalents of or interests in (however designated) corporate stock, including, without limitation, shares of preferred or preference stock, (ii) all partnership interests (whether general or limited) in any Person which is a partnership, (iii) all membership interests or limited liability company interests in any limited liability company, and (iv) all equity or ownership interests in any Person of any other type.

"Articles of Incorporation" means the Articles of Incorporation of the Issuer as in effect on the Original Issue Date, and as hereafter from time to time amended, modified, supplemented or restated in accordance with the terms hereof and thereof and pursuant to applicable law.

"Closing Bid Price" shall mean, on any particular date (i) the last trading price per share of the Common Stock on such date on the OTC Bulletin Board, the OTCQB, the OTCQX, or a national securities exchange on which the Common Stock is then listed, or if there is no such price on such date, then the last trading price on such exchange or quotation system on the date nearest preceding such date, or (ii) if the Common Stock is not listed then on the OTC Bulletin Board or any registered national stock exchange, the last trading price for a share of Common Stock in the over the counter market, as reported by the OTC Bulletin Board or in the National Quotation Bureau Incorporated or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date, or (iii) if the Common Stock is not then reported by the OTC Bulletin Board or the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), then the average of the "Pink Sheet" quotes for the relevant conversion period, as determined in good faith by the Holder, or (iv) if the Common Stock is not then publicly traded the fair market value of a share of Common Stock as determined by the Holder and reasonably acceptable to the Issuer.

"Common Stock" means the Common Stock, par value $.001 per share, of the Issuer and any other Capital Stock into which such stock may hereafter be changed.

"Common Stock Equivalent" means any Convertible Security or warrant, option or other right to subscribe for or purchase any Additional Shares of Common Stock or any Convertible Security.

"Common Stock Equivalent Consideration" has the meaning specified in Section 4.8.1 hereof.

"Convertible Securities" means evidences of Indebtedness, shares of Capital Stock or other Securities which are or may be at any time convertible into or exchangeable for Additional Shares of Common Stock. The term "Convertible Security" means one of the Convertible Securities.

"Governmental Authority" means any governmental, regulatory or self-regulatory entity, department, body, official, authority, commission, board, agency or instrumentality, whether federal, state or local, and whether domestic or foreign.

"Holders" mean the Persons who shall from time to time own any Warrant. The term "Holder" means one of the Holders.

"Independent Appraiser" means a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Issuer) that is regularly engaged in the business of appraising the Capital Stock or assets of corporations or other entities as going concerns, and which is not affiliated with either the Issuer or the Holder of any Warrant.

"Issuer" means Vistagen Therapeutics, Inc., a Nevada corporation, and its successors.

"Original Issue Date" means _____, 20__.

"OTC Bulletin Board" means the over-the-counter electronic bulletin board.

"OTCQB" means a tier of the over-the-counter stock market of OTC Markets Group, Inc.

"OTCQX" means a tier of the over-the-counter stock market of OTC Markets Group, Inc.

"Other Common" means any other Capital Stock of the Issuer of any class which shall be authorized at any time after the date of this Warrant (other than Common Stock) and which shall have the right to participate in the distribution of earnings and assets of the Issuer without limitation as to amount.

"Outstanding Common Stock" means, at any given time, the aggregate amount of outstanding shares of Common Stock, assuming full exercise, conversion or exchange (as applicable) of all options, warrants and other Securities which are convertible into or exercisable or exchangeable for, and any right to subscribe for, shares of Common Stock that are outstanding at such time.

"Permitted Issuances" shall have the meaning given in the Purchase Agreement.

"Person" means an individual, corporation, limited liability company, partnership, joint stock company, trust, unincorporated organization, joint venture, Governmental Authority or other entity of whatever nature.

"Per Share Market Value" means on any particular date (a) the last trading price on any national securities exchange on which the Common Stock is listed, or, if there is no such price, the Closing Bid Price for a share of Common Stock in the over-the-counter market, as reported by the OTC Bulletin Board, the OTCQB, the OTCQX, or in the National Quotation Bureau Incorporated or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date, or (b) if the Common Stock is not then reported by the OTC Bulletin Board or the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), then the average of the "Pink Sheet" quotes for the Common Stock on such date, or (c) if the Common Stock is not then publicly traded the fair market value of a share of Common Stock on such date as determined by the Board in good faith; provided, however, that the Holder, after receipt of the determination by the Board, shall have the right to select, jointly with the Issuer, an Independent Appraiser, in which case, the fair market value shall be the determination by such Independent Appraiser; and provided, further that all determinations of the Per Share Market Value shall be appropriately adjusted for any stock dividends, stock splits or other similar transactions during the period between the date as of which such market value was required to be determined and the date it is finally determined. The determination of fair market value shall be based upon the fair market value of the Issuer determined on a going concern basis as between a willing buyer and a willing seller and taking into account all relevant factors determinative of value, and shall be final and binding on all parties. In determining the fair market value of any shares of Common Stock, no consideration shall be given to any restrictions on transfer of the Common Stock imposed by agreement or by federal or state securities laws, or to the existence or absence of, or any limitations on, voting rights.

"Securities" means any debt or equity securities of the Issuer, whether now or hereafter authorized, any instrument convertible into or exchangeable for Securities or a Security, and any option, warrant or other right to purchase or acquire any Security. "Security" means one of the Securities.

"Securities Act" means the Securities Act of 1933, as amended, or any similar federal statute then in effect.

"Subsidiary" means any corporation at least 50% of whose outstanding Voting Stock, and a limited liability company at least 50% of whose membership interests, shall at the time be owned directly or indirectly by the Issuer or by one or more of its Subsidiaries.

"Term" has the meaning specified in Article 1 hereof.

"Trading Day" means (a) a day on which the Common Stock is traded on the OTC Bulletin Board or any national securities exchange, or (b) if the Common Stock is not traded on the OTC Bulletin Board or any national securities exchange, a day on which the Common Stock is quoted in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or any similar organization or agency succeeding its functions of reporting prices); provided, however, that in the event that the Common Stock is not listed or quoted as set forth in (a) or (b) hereof, then Trading Day shall mean any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York are authorized or required by law or other government action to close.

"Voting Stock" means, as applied to the Capital Stock of any corporation, Capital Stock of any class or classes (however designated) having ordinary voting power for the election of a majority of the members of the Board of Directors (or other governing body) of such corporation, other than Capital Stock having such power only by reason of the happening of a contingency.

"Warrant Consideration" has the meaning specified in Section 4.8.1 hereof.

"Warrant Price" initially means U.S. $1.50, as such price may be adjusted from time to time as shall result from the adjustments specified in this Warrant, including Article 4 hereof.

"Warrant Share Number" means at any time the aggregate number of shares of Warrant Stock which may at such time be purchased upon exercise of this Warrant, after giving effect to all prior adjustments and increases to such number made or required to be made under the terms hereof.

"Warrant Stock" means Common Stock issuable upon exercise of any Warrant or Warrants or otherwise issuable pursuant to any Warrant or Warrants.

ARTICLE 9 - Other Notices

Section 9.1 Other Notices

In case at any time:

9.1.1 the Issuer shall make any distributions to the holders of Common Stock; or

9.1.2 the Issuer shall authorize the granting to all holders of its Common Stock of rights to subscribe for or purchase any shares of Capital Stock of any class or of any Common Stock Equivalents or other rights; or

9.1.3 there shall be any reclassification of the Capital Stock of the Issuer; or

9.1.4 there shall be any capital reorganization by the Issuer; or

9.1.5 there shall be any (i) consolidation or merger involving the Issuer or (ii) sale, transfer or other disposition of all or substantially all of the Issuer's property, assets or business; or

9.1.6 there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Issuer or any partial liquidation of the Issuer or distribution to holders of Common Stock;

then, in each of such cases, the Issuer shall give written notice to the Holder of the date on which (i) the books of the Issuer shall close or a record shall be taken for such dividend, distribution or subscription rights or (ii) such reorganization, reclassification, consolidation, merger, disposition, dissolution, liquidation or winding-up, as the case may be, shall take place. Such notice also shall specify the date as of which the holders of Common Stock of record shall participate in such dividend, distribution or subscription rights, or shall be entitled to exchange their certificates for Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, disposition, dissolution, liquidation or winding-up, as the case may be. Such notice shall be given at least twenty (20) days prior to the action in question and not less than twenty (20) days prior to the record date or the date on which the Issuer's transfer books are closed in respect thereto. The Holder shall have the right to send two (2) representatives selected by it to each meeting, who shall be permitted to attend, but not vote at, such meeting and any adjournments thereof. This Warrant entitles the Holder to receive copies of all financial and other information distributed or required to be distributed to the holders of the Common Stock.

ARTICLE 10 – Miscellaneous

Section 10.1 Amendment and Waiver

Any term, covenant, agreement or condition in this Warrant may be amended, or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by a written instrument or written instruments executed by the Issuer and the Holder.

Section 10.2 Governing Law

THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW.

Section 10.3 Notices

Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earlier of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified for notice prior to 5:00 p.m., eastern time, on a Trading Day, (ii) the Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified for notice later than 5:00 p.m., eastern time, on any date and earlier than 11:59 p.m., eastern time, on such date, (iii) the Trading Day following the date of mailing, if sent by nationally recognized overnight courier service or (iv) actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be with respect to the Holder of this Warrant or of Warrant Stock issued pursuant hereto, addressed to such Holder at its last known address or facsimile number appearing on the books of the Issuer maintained for such purposes, or with respect to the Issuer, addressed to:

VistaGen Therapeutics, Inc.

384 Oyster Point Blvd., Suite No. 8
South San Francisco, California 94080
Attention: Chief Executive Officer
Tel. No.: (650) 244-9990 ext. 224
Fax No.: (888) 482-2602

with a copy to:

Disclosure Law Group
501 West Broadway, Suite 800
San Diego, California 92101
Attention: Daniel W. Rumsey
Tel No.: (619) 795-1134
Fax No.: (619) 330-2101

Copies of notices to the Holder shall be sent to Burak Anderson & Melloni, 30 Main Street, Suite 210, Burlington, Vermont 05401, Attention: Shane W. McCormack, Tel No.: (802) 862-0500, Fax No.: (802) 862-8176. Any party hereto may from time to time change its address for notices by giving at least ten (10) days written notice of such changed address to the other party hereto.

Section 10.4 Warrant Agent

The Issuer may, by written notice to each Holder of this Warrant, appoint an agent having an office in New York, New York for the purpose of issuing shares of Warrant Stock on the exercise of this Warrant pursuant to Section 2.2 hereof, exchanging this Warrant pursuant to Section 2.4 hereof or replacing this Warrant pursuant to Section 3.4 hereof, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such agent.

Section 10.5 Remedies

The Issuer stipulates that the remedies at law of the Holder of this Warrant in the event of any default or threatened default by the Issuer in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate and that, to the fullest extent permitted by law, such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

Section 10.6 Successors and Assigns

This Warrant and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors and assigns of the Issuer, the Holder hereof and (to the extent provided herein) the Holders of Warrant Stock issued pursuant hereto, and shall be enforceable by any such Holder or Holder of Warrant Stock.

Section 10.7 Modification and Severability

If, in any action before any court or agency legally empowered to enforce any provision contained herein, any provision hereof is found to be unenforceable, then such provision shall be deemed modified to the extent necessary to make it enforceable by such court or agency. If any such provision is not enforceable as set forth in the preceding sentence, the unenforceability of such provision shall not affect the other provisions of this Warrant, but this Warrant shall be construed as if such unenforceable provision had never been contained herein.

Section 10.8 Headings

Article and Section headings of this Warrant are for convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

[Signature Page Follows]

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

VISTAGEN THERAPUTICS, INC.

By:/s/ Shawn K. Singh
Name: Shawn K. Singh
Title: Chief Executive Officer

SERIES 2012 WARRANT
EXERCISE FORM

VISTAGEN THERAPEUTICS, INC.

The undersigned _____, pursuant to the provisions of the within Warrant, hereby elects to purchase _____ shares of Common Stock of Vistagen Therapeutics, Inc. covered by the within Warrant.

Dated: _____ Signature _____

Address _____
_____

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the date of Exercise: _____

The undersigned is an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended.

The undersigned intends that payment of the Warrant Price shall be made as (check one):

Cash Exercise_____

Cashless Exercise_____

If the Holder has elected a Cash Exercise, the Holder shall pay the sum of $_____ by certified or official bank check (or via wire transfer) to the Issuer in accordance with the terms of the Warrant.

