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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **October 29, 2012**

OCULUS INNOVATIVE SCIENCES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-33216**	**68-0423298**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1129 N. McDowell Blvd, Petaluma, CA	**94954**
(Address of principal executive offices)	(Zip Code)

(707) 283-0550
(Registrant's telephone number, including area code)

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

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

On October 29 and 30, 2012, we entered into two transactions in order to increase our net worth and to provide for the payment of our debt liabilities in advance of their maturities. In the first transaction on October 29, 2012, we agreed to amend a warrant held by two of our investors to remove a provision in the warrant that contained certain cash-settlement features in exchange for extending the warrant by two years. This transaction will increase our net worth by approximately $1.5 million dollars on a pro forma basis as of September 30, 2012. In the second transaction on October 30, 2012, we agreed to issue $3.5 million dollars of our common stock to our primary lender, Western Technology Investment, who agreed to reduce our debt liability with the sale of these common shares. Initially, the issuance of these common shares to Western Technology Investment has increased our net worth by approximately $3.5 million dollars. Further details of these transactions are described below.

Restructuring of Debt for Shares of Our Common Stock

On May 1, 2010, we entered into a loan and security agreement and a supplement to the loan and security agreement with Venture Lending & Leasing V, Inc., to borrow up to an aggregate of $3,000,000 (together, the " VLL5 Loan Agreements"). In connection with those agreements, we issued two warrants to Venture Lending & Leasing V, LLC, a Delaware limited liability company (" LLC5"), which, in the aggregate, have a total put option cash value of $750,000 (the "VLL5 Warrants").

On June 29, 2011, we entered into a loan and security agreement and a supplement to the loan and security agreement with Venture Lending & Leasing VI, Inc., to borrow up to an aggregate of up to $2,500,000 (together, the "VLL6 Loan Agreements"). In connection with those agreements, we issued three warrants to Venture Lending & Leasing VI, LLC, a Delaware limited liability company ("LLC6"), which, in the aggregate, have a total put option cash value of $1,250,000 (the "VLL6 Warrants").

On October 30, 2012, we entered into a stock purchase agreement with LLC5 and LLC6 for the issuance to LLC5 and LLC6 of shares of our common stock having an aggregate fair market value equal to $3,500,000 (the "Shares"), in exchange for LLC5's agreement to surrender the VLL5 Warrants and LLC6's agreement to surrender the VLL6 Warrants. The number of Shares issued pursuant to the stock purchase agreement was calculated based upon a price of $0.810 per share, the consolidated closing bid price as reported by The NASDAQ Capital Market for October 26, 2012, the previous trading day's consolidated closing bid price. Accordingly, on November 1, 2012, we issued an aggregate of 4,320,985 Shares to LL5 and LL6, pursuant to the terms of the stock purchase agreement.

The use of proceeds from the sale of the Shares pursuant to the stock purchase agreement shall be applied, respectively, to the put warrant liabilities of the VLL5 Warrants and the VLL6 Warrants, and if the put warrant liabilities under both the VLL5 Warrants and the VLL6 Warrants have been satisfied, the proceeds will be applied to the reduction of our remaining loans outstanding under the VLL5 Loan Agreements and the VLL6 Loan Agreements, in the inverse order of maturity until such loans are prepaid in full.

With respect to the issuance of the Shares pursuant to the stock purchase agreement, we relied on the Section 4(2) exemption from securities registration under the federal securities laws for transactions not involving a public offering. No advertising or general solicitation was employed in the offering of the Shares. The Shares were issued to accredited investors. The Shares were offered for investment purposes only and not for the purpose of resale or distribution and the transfer thereof was appropriately restricted by us.

Immediately prior to our entry into the stock purchase agreement with LL5 and LL6, on October 30, 2012, we entered into a letter agreement with Venture Lending & Leasing V, Inc. (the " VLL5 Letter Agreement") to amend the VLL5 Loan Agreements. Pursuant to the amendment, we modified the VLL5 Loan Agreements to allow us to enter into the proposed stock purchase agreement with VLL5 and VLL6. We agreed that the VLL5 Loan Agreements should be amended in certain respects to allow us to prepay the loans advanced to us under the VLL5 Loan Agreements in accordance with the terms of the proposed stock purchase agreement. In addition, we agreed that a portion of the excess net proceeds from the sale of the Shares may be used to prepay the outstanding loans under the VLL5 Loan Agreements.

All provisions of the VLL5 Loan Agreements and other loan documents, except as modified by the amendment, shall remain in full force and effect. The amendment shall not operate as a waiver of any condition or obligation imposed on us under the VLL5 Loan Agreements and other loan documents.

Immediately prior to our entry into the stock purchase agreement with LL5 and LL6, on October 30, 2012, we entered into a letter agreement with Venture Lending & Leasing VI, Inc. (the "VLL6 Letter Agreement") to amend the VLL6 Loan Agreements. Pursuant to the amendment, we modified the VLL6 Loan Agreements to allow us to enter into the proposed stock purchase agreement with VLL5 and VLL6. We agreed that the VLL6 Loan Agreements should be amended in certain respects to allow us to prepay the loans advanced to us under the VLL6 Loan Agreements in accordance with the terms of the proposed stock purchase agreement. In addition, we agreed that a portion of the excess net proceeds from the sale of the Shares may be used to prepay the outstanding loans under the VLL6 Loan Agreements.

All provisions of the VLL6 Loan Agreements and other loan documents, except as modified by the amendment, shall remain in full force and effect. The amendment shall not operate as a waiver of any condition or obligation imposed on us under the VLL6 Loan Agreements and other loan documents.