If the Holder has elected a Cashless Exercise, a certificate shall be issued to the Holder for the number of shares equal to the whole number portion of the product of the calculation set forth below, which is _____.

$$X = Y - \frac{(A)(Y)}{B}$$

Where:

The number of shares of Common Stock to be issued to the Holder _____("X").

The number of shares of Common Stock purchasable upon exercise of all of the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised _____ ("Y").

The Warrant Price _____ ("A").

The Per Share Market Value of one share of Common Stock _____ ("B").

ASSIGNMENT

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____ the within Warrant and all rights evidenced thereby and does irrevocably constitute and appoint _____, attorney, to transfer the said Warrant on the books of the within named corporation.

Dated: _____ Signature _____

Address _____
_____

PARTIAL ASSIGNMENT

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____ the right to purchase _____ shares of Warrant Stock evidenced by the within Warrant together with all rights therein, and does irrevocably constitute and appoint _____, attorney, to transfer that part of the said Warrant on the books of the within named corporation.

Dated: _____ Signature _____

Address _____
_____

FOR USE BY THE ISSUER ONLY:

This Warrant No. W-___ canceled (or transferred or exchanged) this _____ day of _____, _____, shares of Common Stock issued therefor in the name of _____, Warrant No. W-_____ issued for ____ shares of Common Stock in the name of _____.

Exhibit 10.4

AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT (as may be further amended, restated, supplemented or otherwise modified, this "Agreement"), is made as of this 11th day of October, 2012, by and among **VISTAGEN THERAPEUTICS, INC.**, a Nevada Corporation with an address of 384 Oyster Point Boulevard, No. 8, South San Francisco, California 94080 (the "Maker"), and **PLATINUM LONG TERM GROWTH VII, LLC** a Delaware limited liability company with an address of 152 West 57th Street, 4th Floor, New York, NY 10019 (together with its successors and assigns, the "Secured Party").

WHEREAS, the Maker and the Secured Party are entering into that certain Note Exchange and Purchase Agreement (as amended, restated, supplemented or otherwise modified, the "Purchase Agreement"), pursuant to which the Secured Party shall purchase and the Maker shall issue Senior Secured Convertible Promissory Notes (as amended, restated, supplemented or otherwise modified, together with the "Notes" defined in the Purchase Agreement, collectively the "Notes");

WHEREAS, in order to induce the Secured Party to extend the loans evidenced by the Notes, the Maker has agreed to execute and deliver to the Secured Party this Agreement and to grant the Secured Party a security interest in certain property of the Maker to secure the prompt satisfaction, either by payment or conversion into the Maker's common stock on the terms and conditions set forth in the Notes, performance and discharge in full of all of the Maker's obligations under the Notes;

WHEREAS, the Secured Party is not willing to enter into the Purchase Agreement unless the Obligations are secured by a pledge and perfected security interest in substantially all of the assets of the Maker, including all of the Maker's equity interests in **VISTAGEN THERAPEUTICS, INC.**, a California corporation and wholly-owned subsidiary of the Maker (the "California Subsidiary"), and the California Subsidiary's interest in **ARTEMIS NEUROSCIENCE, INC.**, a Maryland corporation and a wholly-owned subsidiary of the California Subsidiary (the "Maryland Subsidiary" and, together with the California Subsidiary, the "Domestic Subsidiaries");

WHEREAS, the Maker is willing to secure its obligations under the Notes in favor of the Secured Party;

WHEREAS, certain obligations of the Maker to the Secured Party are secured by all assets of the Maker pursuant to a Security Agreement by and between the Maker and the Secured Party dated as of July 2, 2012 (as amended, restated, supplemented or otherwise modified, the "Original Security Agreement"); and

WHEREAS, this Agreement amends and restates the Original Security Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereby agree as follows:

ARTICLE 1 - DEFINITIONS

Section 1.1 Terms Generally

All capitalized terms used herein or in any certificate or other document delivered pursuant hereto shall have the meanings assigned to them below (unless otherwise defined herein). Except as otherwise defined herein, capitalized terms used herein shall have the respective meanings given in the Purchase Agreement.

Section 1.2 Certain Terms

As used herein, the following terms have the following meanings:

"Accounts" means all rights of the Maker to payment of monetary obligations, including rights to payment for goods sold, leased, licensed, assigned or otherwise disposed of; all rights to payment for services rendered or to be rendered; all rights under contracts and all sums of money or other proceeds due or becoming due thereon, and the Maker's rights pertaining to and interest in such goods; all other rights and claims to the payment of money, under contracts or otherwise; and all other property constituting "accounts" or "contract rights" as such terms are defined in the Uniform Commercial Code.

"Collateral" is defined in Article 2 below.

"Contract Rights" means all rights of the Maker under all documents and instruments, including without limitation (i) all rights to payment, (ii) all rights to make elections, and (iii) all rights to exercise remedies.

"Equipment" means all machinery, equipment and fixtures, office furniture, furnishings and trade fixtures, specialty tools and parts, motor vehicles and materials handling equipment of the Maker, together with the Maker's interest in, and right to, any and all manuals, computer programs, data bases and other materials relating to the use, operation or structure of any of the foregoing; and all other property constituting "equipment" as such term is defined in the Uniform Commercial Code.

"Event of Default" is defined in Article 6 below.

"General Intangibles" means all Intellectual Property and all and other evidence of proprietary information (including, without limitation, all computer programs and electronic data processing materials), all software, customer surveys, advertising materials, logos, marketing materials, jingles, market analyses, manuals or operational procedures, designs, programming and engineering logs, together with any object, source, access or other codes, and any rights of the Maker to retrieval from third parties of electronically processed information relating to any of the foregoing types of property; and all other property constituting "general intangibles" as such term is defined in the Uniform Commercial Code.

"Goods" means all things that are movable, including fixtures, computer programs and all other property constituting "goods" as defined in the Uniform Commercial Code.

"Intellectual Property" means (a) all tradenames, tradename applications, trademarks, trademark applications, servicemarks, servicemark applications, patents, patent applications, copyrights, and copyright applications, in each case whether owned or licensed, (b) all reissues, continuations and extensions of the foregoing, (c) all goodwill of the business connected with the use of, and symbolized by, each of the foregoing, and (d) all products and proceeds of the foregoing, including, without limitation, any claim by the Maker against third parties for past, present or future (i) infringement of any patent, (ii) infringement or dilution of any trademark, (iii) injury to the goodwill associated with any trademark, and (iv) infringement of any copyright.

"Inventory" means all goods, merchandise and other personal property (including warehouse receipts and other negotiable and non-negotiable documents of title covering any such property) of the Maker that are held for sale, lease or other disposition, or for display or demonstration, or leased or consigned, or that are raw materials, piece goods, work in process or materials used or consumed or to be used or consumed in the Maker's business, whether in transit or in the possession of the Maker or another person or entity, including without limitation all goods covered by purchase orders and contracts with suppliers and all goods billed and held by suppliers and goods located on the premises of any carriers, forwarding agents, truckers, warehousemen, vendors, selling agents or other third parties; all proprietary rights, patents, plans, drawings, diagrams, schematics, assembly and display materials relating to any of the foregoing; and all other property constituting "inventory" as such term is defined in the Uniform Commercial Code.

"Lien" means any mortgage, pledge, security interest, lien or other charge or encumbrance of any kind or nature upon or with respect to any property.

"Necessary Endorsement" means undated stock powers endorsed in blank or other proper instruments of assignment duly executed and such other instruments or documents as the Secured Party may reasonably request.

"Obligation(s)" means all of the liabilities and obligations (primary, secondary, direct, contingent, sole, joint or several) due or to become due, or that are now or may be hereafter contracted or acquired, or owing, of the Maker and/or any Domestic Subsidiary to the Secured Party, whether now or hereafter existing, voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from the Secured Party as a preference, fraudulent transfer or otherwise as such obligations may be amended, supplemented, converted, extended or modified from time to time. Without limiting the generality of the foregoing, the term "Obligations" shall include, without limitation: (i) principal of, and interest on, the Notes and the loans extended pursuant thereto; (ii) any and all other fees, indemnities, costs, obligations and liabilities of the Maker and/or any Domestic Subsidiary from time to time under or in connection with this Agreement, the Notes, the Warrants, any other Transaction Document, and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith; (iii) all amounts (including but not limited to post-petition interest) in respect of the foregoing that would be payable but for the fact that the obligations to pay such amounts are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Maker; and (iv) all amounts due to the Secured Party under the Notes.

"Organizational Documents" means, with respect to the Maker, the documents by which the Maker was organized (such as a certificate of incorporation, certificate of limited partnership or articles of organization, and including, without limitation, any certificates of designation for preferred stock or other forms of preferred equity) and which relate to the internal governance of the Maker (such as bylaws, a partnership agreement or an operating, limited liability or members agreement).

"Permitted Liens" shall have the meaning assigned to such term in the Purchase Agreement.

"Pledged Securities" shall have the meaning ascribed to such term in Section 4.5 below.

"Prohibited Actions" means: (a) any sale, transfer, assignment, mortgage, pledge, lease, grant of a security interest in, or any other encumbrance of all or any portion of the Pledged Securities to any person or entity other than the Secured Party without the express written consent of the Secured Party; and (b) any vote of all or any portion of the Pledged Securities now held or hereafter acquired by the Maker to authorize or approve any of the following without the express written consent of the Secured Party, which consent may be withheld in the Secured Party' s sole and absolute discretion: (1) any increase in the number of shares of securities that any subsidiary of the Maker shall be authorized to issue; (2) any issuance of any shares of securities of any subsidiary of the Maker; and/or (3) the creation of any new classes or series of securities by any subsidiary of the Maker.

"Transaction Documents" means and includes the Notes, the Purchase Agreement, the Warrants, the IP Security Agreement, the Negative Covenant Agreement, this Agreement, the "Transaction Documents" defined in the Purchase Agreement, and all documents and instruments executed and delivered in connection therewith, in each case, as amended, restated, supplemented or otherwise modified.

"Uniform Commercial Code" or "UCC" means the Uniform Commercial Code as in effect in the State of New York.

Section 1.3 UCC Terms

As used herein, each of the following terms, whether or not capitalized, has the meaning specified in the Uniform Commercial Code: (a) Chattel Paper; (b) Commercial Tort Claim; (c) Deposit Account; (d) Documents; (e) Electronic Chattel Paper; (f) Instruments; (g) Investment Property; (h) Letter of Credit Right; and (i) Securities.

ARTICLE 2 - Grant

As an inducement for the Secured Party to extend the loans evidenced by the Notes and to secure the payment and performance of the Obligations, the Maker hereby assigns and pledges to the Secured Party all of the Maker's rights, title and interest in, and grants to the Secured Party a continuing security interest in: (a) all personal property and fixtures of every kind and nature, whether now owned or hereafter arising or acquired by the Maker, including, without limitation, all Accounts, Chattel Paper, Commercial Tort Claims, Contract Rights, Deposit Accounts, Documents, Electronic Chattel Paper, Equipment, General Intangibles, Goods, Instruments, Investment Property, Inventory, Letter of Credit Rights, Securities, furniture, fixtures, machinery, motor vehicles, appliances, tools, contracts, all policies of insurance, as well as any proceeds and unearned premiums pertaining to such policies, insurance refund claims and all other insurance claims and proceeds, all monies, all management contracts, all contract rights, chattel paper, all files, records, books of accounts, business papers, all franchise or similar distribution rights or agreements, and all permits, licenses and agreements of any kind or nature pursuant to which the Maker possesses, uses or has authority to possess or use property (whether tangible or intangible) of others or others possess, use or have authority to possess or use property (whether tangible or intangible) of the Maker, all proceeds and rights from any franchise agreement or distribution agreement, in each case whether now owned or hereafter arising; and (b) all additions, accessions, accessories, amendments, attachments, modifications, substitutions, and replacements, proceeds and products of any of the foregoing (all of the foregoing, collectively the "Collateral").

Notwithstanding anything to the contrary contained herein, the Maker hereby pledges to the Secured Party the Securities constituting all equity of the Domestic Subsidiaries.

ARTICLE 3 - Delivery of Certain Collateral

Contemporaneously with or prior to the execution of this Agreement, the Maker shall deliver or cause to be delivered to the Secured Party (a) any and all certificates and other instruments representing or evidencing the Pledged Securities, and (b) any and all certificates and other instruments or documents representing any of the other Collateral, in each case, together with all Necessary Endorsements. The Maker is, contemporaneously with the execution hereof, delivering to the Secured Party, or has previously delivered to the Secured Party, a true and correct copy of each Organizational Document governing any of the Pledged Securities.

ARTICLE 4 - Representations, Warranties and Covenants

The Maker represents and warrants to, and covenants and agrees with, the Secured Party as follows, each of which representations, warranties and covenants shall be continuing and in force so long as any Obligations remain outstanding:

Section 4.1 Ownership and Location of Collateral; Absence of Liens and Restrictions

The Maker is the sole legal and equitable owner of the Collateral pledged by the Maker hereunder, holding good and marketable title to the same free and clear of all Liens except for the security interests granted hereunder and Permitted Liens, and has legal power and authority to execute, deliver and perform its obligations hereunder, and to collaterally assign, deliver and create a security interest in the Collateral in the manner herein contemplated. Except for the restrictions set forth herein and in the Notes and as may exist in respect of the Permitted Liens, the Collateral is not subject to any restriction that would prohibit or restrict the assignment, delivery or creation of the security interests contemplated hereunder.

The Maker represents and warrants to the Secured Party that Schedule 4.1 hereto lists all Intellectual Property of the Maker, that this Agreement is effective to create a valid and continuing lien on and, upon the filing hereof with the United States Patent and Trademark Office and the United States Copyright Office and the filing of appropriate financing statements, perfected security interests in favor of the Secured Party in all of the Maker's Intellectual Property and such perfected security interests are enforceable as such as against any and all creditors of, and purchasers from, the Maker. Upon filing of this Agreement with the United States Patent and Trademark Office and the United States Copyright Office and the filing of appropriate financing statements, all action necessary or desirable to protect and perfect the Secured Party's lien on all of the Maker's Intellectual Property shall have been duly taken. The Maker represents and warrants to the Secured Party that, other than such consents as have been delivered to the Secured Party, no consent of any person or entity is required in connection with the grant to the Secured Party of a security interest in the Collateral hereunder.

Section 4.2 Legal, Valid and Binding Agreement; No Conflicts

The execution, delivery and performance by the Maker of this Agreement and the filings contemplated herein have been duly authorized by all necessary action on the part of the Maker and no further action is required. This Agreement has been duly executed by the Maker. This Agreement constitutes the legal, valid and binding obligation of the Maker, enforceable against the Maker in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar laws of general application relating to or affecting the rights and remedies of creditors and by general principles of equity.

The execution, delivery and performance of this Agreement by the Maker does not (i) violate any of the provisions of any Organizational Documents of the Maker or any judgment, decree, order or award of any court, governmental body or arbitrator or any applicable law, rule or regulation applicable to the Maker or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing any of the Maker's debt or otherwise) or other understanding to which the Maker is a party or by which any property or asset of the Maker is bound or affected. If any, all required consents (including, without limitation, from stockholders or creditors of the Maker) necessary the Maker to enter into and perform its obligations hereunder have been obtained.

Section 4.3 First Priority Security Interest

This Agreement, together with the filing of Uniform Commercial Code financing statements in the office of the Secretary of State of Nevada, the Maker's state of formation, creates a valid and continuing first lien on and perfected security interest in the Collateral (except for property located in the United States in which a security interest may not be perfected by filing under the Uniform Commercial Code), prior to all other Liens (other than Permitted Liens), and is enforceable as such against creditors of the Maker, any owner of the real property where any of the Collateral is located, any purchaser of such real property and any present or future creditor obtaining a lien on such real property. The Maker has received no written claim that any Collateral, or Maker's use of any Collateral, violates the rights of any third party. There has been no adverse decision to the Maker's claim of ownership rights in or exclusive rights to use the Collateral in any jurisdiction or to the Maker's right to keep and maintain such Collateral in full force and effect, and there is no proceeding involving said rights pending or, to the best knowledge of the Maker, threatened before any court, judicial body, administrative or regulatory agency, arbitrator or other governmental authority.

Section 4.4 Sales and Further Liens

The Maker shall not grant to permit to exist any Liens on any of the Collateral other than Permitted Liens. The Maker shall not sell, grant, assign or transfer any interest in, any of the Collateral to any person or entity other than the Secured Party. The Maker shall defend its title to and the Secured Party's interest in the Collateral against all material and adverse claims and take any action necessary to remove any Liens other than Permitted Liens.

Section 4.5 Pledged Securities

The capital stock and other equity interests pledged to the Secured Party hereunder (the "Pledged Securities") represent all of the capital stock and other equity interests in and to the Domestic Subsidiaries, and represent all capital stock and other equity interests owned, directly or indirectly, by the Maker, except for capital stock and other equity interests owned, directly or indirectly, by the Maker with respect to VistaStem Canada, Inc., an entity formed under the laws of the province of Ontario (the "Canadian Subsidiary").

The Canadian Subsidiary does not have any assets and does not conduct any operations.

All of the Pledged Securities are validly issued, fully paid and non-assessable, and the Maker is the legal and beneficial owner of the Pledged Securities, free and clear of any lien, security interest or other encumbrance except for the security interests created by this Agreement and other Permitted Liens. The Maker shall cause the pledge and security interest of the Secured Party to be duly noted in its corporate books and records. The Maker shall vote the Pledged Securities to comply with the covenants and agreements set forth herein and in the Transaction Documents.

The Maker agrees that it shall not take any Prohibited Actions with respect to the Pledged Securities.

Section 4.6 Inspection; Verification of Accounts

The Maker shall at all reasonable times and upon reasonable notice allow the Secured Party to examine, inspect or make extracts from or copies of the Maker's books and records, inspect the Collateral and arrange for verification of Accounts constituting Collateral directly with the Maker's accountants, and, upon and after any Event of Default, the account obligors and account debtors or by other methods.

Section 4.7 Accounts: Collection and Delivery of Proceeds

The Maker shall diligently collect all of its Accounts until such time as an Event of Default has occurred and is continuing and during which the Secured Party exercises its rights to collect the Accounts pursuant to this Agreement. After the occurrence and during the continuance of an Event of Default, the Maker shall, at the request of the Secured Party, notify account debtors of the security interest of the Secured Party in any Account and that payment thereof is to be made directly to the Secured Party. After the occurrence and during the continuance of an Event of Default, upon request of the Secured Party, any proceeds of Accounts or inventory received by the Maker, whether in the form of cash, checks, notes or other instruments, shall be held in trust for the Secured Party and the Maker shall deliver said proceeds daily to the Secured Party, without commingling, in the identical form received (properly endorsed or assigned where required to enable the Secured Party to collect the same).

Section 4.8 Equipment and Inventory; Insurance

The Maker shall keep the Collateral insured at all times by insurance in such form and amounts as may be reasonably satisfactory to the Secured Party, and in any event (without specific request by the Secured Party) will insure the Collateral, with financially sound and reputable insurance companies, in such amounts and against such risks, and with such deductibles, as in each case are customarily maintained by companies engaged in the same or similar businesses, owning similar properties and operating in the same or similar locations. The Secured Party shall be named as loss payee (in the case of property insurance) or additional insured (in the case of liability insurance), as applicable.

Section 4.9 Equipment and Inventory: Maintenance and Use, Payment of Taxes

The Maker shall keep the Collateral in good order and repair, ordinary wear and tear and damage by casualty excepted and except where the failure to do so could not reasonably be expected to have a material adverse effect on the business, condition (financial or otherwise) or prospects of the Maker, and will not use the same in violation of law or any policy of insurance thereon, and will pay promptly when due all material taxes and assessments on the Collateral or on its use or operation, except (a) taxes, assessments and governmental charges the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to the Maker and with respect to which adequate reserves have been set aside on its books and (b) taxes, assessments and governmental charges for which a valid extension to file the applicable tax returns or other required documentation, if any, have been granted.

Section 4.10 Name or Organizational Change.

The Maker shall not change its place of organization, name, identity, organizational structure, chief executive office or place where its business records are kept, or merge into or consolidate with any other entity, unless the Maker shall have given the Secured Party at least 30 days' prior written notice thereof and shall have delivered to the Secured Party such new Uniform Commercial Code financing statements, shall have filed such records with the United States Patent and Trademark Office, and shall have delivered such other documents and instruments and taken such other actions as may be reasonably necessary or required by the Secured Party to ensure the continued perfection and priority of the security interests granted by this Agreement.

Section 4.11 Deposit Accounts

For each deposit account that the Maker opens or maintains at any time, the Maker shall, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (i) cause the depositary bank to agree to comply, without further consent of the Maker, at any time with instructions from the Secured Party to such depositary bank directing the disposition of funds from time to time credited to such deposit account, or (ii) arrange for the Secured Party to become the customer of the depositary bank with respect to the deposit account, with the Maker being permitted, only with the consent of the Secured Party, to exercise rights to withdraw funds from such deposit account. The Secured Party agrees with the Maker that the Secured Party shall not give any such instructions or withhold any withdrawal rights from the Maker, unless an Event of Default (as defined below) has occurred and is continuing. The provisions of this paragraph shall not apply to (x) any deposit account for which the Maker, the depositary bank and the Secured Party have entered into a cash collateral agreement specially negotiated by the Maker, the depositary bank and the Secured Party for the specific purpose set forth therein, (y) a deposit account for which the Secured Party is the depositary bank and is in automatic control, and (z) any deposit accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of the Maker's salaried employees.

Section 4.12 Investment Property

If the Maker shall at any time hold or acquire any certificated securities, the Maker shall forthwith endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify. If any securities now or hereafter acquired by the Maker are un-certificated and are issued to the Maker or its nominee directly by the issuer thereof, the Maker shall immediately notify the Secured Party thereof and, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (i) cause the issuer to agree to comply, without further consent of the Maker or such nominee, at any time with instructions from the Secured Party as to such securities, or (ii) arrange for the Secured Party to become the registered owner of the securities. If any securities, whether certificated or un-certificated, or other investment property now or hereafter acquired by the Maker are held by the Maker or its nominee through a securities intermediary or commodity intermediary, the Maker shall immediately notify the Secured Party thereof and, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (y) cause such securities intermediary or (as the case may be) commodity intermediary to agree to comply, in each case without further consent of the Maker or such nominee, at any time with entitlement orders or other instructions from the Secured Party to such securities intermediary as to such securities or other investment property, or (as the case may be) to apply any value distributed on account of any commodity contract as directed by the Secured Party to such commodity intermediary, or (z) in the case of financial assets or other investment property held through a securities intermediary, arrange for the Secured Party to become the entitlement holder with respect to such investment property, with the Maker being permitted, only with the consent of the Secured Party, to exercise rights to withdraw or otherwise deal with such investment property. The Secured Party agrees with the Maker that the Secured Party shall not give any such entitlement orders or instructions or directions to any such issuer, securities intermediary or commodity intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by the Maker, unless an Event of Default has occurred and is continuing. The provisions of this paragraph shall not apply to any financial assets credited to a securities account for which the Secured Party is the securities intermediary.

Section 4.13 Collateral in the Possession of a Bailee

If any Collateral is at any time in the possession of a bailee, the Maker shall promptly notify the Secured Party thereof and, at the Secured Party's request and option, shall promptly obtain an acknowledgement from the bailee, in form and substance satisfactory to the Secured Party, that the bailee holds such Collateral for the benefit of the Secured Party and such bailee's agreement to comply, without further consent of the Maker, at any time with instructions of the Secured Party as to such Collateral. The Secured Party agrees with the Maker that the Secured Party shall not give any such instructions unless an Event of Default has occurred and is continuing or would occur after taking into account any action by the Maker with respect to the bailee.

Section 4.14 Electronic Chattel Paper

If the Maker at any time holds or acquires an interest in any electronic chattel paper, the Maker shall promptly notify the Secured Party thereof and, at the request and option of the Secured Party, shall take such action as the Secured Party may reasonably request to vest in the Secured Party control, under the UCC, of such electronic chattel paper. The Secured Party agrees with the Maker that the Secured Party will arrange, pursuant to procedures satisfactory to the Secured Party amid so long as such procedures will not result in the Secured Party's loss of control, for the Maker to make alterations to the electronic chattel paper permitted under the UCC for a party in control to make without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by the Maker with respect to such electronic chattel paper.

Section 4.15 Letter-of-Credit Rights

If the Maker is at any time a beneficiary under a letter of credit now or hereafter, the Maker shall promptly notify the Secured Party thereof and, at the request and option of the Secured Party, the Maker shall, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (i) arrange for the issuer and any confirmer or other nominated person of such letter of credit to consent to an assignment to the Secured Party of the proceeds of the letter of credit or (ii) arrange for the Secured Party to become the transferee beneficiary of the letter of credit, with the Secured Party agreeing, in each case, that the proceeds of the letter to credit are to be applied to payment of the Obligations.

Section 4.16 Commercial Tort Claims

If the Maker shall at any time hold or acquire a Commercial Tort Claim, the Maker shall promptly notify the Secured Party in a writing signed by the Maker of the particulars thereof and grant to the Secured Party in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Secured Party.

Section 4.17 Other Actions as to any and all Collateral

The Maker further agrees, upon request of the Secured Party and at the Secured Party's option, to take any and all other actions as the Secured Party may determine to be necessary or useful for the attachment, perfection and first priority of, and the ability of the Secured Party to enforce, the Secured Party's security interest in any and all of the Collateral, including, without limitation, (i) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the UCC, to the extent, if any, that the Maker's signature thereon is required therefor, (ii) causing the Secured Party's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of the Secured Party to enforce, the Secured Party's security interest in such Collateral, (iii) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of the Secured Party to enforce, the Secured Party's security interest in such Collateral, (iv) obtaining governmental and other third party waivers, consents and approvals in form and substance satisfactory to the Secured Party, including, without limitation, any consent of any licensor, lessor or other person obligated on Collateral, (v) obtaining waivers from mortgagees and landlords in form and substance satisfactory to the Secured Party and (vi) taking all actions under any earlier versions of the UCC or under any other law, as reasonably determined by the Secured Party to be applicable in any relevant UCC or other jurisdiction, including any foreign jurisdiction.

At any time and from time to time that any Collateral consists of instruments, certificated securities or other items that require or permit possession by the Secured Party to perfect the security interest created hereby, the Maker shall deliver such Collateral to the Secured Party.

The Maker, in its capacity as issuer, hereby agrees to comply with any and all orders and instructions of the Secured Party regarding the Pledged Securities consistent with the terms of this Agreement without the further consent of the Maker as contemplated by Section 8-106 (or any successor section) of the UCC. Further, the Maker agrees that it shall not enter into a similar agreement (or one that would confer "control" over any Collateral within the meaning of Article 8 and Article 9 of the UCC) with any person or entity other than the Secured Party.

If there is any investment property or deposit account included as Collateral that can be perfected by "control" through an account control agreement, the Maker shall cause such an account control agreement, in form and substance in each case satisfactory to the Secured Party, to be entered into and delivered to the Secured Party.

Section 4.18 Material Adverse Change in the Collateral

The Maker shall, within five (5) days of obtaining knowledge thereof, advise the Secured Party promptly, in sufficient detail, of any material adverse change in the Collateral, and of the occurrence of any event which would have a material adverse effect on the value of the Collateral or on the Secured Party's security interest therein.

Section 4.19 Future Subsidiaries

With regard to each future subsidiary ("Future Subsidiary") of the Maker with operations or material operations (which, if in doubt, shall be in the sole determination of the Secured Party), the Maker shall immediately deliver to the Secured Party all certificates held by the Maker representing equity interests in in such Future Subsidiary, and such securities shall constitute "Pledged Securities" hereunder.

Section 4.20 Intellectual Property

4.20.1 The Maker shall notify the Secured Party immediately if it knows or has reason to know that any application or registration relating to any Intellectual Property (now or hereafter existing) may become abandoned or dedicated, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court) regarding the Maker's ownership of any Intellectual Property, its right to register the same, or to keep and maintain the same. Notwithstanding the foregoing, nothing in this Agreement shall obligate the Maker to notify the Secured Party in the event of an objection, refusal, rejection or any other adverse determination or development (collectively, a "Development") in a pending application for any patent, trademark or copyright where such Development does not result in the final and non-appealable loss of rights in such pending application.

4.20.2 In no event shall the Maker, either directly or through any agent, employee, licensee or designee, file an application for any patent or the registration of any trademark or copyright with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency without promptly thereafter giving the Secured Party written notice thereof, and, upon request of the Secured Party, the Maker shall execute and deliver a supplement hereto (in form and substance satisfactory to the Secured Party) to evidence the Secured Party's lien on such patent, trademark or copyright, and the General Intangibles of the Maker relating thereto or represented thereby.

4.20.3 The Maker shall take all actions necessary or reasonably requested by the Secured Party to (i) maintain and pursue each application, to obtain the relevant registration and to maintain the registration of each of the trademarks (now or hereafter existing), including the filing of applications for renewal, affidavits of use, affidavits of noncontestability and opposition and interference and cancellation proceedings and (ii) prosecute to allow applications for patents and maintain the patents (now or hereafter existing). Notwithstanding anything to the contrary in this Agreement, the Maker shall not be under any obligation to continue the prosecution of any application for a patent or any application to register a trademark when it has a commercially reasonable belief that it will be unsuccessful in its efforts to obtain a registration for such trademark or obtain commercially meaningful claims for such patent.

4.20.4 In the event that any Intellectual Property is infringed upon, misappropriated or diluted by a third party, the Maker shall notify the Secured Party promptly after the Maker learns thereof. The Maker shall, unless its board of directors shall reasonably determine that such infringement of such Intellectual Property is either not material to the conduct of its business or operations, or is otherwise not in the best interests of the Maker and its shareholders, (i) promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and (ii) take such other actions as the Secured Party shall deem appropriate under the circumstances to protect such Intellectual Property.

Section 4.21 Indebtedness

The Maker shall not, and shall not permit any Domestic Subsidiary to, directly or indirectly create, incur, assume, guarantee, or otherwise become or remain liable with respect to any material Indebtedness, except for (i) "Permitted Indebtedness" as defined in the Purchase Agreement with respect to the Maker, and (ii) "Permitted Indebtedness" as defined in the Negative Covenant Agreement with respect to the Domestic Subsidiaries.

Section 4.22 Further Assurances

Upon the written request of the Secured Party, and at the sole expense of the Maker, the Maker shall promptly execute and deliver such further instruments and documents and take such further actions as the Secured Party reasonably may deem desirable to obtain the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, filing of any financing statement under the Uniform Commercial Code, execution of assignments of General Intangibles, transfer of Collateral (other than inventory, accounts and equipment) to the Secured Party's possession where the Secured Party's possession is necessary to perfect the Security Interest granted herein; provided, however, that prior to the occurrence of an Event of Default, the Maker shall be entitled to retain such Collateral as otherwise permitted herein. The Maker authorizes the Secured Party to file one or more financing statements which may describe the Collateral as "all assets", and to file a copy of this Agreement in lieu of a financing statement, in such places and with such governmental offices as the Secured Party reasonably determines to be appropriate or advisable. The Maker authorizes the Secured Party to record the Secured Party's security interest in the Collateral with the United States Patent and Trademark Office and to supplement such recording from time to time. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument in an amount in excess of $10,000, such note or instrument shall be, upon the Secured Party's request, delivered to the Secured Party, duly endorsed in a manner satisfactory to it, unless such item is in the process of collection in the ordinary course of business.

ARTICLE 5 - Secured Party's Rights With Respect To Collateral

Section 5.1 Secured Party's Rights

The Secured Party may, at any time upon and after an Event of Default, and during the continuation thereof, at its option and, whether or not the Obligations are due, without notice or demand on the Maker, take the following actions with respect to the Collateral:

5.1.1 with respect to any Accounts (i) notify account debtors of the security interest of the Secured Party in such Accounts and that payment thereof is to be made directly to the Secured Party; (ii) demand, collect, and provide receipt for any amounts relating thereto, as the Secured Party may determine; (iii) commence and prosecute any actions in any court for the purposes of collecting any such Accounts and enforcing any other rights in respect thereof; (iv) defend, settle or compromise any action brought and, in connection therewith, give such discharges or releases as the Secured Party may deem appropriate; (v) receive, open and dispose of mail addressed to the Maker and endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing payment, shipment or storage of the goods giving rise to such Accounts or securing or relating to such Accounts, on behalf of and in the name of the Maker; and (vi) sell, assign, transfer, make any agreement in respect of, or otherwise deal with or exercise rights in respect of, any such Accounts or the goods or services which have given rise thereto, as fully and completely as though the Secured Party were the absolute owner thereof for all purposes; and

5.1.2 with respect to any equipment and inventory (i) make, adjust and settle claims under any insurance policy related thereto and place and pay for appropriate insurance thereon; (ii) discharge taxes and other Liens at any time levied or placed thereon; (iii) make repairs or provide maintenance with respect thereto; and (iv) pay any necessary filing fees and any taxes arising as a consequence of any such filing. The Secured Party shall have no obligation to make any such expenditures nor shall the making thereof relieve the Maker of its obligation to make such expenditures.

Except as otherwise provided herein, the Secured Party shall have no duty as to the collection or protection of the Collateral nor as to the preservation of any rights pertaining thereto, beyond the safe custody of any Collateral in its possession.

ARTICLE 6 - Defaults

Section 6.1 Events of Default

The occurrence of any one or more of the following events shall constitute an "Event of Default" under this Agreement:

6.1.1 Payments. If, after the expiration of any applicable cure period, (a) any payment under the Notes is not punctually paid in full when due and payable, or (b) any payment under any Obligation is not punctually paid in full when due and payable.

6.1.2 Covenants. If the Maker fails to perform or observe any covenant or agreement (other than as referred to in Section 6.1.1 above) contained in this Agreement, and such failure remains un-remedied for the earlier of ten (10) days after (a) the Secured Party gives written notice thereof to the Maker or (b) the Maker becomes aware of such failure.

6.1.3 Validity Of Documents. If (a) any material provision, in the sole opinion of Secured Party, of any Transaction Document shall at any time for any reason cease to be valid, binding and enforceable against the Maker; (b) the validity, binding effect or enforceability of any Transaction Document against any party other than the Secured Party shall be contested; or (c) any Transaction Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or, the result of which in any way ceases to give or provide to Secured Party the benefits purported to be created thereby.

6.1.4 Transaction Documents. If any "Event of Default" shall have occurred under and as defined in any Transaction Document.

ARTICLE 7 - Secured Party's Rights and Remedies

Section 7.1 Rights of Secured Party Upon an Event of Default

So long as any Event of Default shall have occurred and is continuing:

7.1.1 the Secured Party may, at its option, without notice or demand, cause all of the Obligations to become immediately due and payable in accordance with the Notes and take immediate possession of the Collateral, and for that purpose the Secured Party may, so far as the Maker can give authority therefor, enter upon any premises on which any of the Collateral is situated and remove the same therefrom or remain on such premises and in possession of such Collateral for purposes of conducting a sale or enforcing the rights of the Secured Party;

7.1.2 the Maker will, upon demand, assemble the Collateral and make it available to the Secured Party at a place and time designated by the Secured Party that is reasonably convenient to both parties;

7.1.3 the Secured Party may collect and receive all income and proceeds in respect of the Collateral and exercise all rights of the Maker and perform any of the Maker's obligations hereunder with respect thereto, all without liability except to account for property actually received (but the Secured Party shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing);

7.1.4 the Secured Party may sell, lease or otherwise dispose of the Collateral at a public or private sale, with or without having the Collateral at the place of sale, and upon such terms and in such commercially reasonable manner as the Secured Party may determine, and the Secured Party may purchase any Collateral at any such sale. Unless the Collateral threatens to decline rapidly in value or is of the type customarily sold on a recognized market, the Secured Party shall send to the Maker prior written notice (which, if given at least ten (10) days prior to any sale, shall be deemed to be reasonable) of the time and place of any public sale of the Collateral or of the time after which any private sale or other disposition thereof is to be made. The Maker agrees that upon any such sale the Collateral shall be held by the purchaser free from all claims or rights of every kind and nature, including any equity of redemption or similar rights, and all such equity of redemption and similar rights are hereby expressly waived and released by the Maker. In the event any consent, approval or authorization of any governmental agency is necessary to effectuate any such sale, the Maker shall execute all applications or other instruments as may be required; and

7.1.5 in any jurisdiction where the enforcement of its rights hereunder is sought, the Secured Party shall have, in addition to all other rights and remedies provided for in its loan documentation, the rights and remedies of a Secured Party under the Uniform Commercial Code.

Section 7.2 Rights of Secured Party Prior to Disposition of Collateral

Prior to any disposition of Collateral pursuant to this Agreement the Secured Party may, at its option, cause any of the Collateral to be repaired or reconditioned in such manner and to such extent as to make it saleable.

Section 7.3 Grant of License to Secured Party

For purposes of Section 7.1 above, upon an Event of Default, the Secured Party is hereby granted a license or other right to use, without charge, the Maker's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any property of a similar nature, in each case, which constitutes and relates to the Collateral, in completing production of, advertising for sale and selling any Collateral; and subject to limitations contained therein, the Maker's rights under all licenses and all franchise agreements constituting Collateral shall inure to the Secured Party's benefit.

Section 7.4 Application of Proceeds

The Secured Party shall be entitled to retain and to apply the proceeds of any disposition of the Collateral, first, to its reasonable expenses of retaking, holding, protecting and maintaining, and preparing for disposition and disposing of, the Collateral, including attorneys' fees and other legal expenses incurred by it in connection therewith; and second, to the payment of the Obligations in such order of priority as provided in the Notes. Any surplus remaining after such application shall be paid to the Maker or to whomever may be legally entitled thereto, provided that in no event shall the Maker be credited with any part of the proceeds of the disposition of the Collateral until such proceeds shall have been received in cash by the Secured Party. The Maker shall remain liable for any deficiency.

Section 7.5 Remedies are Cumulative

The remedies in this Section are in addition to, not in limitation of, any other right, power, privilege, or remedy, either in law, in equity, or otherwise, to which the Secured Party may be entitled. No failure or delay on the part of the Secured Party in exercising any right, power, or remedy will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right hereunder. The remedies in this Agreement are in addition to, not in limitation of, any other right, power, privilege, or remedy, either in law, in equity, or otherwise, to which the Secured Party may be entitled. All Secured Party's rights and remedies, whether evidenced by this Agreement or by any other agreement, instrument or document shall be cumulative and may be exercised singularly or concurrently.

Section 7.6 Default Rate

Until paid, all amounts due and payable by the Maker hereunder shall be a debt secured by the Collateral and shall bear, whether before or after judgment, interest at the Default Rate (as that term is defined in the Notes).

Section 7.7 Commercial Reasonableness

To the extent that applicable law imposes duties on the Secured Party to exercise remedies in a commercially reasonable manner, the Maker acknowledges and agrees that it is not commercially unreasonable for the Secured Party (i) to fail to incur expenses reasonably deemed significant by the Secured Party to prepare Collateral for disposition or otherwise to fail to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against account debtors or other persons obligated on Collateral or to fail to remove liens or encumbrances on or any adverse claims against Collateral, (iv) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other persons, whether or not in the same business as the Maker, for expressions of interest in acquiring all or any portion of the Collateral, (vi) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (vii) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (viii) to dispose of assets in wholesale rather than retail markets, (ix) to disclaim disposition warranties, (x) to purchase insurance or credit enhancements to insure the Secured Party against risks of loss, collection or disposition of Collateral or to provide to the Secured Party a guaranteed return from the collection or disposition of Collateral, or (xi) to the extent deemed appropriate by the Secured Party, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Secured Party in the collection or disposition of any of the Collateral. Each Maker acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by the Secured Party would fulfill the Secured Party's duties under the UCC in the Secured Party's exercise of remedies against the Collateral and that other actions or omissions by the Secured Party shall not be deemed to fail to fulfill such duties solely on account of not being indicated in this Section. Without limitation upon the foregoing, nothing contained in this Section shall be construed to grant any rights to the Maker or to impose any duties on the Secured Party that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

ARTICLE 8 - Waivers

Except as required by applicable law and cannot be waived, the Maker waives presentment, demand, notice, protest, notice of acceptance of this Agreement, notice of any loans made, credit or other extensions granted, collateral received or delivered or any other action taken in reliance hereon and all other demands and notices of any description, except for such demands and notices as are expressly required to be provided to the Maker under this Agreement or any other document evidencing the Obligations. With respect to both the Obligations and the Collateral, the Maker assents to any extension or postponement of the time of payment or any other forgiveness or indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromise or adjustment of any thereof, all in such manner and at such time or times as the Secured Party reasonably may deem advisable. The Secured Party may exercise its rights with respect to the Collateral without resorting, or regard, to other collateral or sources of reimbursement for Obligations. The Secured Party shall not be deemed to have waived any of its rights with respect to the Obligations or the Collateral unless such waiver is in writing and signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not bar or waive the exercise of any right on any future occasion. All rights and remedies of the Secured Party in the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, are cumulative and not exclusive of any remedies provided by law or any other agreement, and may be exercised separately or concurrently.

ARTICLE 9 - Marshalling

The Secured Party shall not be required to marshal any present or future collateral security (including but not limited to the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of its rights and remedies hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights and remedies, however existing or arising. To the extent that each of them lawfully may, the Maker hereby agrees that each of them will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Secured Party's rights and remedies under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that each of them lawfully may, the Maker hereby irrevocably waive the benefits of all such laws.

ARTICLE 10 - Expenses

The Maker shall, promptly on demand, pay or reimburse the Secured Party for all reasonable expenses (including reasonable attorneys' fees of outside counsel or allocated costs of in house counsel) incurred or paid by the Secured Party in connection with the preparation, negotiation, closing, administration or enforcement of this Agreement, for the Secured Party's on-site periodic examinations of the Collateral, and for any other amounts permitted to be expended by the Secured Party hereunder, including without limitation such expenses as are incurred to preserve the value of the Collateral and the validity, perfection, priority and value of any security interest created hereby and by the IP Security Agreement (including without limitation (a) the costs and expenses of filing financing statements, continuation statements and other UCC forms and amendments, and (b) the costs and expenses of recording the Secured Party's security interest in the Intellectual Property of the Maker and the California Subsidiary with the United States Patent and Trademark Office and the United States Copyright Office), the collection, sale or other disposition of any of the Collateral or the exercise by the Secured Party of any of the rights conferred upon it hereunder. The obligation to pay any such amount shall be an additional Obligation secured hereby and, to the extent permitted by law, each such amount shall bear interest from the time of demand at the highest Default Rate (under and as defined in the Notes).

ARTICLE 11 - Notices

Any demand upon or notice to any Maker that the Secured Party may give shall be effective when delivered by hand, properly deposited in the mails postage prepaid, or sent by electronic facsimile transmission, receipt acknowledged, or delivered to an overnight courier, in each case addressed to the Maker at the address shown on the first page of this Agreement or such other address as the Maker may advise the Secured Party in writing. Any notice by the Maker to the Secured Party shall be given as aforesaid, addressed to the Secured Party at the address shown on the first page of this Agreement or such other address as the Secured Party may advise the Maker in writing.

ARTICLE 12 - Successors and Assigns

This Agreement shall be binding upon the Maker, their successors and assigns, and shall inure to the benefit of and be enforceable by the Secured Party and its successors and assigns. Without limiting the generality of the foregoing sentence, the Secured Party may assign or otherwise transfer any agreement or any note held by it evidencing, securing or otherwise executed in connection with the Obligations, or sell participations in any interest therein, to any other person or entity.

ARTICLE 13 - Miscellaneous

Section 13.1 Amendments

This Agreement may not be amended or modified except by a writing signed by the Maker and the Secured Party, nor may the Maker assign any of its rights hereunder.

Section 13.2 Governing Law

This Agreement and the terms, covenants and conditions hereof shall be construed in accordance with, and governed by, the laws of the State of New York (without giving effect to any conflicts of law provisions contained therein).

Section 13.3 Consent to Jurisdiction

The Maker and the Secured Party (i) hereby irrevocably submits to the exclusive jurisdiction of the United States District Court sitting in the Southern District of New York and the courts of the State of New York located in New York county for the purposes of any suit, action or proceeding arising out of or relating to this Agreement and (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. The Maker and the Secured Party consent to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address of such party first set forth above and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this Section 13.3 shall affect or limit any right to serve process in any other manner permitted by law. The Maker and the Secured Party hereby agrees that the prevailing party in any suit, action or proceeding arising out of or relating to this Agreement shall be entitled to reimbursement for reasonable legal fees from the non-prevailing party.

Section 13.4 Collateral in the Name of the Maker and others

In the event that any Collateral stands in the name of the Maker and another or others jointly, as between the Secured Party and the Maker, the Secured Party may deal with the same for all purposes as if it belonged to or stood in the name of the Maker alone.

Section 13.5 Section Headings

Article and Section headings are for convenience of reference only and are not a part of this Agreement.

Section 13.6 WAIVER OF JURY TRIAL

EACH OF THE MAKER AND THE SECURED PARTY HEREBY WAIVES TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH OR, ARISING OUT OF: (A) THIS SECURITY AGREEMENT OR ANY OTHER INSTRUMENT OR DOCUMENT DELIVERED IN CONNECTION HEREWITH; (B) THE VALIDITY, INTERPRETATION, COLLECTION OR ENFORCEMENT THEREOF; OR (C) ANY OTHER CLAIM OR DISPUTE HOWEVER ARISING BETWEEN THE MAKER AND THE SECURED PARTY IN RESPECT OF THIS AGREEMENT.

ARTICLE 14 - Power of Attorney

Section 14.1 Appointment and Powers of Secured Party

The Maker hereby irrevocably constitutes and appoints the Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of the Maker or in the Secured Party's own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or useful to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of the Maker, without notice to or assent by the Maker, to do the following:

14.1.1 upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise dispose of or deal with any of the Collateral in such manner as is consistent with the UCC and as fully and completely as though the Secured Party were the absolute owner thereof for all purposes, and to do, at the Maker' s expense, at any time, or from time to time, all acts and things which the Secured Party deems necessary or useful to protect, preserve or realize upon the Collateral and the Secured Party's security interest therein, in order to effect the intent of this Agreement, all no less fully and effectively as the Maker might do, including, without limitation, (A) the filing and prosecuting of registration and transfer applications with the appropriate federal, state or local agencies or authorities with respect to trademarks, copyrights and patentable inventions and processes, (B) upon written notice to the Maker, the exercise of voting rights with respect to voting securities, which rights may be exercised, if the Secured Party so elects, with a view to causing the liquidation of assets of the issuer of any such securities and (C) the execution, delivery and recording, in connection with any sale or other disposition of any Collateral, of the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral; and

14.1.2 to file financing statements with respect hereto, with or without the Maker's signature, or a photocopy of this Agreement in substitution for a financing statement, as the Secured Party may deem appropriate and to execute in the Maker's name such financing statements and amendments thereto and continuation statements which may require the Maker's signature.

Section 14.2 Ratification by the Maker

To the extent permitted by law, the Maker hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and is irrevocable.

Section 14.3 No Duty on Secured Party

The powers conferred on the Secured Party hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Secured Party shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Maker for any act or failure to act, except for the Secured Party's own gross negligence or willful misconduct.

Section 14.4 References to "Domestic Subsidiaries" and "Subsidiaries"

In the event that the Maker at any time does not have any subsidiaries, then references herein to "Domestic Subsidiaries" and "subsidiaries" shall be deemed to refer to the Maker.

ARTICLE 15 - Termination

This Agreement and the security interests granted hereunder shall terminate upon payment, in full, of all the Obligations, whereupon the Secured Party shall forthwith cause to be assigned, transferred and delivered, upon the request and at the expense of the Maker, any remaining Collateral to or on the order of the Maker. At the same time Secured Party shall execute and deliver to the Maker, at the Maker's expense, such Uniform Commercial Code termination statements as shall be reasonably requested by the Maker to effect the termination and release of the security interests in favor of the Secured Party affecting the Collateral.

ARTICLE 16 - Amendment and Restatement

Upon the date first written above, this Agreement shall be deemed to amend, restate and replace the Original Security Agreement. All Obligations secured by and under the Original Security Agreement shall be and remain secured under this Agreement. The Maker agrees that with respect to all matters prior to the date first written above, all terms of the Original Security Agreement are ratified and confirmed.

[Signature Page follows]

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be duly executed as of the date first written above.

Maker:

VISTAGEN THERAPEUTICS, INC.

By: /s/ Shawn K. Singh
Name: Shawn K. Singh
Title: Chief Executive Officer

Secured Party

PLATINUM LONG TERM GROWTH VII, LLC

By:/s/ Joan Janczewski
Name: Joan Janczewski
Title: Chief Operating Officer

Schedule 4.1
Intellectual Property

None

Exhibit 10.5

INTELLECTUAL PROPERTY SECURITY AND STOCK PLEDGE AGREEMENT

This INTELLECTUAL PROPERTY SECURITY AND STOCK PLEDGE AGREEMENT (as amended, restated, supplemented or otherwise modified, this "Agreement"), is made as of this 11th day of October, 2012, by and between **VISTAGEN THERAPEUTICS, INC**., a California corporation (the "California Subsidiary") and **PLATINUM LONG TERM GROWTH VII, LLC**, a Delaware limited liability company, with an address of 152 West 57th Street, 4th Floor, New York, New York 10019 (the "Secured Party").

WHEREAS, the California Subsidiary is a wholly owned subsidiary of **VISTAGEN THERAPEUTICS, INC**., a Nevada corporation (the "Parent");

WHEREAS, Artemis Neuroscience, Inc., a Maryland corporation (the "Maryland Subsidiary"), is a wholly owned subsidiary of the California Subsidiary;

WHEREAS, the Parent and the Secured Party are parties to a certain Note Exchange and Purchase Agreement, dated on or about the date hereof (as amended, restated, supplemented or extended from time to time, the "Purchase Agreement"), and the Parent and the Secured Party are parties to an Amended and Restated Security Agreement, dated on or about the date hereof (as may be further amended, restated, supplemented or extended from time to time, the "Security Agreement"), which provide for, among other things: (i) the Secured Party to extend certain loans to or for the account of the Parent; and (ii) the grant by the Parent to the Secured Party of a security interest in all of the Parent's assets;

WHEREAS, the extension of credit by the Secured Party to the Parent will benefit the California Subsidiary;

WHEREAS, in order to induce the Secured Party to extend the loans evidenced by the Notes, the California Subsidiary has agreed to execute and deliver to the Secured Party this Agreement and to grant the Secured Party a security interest in the Collateral (as defined below) to secure the prompt payment, performance and discharge in full of all of the Parent's obligations under the Notes;

WHEREAS, the Secured Party is not willing to enter into the Purchase Agreement unless the Obligations are secured by a pledge and perfected security interest in the Collateral; and

WHEREAS, the California Subsidiary is willing to grant to the Secured Party a security interest in the Collateral to secure the Parent's obligations under the Notes.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the California Subsidiary and the Secured Party agree as follows:

Section 1
Defined Terms

Capitalized terms used herein and not otherwise defined have the respective meanings given in the Purchase Agreement.

"Event of Default" means any Event of Default under and as defined in any Transaction Document.

"Indebtedness" shall have the meaning given in the Purchase Agreement.

"Lien" means any lien, security interest, mortgage, charge, claim or other encumbrance of any kind.

"Necessary Endorsement" means undated stock powers endorsed in blank or other proper instruments of assignment duly executed and such other instruments or documents as the Secured Party may reasonably request.

"Obligations" shall have the meaning given in the Security Agreement.

"Permitted Liens" shall have the meaning given in the Negative Covenant Agreement.

"Prohibited Actions" means: (a) any sale, transfer, assignment, mortgage, pledge, lease, grant of a security interest in, or any other encumbrance of all or any portion of the Pledged Securities to any person or entity other than the Secured Party without the express written consent of the Secured Party; and (b) any vote of all or any portion of the Pledged Securities now held or hereafter acquired by the California Subsidiary to authorize or approve any of the following without the express written consent of the Secured Party, which consent may be withheld in the Secured Party' s sole and absolute discretion: (1) any increase in the number of shares of securities that any subsidiary of the California Subsidiary shall be authorized to issue; (2) any issuance of any shares of securities of any subsidiary of the California Subsidiary; and/or (3) the creation of any new classes or series of securities by any subsidiary of the California Subsidiary.

Section 2
Grant of Security Interest

To secure the complete and timely satisfaction of all of the "Obligations" (as that term is defined in the Security Agreement) of the Parent, the California Subsidiary and the Maryland Subsidiary to the Secured Party, the California Subsidiary hereby grants and conveys to the Secured Party a security interest (having priority over all other security interests) with power of sale, to the extent permitted by law, in all of the following, together with all additions, accessions, accessories, amendments, attachments, modifications, substitutions, and replacements, proceeds and products of the following (all of the foregoing, collectively the "Collateral"):

2.1. All patents and patent applications now owned and hereafter acquired by the California Subsidiary, including, without limitation, all inventions and improvements to all patents and/or patent applications, including without limitation those patents and patent applications listed on Schedule A hereto (all of the foregoing items in this Section 2.1 being sometimes referred to individually and/or collectively, the "Patents");

2.2. All trademarks, registered trademarks and trademark applications, trade names, trade styles, service marks, registered service marks and service mark applications now owned and hereafter acquired by the California Subsidiary, including, without limitation, the registered trademarks, trademark applications, registered service marks and service mark applications listed on Schedule B hereto, all renewals thereof, all accounts receivable, income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past, present or future infringements and dilutions thereof, the right to sue for past, present and future infringements and dilutions thereof, and all of the California Subsidiary's rights corresponding thereto throughout the world (all of the foregoing registered trademarks, trademark applications, trade names, trade styles, registered service marks and service mark applications, together with the items described in this Section 2.2, being sometimes hereinafter individually and/or collectively referred to as the "Trademarks");

2.3. All goodwill of the California Subsidiary's business connected with and symbolized by the Trademarks;

2.4. All copyrights, and copyright applications now owned and hereafter acquired by the California Subsidiary, including without limitation, those copyrights listed in Schedule C hereto (all of the foregoing items in this Section 2.4 being sometimes referred to individually and/or collectively as the "Copyrights"); and

2.5. All of the capital stock and other equity interests in and to the Maryland Subsidiary (the "Pledged Securities").

Section 3
Representations and Warranties of California Subsidiary

The California Subsidiary represents and warrants to the Secured Party that:

3.1. Title

The California Subsidiary is the sole legal and equitable owner of the Collateral pledged by it hereunder, holding good and marketable title to the same free and clear of all Liens except for the security interests granted hereunder, and has legal power and authority to execute, deliver and perform its obligations hereunder, and to collaterally assign, deliver and create a security interest in the Collateral in the manner herein contemplated. The Collateral is not subject to any restriction that would prohibit or restrict the assignment, delivery or creation of the security interests contemplated hereunder.

3.2. Legal, Valid and Binding Agreement; No Conflicts

The execution, delivery and performance by the California Subsidiary of this Agreement and the filings contemplated herein have been duly authorized by all necessary action on the part of the California Subsidiary and no further action is required. This Agreement has been duly executed by the California Subsidiary. This Agreement constitutes the legal, valid and binding obligation of the California Subsidiary, enforceable against the California Subsidiary in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar laws of general application relating to or affecting the rights and remedies of creditors and by general principles of equity.

The execution, delivery and performance of this Agreement by the California Subsidiary does not (i) violate any of the provisions of the Articles of Incorporation or Bylaws of the California Subsidiary or any judgment, decree, order or award of any court, governmental body or arbitrator or any applicable law, rule or regulation applicable to the California Subsidiary or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing any of the California Subsidiary's debt or otherwise) or other understanding to which the California Subsidiary is a party or by which any property or asset of the California Subsidiary is bound or affected.

3.3. First Priority Security Interest

This Agreement, together with the filing of Uniform Commercial Code financing statements in the office of the Secretary of State of California and the recordation of the Secured Party's interest in the Collateral with the United States Patent and Trademark Office creates a valid and continuing first lien on and perfected security interest in the Collateral, prior to all other Liens, and is enforceable as such against creditors of the California Subsidiary. The California Subsidiary has received no written claim that any Collateral, or the California Subsidiary's use of any Collateral, violates the rights of any third party. There has been no adverse decision to the California Subsidiary's claim of ownership rights in or exclusive rights to use the Collateral in any jurisdiction or to the California Subsidiary's right to keep and maintain such Collateral in full force and effect, and there is no proceeding involving said rights pending or, to the best knowledge of the California Subsidiary, threatened before any court, judicial body, administrative or regulatory agency, arbitrator or other governmental authority.

3.4. Pledged Securities

The Pledged Securities represent all of the capital stock and other equity interests in and to the Maryland Subsidiary.

All of the Pledged Securities are validly issued, fully paid and non-assessable, and the California Subsidiary is the legal and beneficial owner of the Pledged Securities, free and clear of any lien, security interest or other encumbrance except for the security interests created by this Agreement and other Permitted Liens. The California Subsidiary shall cause the pledge and security interest of the Secured Party to be duly noted in its corporate books and records. The California Subsidiary shall vote the Pledged Securities to comply with the covenants and agreements set forth herein and in the Transaction Documents.

The Maker agrees that it shall not take any Prohibited Actions with respect to the Pledged Securities.

Section 4
Delivery of Certain Collateral

Contemporaneously with or prior to the execution of this Agreement, the California Subsidiary shall deliver or cause to be delivered to the Secured Party any and all certificates and other instruments representing or evidencing the Pledged Securities, together with all Necessary Endorsements. The California Subsidiary is, contemporaneously with the execution hereof, delivering to the Secured Party, or has previously delivered to the Secured Party, a true and correct copy of each document governing any of the Pledged Securities.

Section 5
Sales and Further Liens

The California Subsidiary shall not grant to permit to exist any Liens on any of the Collateral. The California Subsidiary shall not sell, grant, assign or transfer any interest in, any of the Collateral to any person or entity other than the Secured Party. The California Subsidiary shall defend its title to and the Secured Party's interest in the Collateral against all material and adverse claims and take any action necessary to remove any Liens other Liens in favor of the Secured Party.

Section 6
No Indebtedness

The California Subsidiary shall not enter into, create, incur, assume or suffer to exist any Indebtedness, other than "Permitted Indebtedness" as defined in the Negative Covenant Agreement.

Section 7
Recording of Patents and Trademarks

The California Subsidiary represents and warrants to the Secured Party that (1) the patents and patent applications listed in Schedule A hereto, and (2) the trademark and trademark applications described in Schedule B hereto, have each been duly recorded in the U.S. Patent and Trademark Office (the "PTO"); and that no other patents, patent applications, trademarks, or trademark applications have been filed or recorded with the PTO in which the California Subsidiary has an interest.

Section 8
Recording of Copyrights

The California Subsidiary represents and warrants to the Secured Party that the copyright and copyright applications described in Schedule C hereto have been duly recorded in the U.S. Copyright Office, and that no other copyright, and copyright applications have been recorded in the U.S. Copyright Office, in which the California Subsidiary has an interest.

Section 9
Restrictions on Future Agreements

The California Subsidiary hereby covenants with the Secured Party that California Subsidiary shall not, without the Secured Party's prior written consent, enter into any agreement, that is inconsistent with and not expressly subject to the Secured Party's rights under this Agreement and/or the Security Agreement, and the California Subsidiary further agrees that it will not take any action, and will use reasonable efforts not to knowingly permit any action to be taken by others subject to its control, including licensees, or knowingly fail to take any action, which would affect the validity or enforcement of the rights transferred to the Secured Party under this Agreement or the rights associated with those Patents, Trademarks and/or Copyrights which are in the California Subsidiary's reasonable business judgment, necessary or desirable in the operation of the California Subsidiary's business.

Section 10
New Patents, Trademarks and Copyrights

The California Subsidiary represents and warrants to the Secured Party that the Patents, Trademarks, and Copyrights listed on Schedules A, B, and C hereto include all of the patents, patent applications, trademark registrations, trademark applications, service marks registrations, service mark applications, registered copyrights and copyright applications, now owned or held by the California Subsidiary. If, prior to the termination of this Agreement, the California Subsidiary shall (i) create or obtain rights to any new patents, trademarks, trademark registrations, trademark applications, trade names, trade styles, service marks, service marks registrations, or service mark applications, or (ii) become entitled to the benefit of any patent, trademark, trademark registration, trademark application, trade name, trade style, service mark, service mark registration, service mark application, the provisions of Section 2 above shall automatically apply thereto and the California Subsidiary shall give the Secured Party prompt written notice thereof. The California Subsidiary hereby authorizes the Secured Party to modify this Agreement by (a) amending Schedules A, B, and/or C, as the case may be, to include any future patents, trademark registrations, trademark applications, service mark registrations, service mark applications, registered copyrights and copyright applications that are Patents, Trademarks or Copyrights under Section 2 above, or under this Section 10 (whether or not any such notice from the California Subsidiary has been sent or received), and (b) filing, in addition to and not in substitution for this Agreement, a supplement or addendum to this Agreement containing on a schedule thereto, as the case may be, such registered trademarks, trademark applications, service marks, registered service marks and service mark applications that are Trademarks under Section 2 above or this Section 10 and to take any action the Secured Party otherwise deems appropriate to perfect or maintain the rights and interest of the Secured Party under this Agreement with respect to such Patents, Trademarks and Copyrights.

Section 11
Nature and Continuation of Security Interest; Notice to Third Parties

This Agreement has the effect of giving third parties notice of the Secured Party's security interest in the California Subsidiary's Patents, Trademarks and Copyrights. This Agreement is made for collateral security purposes only. This Agreement shall create a continuing security interest in the Patents, Trademarks and Copyrights and shall remain in full force and effect until the liabilities and Obligations of the Parent to the Secured Party have been paid in full, including all "Obligations" under and as defined in the Security Agreement and the Transaction Documents (as defined in the Purchase Agreement).

Section 12
Right to Inspect; Assignments and Security Interests

The Secured Party shall have the right, at any reasonable time upon prior written request and from time to time, to inspect the California Subsidiary's premises and to examine the California Subsidiary's books, records and operations relating to the Patents, Trademarks and Copyrights, including, without limitation, the California Subsidiary's quality control processes; provided, that in conducting such inspections and examinations, the Secured Party shall use reasonable efforts not to disturb unnecessarily the conduct of the California Subsidiary's ordinary business operations. From and after the occurrence of an Event of Default, the California Subsidiary agrees that the Secured Party, or a conservator appointed by the Secured Party, shall have the right to take any action to renew or to apply for registration of any Patents, Trademarks and Copyrights as the Secured Party or said conservator, on its sole judgment, may deem necessary or desirable in connection with the enforcement of the Secured Party's rights hereunder. The California Subsidiary agrees (i) not to sell or assign its respective interests in the Patents, Trademarks and/or Copyrights without the prior written consent of the Secured Party and, (ii) to maintain the quality of any and all products in connection with which the Patents, Trademarks and Copyrights are used, consistent with the quality of said products as of the date hereof.

Section 13
Duties of California Subsidiary

The California Subsidiary shall have the duty to (i) prosecute diligently any patent application, or trademark application or service mark application that is part of the Trademarks pending as of the date hereof or thereafter until the termination of this Agreement, and (ii) preserve and maintain all of the California Subsidiary's rights in the patents, patent applications, trademark applications, service mark applications and trademark and service mark registrations that are part of the Patents and Trademarks. All expenses incurred in connection with the foregoing shall be borne by the California Subsidiary. The California Subsidiary shall not, without thirty (30) days' prior written notice to the Secured Party, abandon any trademark or service mark that is the subject of a registered trademark, service mark or application therefor and which, is or shall be necessary or economically desirable in the operation of the California Subsidiary's business. The Secured Party shall not have any duty with respect to the Patents, Trademarks and/or Copyrights. Without limiting the generality of the foregoing, the Secured Party shall not be under any obligation to take any steps necessary to preserve rights in the Patents, Trademarks and/or Copyrights against any other parties, but may do so at its option during the continuance of an Event of Default, and all expenses incurred in connection therewith shall be for the sole account of the California Subsidiary and added to the Obligations and liabilities secured hereby, and by the Transaction Documents.

Section 14
Name or Organization Change

The California Subsidiary shall not change its place of organization, name, identity, organizational structure, chief executive office or place where its business records are kept, or merge into or consolidate with any other entity, unless the California Subsidiary shall have given the Secured Party at least 30 days' prior written notice thereof and shall have delivered to the Secured Party such new Uniform Commercial Code financing statements, shall have filed such records with the United States Patent and Trademark Office, and shall have delivered such other documents and instruments and taken such other actions as may be reasonably necessary or required by the Secured Party to ensure the continued perfection and priority of the security interests granted by this Agreement.

Section 15
Expenses

The California Subsidiary shall, promptly on demand, pay or reimburse the Secured Party for all reasonable expenses (including reasonable attorneys' fees of outside counsel or allocated costs of in house counsel) incurred or paid by the Secured Party in connection with the preparation, negotiation, closing, administration or enforcement, of this Agreement, for the Secured Party's periodic examinations of the Collateral, and for any other amounts permitted to be expended by the Secured Party hereunder, including without limitation such expenses as are incurred to preserve the value of the Collateral and the validity, perfection, priority and value of any security interest created hereby (including without limitation (a) the costs and expenses of filing financing statements, continuation statements and other UCC forms and amendments, and (b) the costs and expenses of recording the Secured Party's security interest in the California Subsidiary's and the Maker's Intellectual Property with the United States Patent and Trademark Office and the United States Copyright Office), the collection, sale or other disposition of any of the Collateral or the exercise by the Secured Party of any of the rights conferred upon it hereunder. The obligation to pay any such amount shall be an additional Obligation secured hereby and, to the extent permitted by law, each such amount shall bear interest from the time of demand at the highest Default Rate (under and as defined in the Notes).

Section 16
Secured Party's Right to Sue; Remedies

Upon the occurrence and during the continuance of any Event of Default, the Secured Party shall have the right to exercise all rights and remedies available at law or in equity, including without limitation selling, leasing or otherwise disposing of the Collateral at a public or private sale. From and after the occurrence and during the continuance of an Event of Default, the Secured Party shall have the right, but shall not be obligated, to bring suit or take any other action to enforce the Patents, Trademarks and Copyrights and, if the Secured Party shall commence any such suit or take any such action, the California Subsidiary shall, at the request of the Secured Party, do any and all reasonable lawful acts and execute any and all proper documents reasonably required by the Secured Party in aid of such enforcement. The California Subsidiary shall, upon demand, promptly reimburse and indemnify the Secured Party for all reasonable out-of-pocket costs and expenses incurred by the Secured Party in the exercise of its rights under this Section 16 (including, without limitation, all attorneys' fees). If, for any reason whatsoever, the Secured Party is not reimbursed with respect to the costs and expenses referred to in the preceding sentence, such costs and expenses shall be added to the Obligations secured hereby.

Section 17
Waivers

The California Subsidiary waives to the extent permitted by applicable law presentment, demand, notice, protest, notice of acceptance of this Agreement, notice of any loans made, credit or other extensions granted, collateral received or delivered or any other action taken in reliance hereon and all other demands and notices of any description, except for such demands and notices as are expressly required to be provided to the California Subsidiary under this Agreement or any other document evidencing the Obligations or the liabilities under the Transaction Documents. With respect to both the Obligations and the Collateral, the California Subsidiary assents to any extension or postponement of the time of payment or any other forgiveness or indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromise or adjustment of any thereof, all in such manner and at such time or times as the Secured Party may deem advisable. The Secured Party may exercise its rights with respect to the Collateral without resorting, or regard, to other collateral or sources of reimbursement for Obligations. The Secured Party shall not be deemed to have waived any of its rights with respect to the Obligations or the Collateral unless such waiver is in writing and signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not bar or waive the exercise of any right on any future occasion. All rights and remedies of the Secured Party in the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, are cumulative and not exclusive of any remedies provided by law or any other agreement, and may be exercised separately or concurrently.

Section 18
Successors and Assigns

This Agreement shall be binding upon the California Subsidiary, its respective successors and permitted assigns, and shall inure to the benefit of and be enforceable by the Secured Party and its successors and assigns. Without limiting the generality of the foregoing sentence, the Secured Party may assign or otherwise transfer any agreement or any note held by it evidencing, securing or otherwise executed in connection with the Obligations, or sell participations in any interest therein, to any other person or entity.

Section 19
General; Term

19.1. This Agreement may not be amended or modified except by a writing signed by the California Subsidiary and the Secured Party, nor may the California Subsidiary assign any of its rights or obligations hereunder. This Agreement and the terms, covenants and conditions hereof shall be construed in accordance with, and governed by, the laws of the State of New York (without giving effect to any conflicts of law provisions contained therein). In the event that any Collateral stands in the name of the California Subsidiary and another or others jointly, as between the Secured Party and the California Subsidiary, the Secured Party may deal with the same for all purposes as if it belonged to or stood in the name of the California Subsidiary alone.

19.2. This Agreement and the security interests granted herein shall terminate on the date on which all payments under the Note (as defined in the Purchase Agreement) have been indefeasibly paid or satisfied in full (including as a result of the conversion in full of the Note) and all other obligations have been paid or discharged (other than contingent indemnification obligations).

Section 20
Authorization

The California Subsidiary authorizes the Secured Party to file one or more financing statements which may describe the Collateral as set forth above in Section 2, and to file a copy of this Agreement in lieu of a financing statement, in such places and with such governmental offices as the Secured Party reasonably determines to be appropriate or advisable. The California Subsidiary authorizes the Secured Party to record the Secured Party's security interest in the Collateral with the United States Patent and Trademark Office and to supplement such recording from time to time.

Section 21
WAIVER OF JURY TRIAL; VENUE

THE CALIFORNIA SUBSIDIARY HEREBY WAIVES TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH OR, ARISING OUT OF: (A) THIS AGREEMENT OR ANY OTHER INSTRUMENT OR DOCUMENT DELIVERED IN CONNECTION HEREWITH; (B) THE VALIDITY, INTERPRETATION, COLLECTION OR ENFORCEMENT THEREOF; OR (C) ANY OTHER CLAIM OR DISPUTE HOWEVER ARISING AMONG THE CALIFORNIA SUBSIDIARY AND THE SECURED PARTY IN RESPECT OF THIS AGREEMENT.

THE CALIFORNIA SUBSIDIARY AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THE OBLIGATIONS, ARISING OUT OF OR IN ANY MANNER RELATING TO THIS AGREEMENT OR ANY TRANSACTION RELATING TO ANY TRANSACTION DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE CITY OF NEW YORK OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF SUCH COURT. THE CALIFORNIA SUBSIDIARY HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT WAS BROUGHT IN AN INCONVENIENT COURT. THE CALIFORNIA SUBSIDIARY SHALL NOT BE ENTITLED IN ANY SUCH ACTION OR PROCEEDING TO ASSERT ANY DEFENSE GIVEN OR ALLOWED UNDER THE LAWS OF ANY STATE OTHER THAN THE STATE OF NEW YORK UNLESS SUCH DEFENSE IS ALSO GIVEN OR ALLOWED BY THE LAWS OF THE STATE OF NEW YORK. NOTHING IN THIS SECTION SHALL AFFECT OR IMPAIR IN ANY MANNER OR TO ANY EXTENT THE RIGHT OF THE SECURED PARTY TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE CALIFORNIA SUBSIDIARY IN ANY JURISDICTION IN WHICH ANY COLLATERAL IS LOCATED, THE CALIFORNIA SUBSIDIARY CONDUCTS ACTIVITIES OR WHERE LEGAL PROCEEDINGS MAY BE NECESSARY IN ORDER TO COLLECT OR ENFORCE THE OBLIGATIONS OR TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW.

[Signature Pages Follow]

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

California Subsidiary:

VISTAGEN THERAPEUTICS, INC.

By: /s/ Shawn K. Singh
Name: Shawn K. Singh
Title: Chief Executive Officer

Secured Party:

PLATINUM LONG TERM GROWTH VII, LLC

By: /s/ Joan Janczewski
Name: Joan Janczewski
Title: Chief Operating Officer

Schedule A

Patents and Patent Applications

Country	Title	Application Number Filing Date	Publication Number Publication Date	Parent	Inventors /Assignees	Status
US	Toxicity Typing Using Liver Stem Cells	11/445,733 06/01/2006	8,143,009 03/27/12 2007/0111195 05/17/2007	09/881,526 06/14/2001	Inventor: Snodgrass, H.R. Assignee: VistaGen Inc.	Issued
US	Toxicity Typing Using Liver Stem Cells	13/401,623 02/21/12	11/445,733 06/01/2006		Inventor: Snodgrass, H.R. Assignee: VistaGen Inc.	Pending
US	Pancreatic Endocrine Progenitor Cells Derived From Pluripotent Stem Cells	12/464,005 05/11/2009	2009/0280096 11/12/2009	61/052,155 05/09/2008 61/061,070 06/12/2008	Inventor: Kubo, A., Bonham, K, Stull, R. Snodgrass, H.R.	Pending

Schedule B

Trademarks and Trademark Applications

VISTAGEN	**US, Switzerland, Europe**
VistaGen Therapeutics – use trademark, not registered,	**US**

Schedule C
Copyrights and Copyright Applications

None

Exhibit 10.6

NEGATIVE COVENANT AGREEMENT

This NEGATIVE COVENANT AGREEMENT (this "Agreement") is entered into as of this 11th day of October, 2012 by and among VISTAGEN THERAPEUTICS, INC., a California corporation (the "California Subsidiary"), ARTEMIS NEUROSCIENCE, INC., a Maryland corporation ("Maryland Subsidiary"), PLATINUM LONG TERM GROWTH VII LLC, a Delaware limited liability company (the "Lender"), and VISTAGEN THERAPEUTICS, INC., a Nevada corporation (the "Borrower").

WHEREAS, on or about the date hereof, the Lender and the Borrower are entering into that certain Note Exchange and Purchase Agreement (as amended, restated, supplemented or otherwise modified, the "Purchase Agreement"), pursuant to which the Lender will extend credit to the Borrower;

WHEREAS, the California Subsidiary is wholly-owned by the Borrower, and the Maryland Subsidiary is wholly-owned by the California Subsidiary (unless otherwise stated herein, or the context otherwise requires, the California Subsidiary and the Maryland Subsidiary are hereinafter referred to as the "Subsidiaries"), and the extension of credit by the Lender to the Borrower will be beneficial to the Subsidiaries;

WHEREAS, pursuant to that certain Amended and Restated Security Agreement dated on or about the date hereof by and between the Borrower and the Lender (as amended, restated, supplemented or otherwise modified, the "Security Agreement"), the Borrower is granting to the Lender a security interest in all assets of the Borrower, including without limitation all equity interests in the Subsidiaries owned by the Borrower or the Maryland Subsidiary, as the case may be, to secure the payment and performance of all Obligations under and as defined in the Security Agreement; and

WHEREAS, the Lender would not enter into the Purchase Agreement and extend credit to the Borrower but for the execution and delivery of this Agreement by the Subsidiaries.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1
Defined Terms

Capitalized terms used herein and not otherwise defined shall have the meanings given in the Purchase Agreement.

As used herein, the following terms shall have the following meanings:

"General Intangibles" shall have the meaning given in the Security Agreement.

"Indebtedness" shall have the meaning given in the Purchase Agreement.

"Lien" means any lien, security interest, mortgage, charge, claim or other encumbrance of any kind.

"Obligations" shall have the meaning given to such term in the Security Agreement.

"Permitted Indebtedness" means (i) Indebtedness to the Lender or any affiliate of the Lender, (ii) Indebtedness set forth on Schedule 3.2 hereto in the amounts set forth on such schedule, (iii) debt incurred in the ordinary course of business in an amount not to exceed $50,000 in the aggregate for each Subsidiary, and (iv) accounts payable arising in the ordinary course of business that are otherwise converted into Indebtedness.

"Permitted Liens" means (a) Liens in favor of the Lender or an affiliate of the Lender, (b) Liens that are subordinate to the security interest of the Lender and/or an affiliate of the Lender under the terms of the Security Agreement and the IP Security Agreement and as evidenced by a subordination agreement in form and substance satisfactory to the Lender in the Lender's sole and absolute discretion, and (c) with respect to the California Subsidiary, Liens evidenced by the following Uniform Commercial Code financing statements but only with respect to the collateral covered by such financing statements as of the date hereof: (i) financing statement number 07-7120780961 filed with the office of the California Secretary of State on July 10, 2007, (ii) financing statement number 07-7124255124 filed with the office of the California Secretary of State on August 6, 2007, and (iii) financing statement number 07-7139511387 filed with the office of the California Secretary of State on December 10, 2007.

Section 2
Covenants

For so long as any Obligations are outstanding, the Subsidiaries covenant and agree with the Lender as follows:

2.1 No Liens

The Subsidiaries shall not enter into, create, incur, assume or suffer to exist any Liens on or with respect to any of their assets now owned or hereafter acquired or any interest therein or any income or profits therefrom, other than Permitted Liens. The Subsidiaries shall immediately notify the Lender in writing at the address for the Lender set forth in the Purchase Agreement if any person or entity other than the Lender takes any action to create, perfect and/or enforce any Lien on any assets of the Subsidiaries.

2.2 No Indebtedness

The Subsidiaries shall not enter into, create, incur, assume or suffer to exist any Indebtedness, other than Permitted Indebtedness.

2.3 No Merger; No Organizational Change

2.3.1 The Subsidiaries shall not (i) merge or consolidate with any person or entity (except as permitted below in Section 2.3.2) or sell or dispose of or transfer any of their assets (unless such sales, dispositions or transfers are to the Lender, or are otherwise in the ordinary course of business, consistent with past practice; provided, that, no Subsidiary may sell any of its patents, patent applications, trademarks, and/or trademark applications to any person or entity other than the Lender) or (ii) in any way or manner alter their organizational structure or effect a change of entity. The Subsidiaries shall notify the Lender in writing within ten (10) days of any change in the name of any Subsidiary and/or any change in the jurisdiction of any Subsidiary.

2.3.2 Notwithstanding Section 2.3.1 above, a Subsidiary may merge or consolidate with another person or entity if all of the following conditions are satisfied: (i) no Event of Default shall have occurred under and as defined in any Transaction Document; (ii) such Subsidiary shall be the surviving entity in any such transaction; and (iii) both before and after giving effect to such transaction, such Subsidiary and the Borrower will be in compliance with its and their obligations under the Transaction Documents (including without limitation the obligations of the California Subsidiary under the IP Security Agreement, and the obligations of the Subsidiaries hereunder).

2.4 Payment of Taxes, Etc.

The Subsidiaries shall promptly pay and discharge, or cause to be paid and discharged, when due and payable, all lawful taxes, assessments and governmental charges or levies imposed upon the income, profits, property or business of the Subsidiaries.

2.5 Corporate Existence

The Subsidiaries shall maintain in full force and effect their corporate existence, rights and franchises and all licenses and other rights to use property owned or possessed by them.

2.6 No Lien on IP

The Subsidiaries shall not, directly or indirectly, encumber or allow any Liens (other than Liens in favor of the Lender or an affiliate of the Lender) on any of their copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business of the Subsidiaries connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, in each case whether now existing or hereafter arising or acquired, and any claims for damage by way of any past, present or future infringement of any of the foregoing.

2.7 No Asset Sales

The Subsidiaries shall not sell any of their assets to any person or entity other than to the Borrower, the Lender, or otherwise in the ordinary course of business, consistent with past practice; provided, that, no Subsidiary may sell any of its patents, patent applications, trademarks, and/or trademark applications to any person or entity other than the Lender

2.8 Maintenance of Assets

The Subsidiaries shall keep their properties in good repair, working order and condition, reasonable wear and tear excepted, and from time to time make all necessary and proper repairs, renewals, replacements, additions and improvements thereto. The Subsidiaries shall take all necessary actions to preserve and protect all rights of the Subsidiaries in all General Intangibles, whether now existing or hereafter arising or acquired, including without limitation: (a) the payment of fees to and the filing of documents with the United States Patent and Trademark Office; (b) the payment of fees due to licensors under license agreements; and (c) such other actions as shall be necessary to ensure compliance with their obligations under patent license agreements.

2.9 No New Subsidiaries

The Subsidiaries shall not create or acquire any subsidiaries.

2.10 Ownership of IP

The California Subsidiary shall not sell, convey, distribute, assign or otherwise transfer any assets to the Maryland Subsidiary. The California Subsidiary shall not permit the Maryland Subsidiary to acquire ownership of any patents, patent applications, trademarks, trademark applications, copyrights and/or copyright applications. All of the forgoing intellectual property shall be owned only by the Borrower and/or the California Subsidiary.

Section 3
Representations and Warranties

The Subsidiaries represent and warrant to the Lender that:

3.1 No Liens

There are no Liens that currently exist on any assets of the Subsidiaries, other than Permitted Liens, and the Subsidiaries have not entered into any agreement pursuant to which they have agreed to grant Liens on any of their assets to any person or entity.

3.2 No Indebtedness

The Subsidiaries do not currently have any Indebtedness, other than as set forth in Schedule 3.2 to this Agreement.

3.3 IP

The Maryland Subsidiary does not own any patents, patent applications, trademarks, trademark applications, copyrights and/or copyright applications. The only rights in, to and under any patent and patent applications that the Maryland Subsidiary has are pursuant to license agreements under which the Maryland Subsidiary is a licensee.

Schedule 3.3 hereto contains a true, correct and complete list of all patents, patent applications, trademarks, trademark applications, copyrights and copyright applications owned by the Subsidiaries.

3.4 Legal, Valid and Binding Agreement; No Conflicts

The execution, delivery and performance by the Subsidiaries of this Agreement have been duly authorized by all necessary action on the part of the Subsidiaries and no further action is required. This Agreement has been duly executed by the Subsidiaries. This Agreement constitutes the legal, valid and binding obligation of the Subsidiaries, enforceable against the Subsidiaries in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar laws of general application relating to or affecting the rights and remedies of creditors and by general principles of equity.

The execution, delivery and performance of this Agreement by the Subsidiaries does not (i) violate any of the provisions of the Articles of Incorporation or Bylaws of either of the Subsidiaries or any judgment, decree, order or award of any court, governmental body or arbitrator or any applicable law, rule or regulation applicable to the Subsidiaries or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing any of the Subsidiaries' debt or otherwise) or other understanding to which any of the Subsidiaries is a party or by which any property or asset of any of the Subsidiaries is bound or affected.

Section 4
Covenants of Borrower

The Borrower covenants and agrees with the Lender that:

4.1 The Borrower shall not permit the Subsidiaries to take any action in contravention of this Agreement; and

4.2 The Borrower shall not, and shall not permit the California Subsidiary to, sell, convey, distribute, assign or otherwise transfer any assets to the Maryland Subsidiary. The Borrower shall not, and shall not allow the California Subsidiary to, permit the Maryland Subsidiary to acquire ownership of any patents, patent applications, trademarks, trademark applications, copyrights and/or copyright applications. All of the forgoing intellectual property shall be owned only by the Borrower and/or the California Subsidiary.

Section 5
Amendments

This Agreement may not be amended without the written consent of the parties hereto.

Section 6
Governing Law; Consent to Jurisdiction

This Agreement shall be governed by the laws of the state of New York, without regard to its conflict of laws rules. The Subsidiaries and the Borrower (i) hereby irrevocably submit to the exclusive jurisdiction of the United States District Court sitting in the Southern District of New York and the courts of the State of New York located in New York county for the purposes of any suit, action or proceeding arising out of or relating to this Agreement and (ii) hereby waive, and agree not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. The parties hereto hereby agree that the prevailing party in any suit, action or proceeding arising out of or relating to this Agreement shall be entitled to reimbursement for reasonable legal fees from the non-prevailing party.

[signature page follows]

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

Subsidiaries:

California Subsidiary:

VISTAGEN THERAPEUTICS, INC.

By: /s/ Shawn K. Singh
Chief Executive Officer

Maryland Subsidiary:

ARTEMIS NEUROSCIENCE, INC.

By: /s/ Shawn K. Singh
Chief Executive Officer

Borrower:

VISTAGEN THERAPEUTICS, INC.

By: /s/ Shawn K. Singh
Chief Executive Officer

Lender:

PLATINUM LONG TERM GROWTH VII LLC

By: /s/ Joan Janczewski
Its Duly Authorized Agent

Schedule 3.2
Indebtedness of Subsidiaries

Indebtedness of California Subsidiary: see next page

Indebtedness of Maryland Subsidiary: none

Schedule 3.3
IP Owned by the Subsidiaries

IP Owned by California Subsidiary:

Patents and Patent Applications

Country	Title	Application Number Filing Date	Publication Number Publication Date	Parent	Inventors /Assignees	Status
US	Toxicity Typing Using Liver Stem Cells	11/445,733 06/01/2006	8,143,009 03/27/12 2007/0111195 05/17/2007	09/881,526 06/14/2001	Inventor: Snodgrass, H.R. Assignee: VistaGen Inc.	Issued
US	Toxicity Typing Using Liver Stem Cells	13/401,623 02/21/12	11/445,733 06/01/2006		Inventor: Snodgrass, H.R. Assignee: VistaGen Inc.	Pending
US	Pancreatic Endocrine Progenitor Cells Derived From Pluripotent Stem Cells	12/464,005 05/11/2009	2009/0280096 11/12/2009	61/052,155 05/09/2008 61/061,070 06/12/2008	Inventor: Kubo, A., Bonham, K, Stull, R. Snodgrass, H.R.	Pending

Trademarks and Trademark Applications

VISTAGEN US, Switzerland, Europe
VistaGen Therapeutics – use trademark, not registered, US

IP Owned by the Maryland Subsidiary: None