Agreement to Extend the Expiration Date of Warrants in Exchange for the Removal of Certain Settlement Features in Those Warrants

On October 29, 2012, we entered into a side letter agreement with Sabby Healthcare Volatility Master Fund, Ltd. and Sabby Volatility Warrant Master Fund, Ltd. (collectively, "Sabby") to amend the terms of the warrants issued to Sabby in conjunction with our April 22, 2012 registered direct offering. Pursuant to the amendment, Sabby agreed to waive certain net-cash settlement features contained in the warrants in exchange for our agreement to a two-year extension of the expiration date of the warrants. Accordingly, the expiration date of the warrants issued to Sabby in connection with the April 22, 2012 registered direct offering was extended from October 25, 2014 to October 25, 2016. No other terms, rights or provisions of the purchase agreement or warrants were modified by the terms of the side letter agreement.

The foregoing descriptions of the stock purchase agreement, the VLL5 Letter Agreement, the VLL6 Letter Agreement and the side letter agreement are qualified in their entirety by reference to the full text of the stock purchase agreement, which is attached to this Current Report on Form 8-K as Exhibit 10.1 and incorporated herein by reference in its entirety; by reference to the VLL5 Letter Agreement, which is attached to this Current Report on Form 8-K as Exhibit 10.2 and incorporated herein by reference in its entirety; by reference to the VLL6 Letter Agreement, which is attached to this Current Report on Form 8-K as Exhibit 10.3 and incorporated herein by reference in its entirety; and by reference to the side letter agreement, which is attached to this Current Report on Form 8-K as Exhibit 10.4 and incorporated herein by reference in its entirety;

Item 2.02 Results of Operations and Financial Condition.

On November 1, 2012, we issued a press release announcing financial results for our fiscal quarter ended September 30, 2012. The full text of the press release is furnished as Exhibit 99.1.The information furnished therein, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that Section.

This report contains forward-looking statements. Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements related to our future activities or future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by our management. These statements are not guarantees of future performances and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those risks discussed in our annual report on Form 10-K for the year ended March 31, 2012 and in other documents that we file from time to time with the Securities and Exchange Commission. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this report, except as required by law.

Item 9.01 Financial Statements and Exhibits.

10.1	Stock Purchase Agreement by and between Oculus Innovative Sciences, Inc. and Venture Lending & Leasing V, LLC and Venture Lending & Leasing VI, LLC, dated October 30, 2012
10.2	Letter Agreement by and between Oculus Innovative Sciences, Inc. and Venture Lending & Leasing V, Inc., dated October 30, 2012
10.3	Letter Agreement by and between Oculus Innovative Sciences, Inc. and Venture Lending & Leasing VI, Inc., dated October 30, 2012
10.4	Side Letter Agreement to the Stock Purchase Agreement dated April 22, 2012 by and between Oculus Innovative Sciences, Inc., on one hand, and Sabby Healthcare Volatility Master Fund, Ltd. and Sabby Volatility Warrant Master Fund, Ltd. on the other hand, dated October 29, 2012
99.1	Press Release issued by Oculus Innovative Sciences, Inc., dated November 1, 2012

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.

Oculus Innovative Sciences, Inc.
(Registrant)

Date: November 1, 2012

/s/ Robert Miller
Name: Robert Miller
Title: Chief Financial Officer

Exhibit 10.1

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "Agreement") is dated as of October 30, 2012, by and between Oculus Innovative Sciences, Inc., a Delaware corporation with an address of 1129 North McDowell Blvd. Petaluma, CA 94954 (the "Company") on the one hand, and Venture Lending & Leasing V, LLC, a Delaware limited liability company (" LLC5") and Venture Lending & Leasing VI, LLC, a Delaware limited liability company ("LLC6") (together with LLC5, collectively referred to as "WTI"), each with a respective address of 104 La Mesa Drive, Suite 102, Portola Valley, California, 94028, on the other hand.

WHEREAS, on May 1, 2010, the Company entered into a loan and security agreement and a supplement to the loan and security agreement with LLC5's subsidiary, Venture Lending & Leasing V, Inc., to borrow up to an aggregate of $3,000,000 (collectively, the "VLL5 Agreements");

WHEREAS, in connection with the VLL5 Agreements, the Company issued two warrants to LLC5, which, in the aggregate, have a total put option cash value of $750,000 (the "VLL5 Warrants");

WHEREAS, on June 29, 2011, the Company entered into a loan and security agreement and a supplement to the loan and security agreement with LLC6's subsidiary, Venture Lending & Leasing VI, Inc., to borrow up to an aggregate of up to $2,500,000 (collectively, the "VLL6 Agreements");

WHEREAS, in connection with the VLL6 Agreements, the Company issued three warrants to LLC6, which, in the aggregate, have a total put option cash value of $1,250,000 (the "VLL6 Warrants");

WHEREAS, subject to the terms and conditions set forth in this Agreement, the Company desires to issue to LLC5 and LLC6 a number of shares of its restricted common stock, par value $0.0001 per share, such number of shares having an aggregate fair market value equal to $3,500,000 (the "Shares"), in exchange for LLC5's agreement to surrender the VLL5 Warrants and LLC6's agreement to surrender the VLL6 Warrants, and LLC5 desires to surrender the VLL5 Warrants and LLC6 desires to surrender the VLL6 Warrants in exchange for the Shares, both as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and WTI agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, for the purposes of this Agreement, the following terms have the meanings set forth below:

"Acquiring Person" shall have the meaning ascribed to such term in Section 4.6.

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 405 under the Securities Act.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Closing" means the closing of the issuance of the Shares pursuant to Section 2.1.

"Closing Date" means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) WTI's obligations to receive the Shares and (ii) the Company's obligations to deliver the Shares, in each case, have been satisfied or waived, but in no event later than the third Trading Day following the date hereof.

"Collateral" shall have the meaning ascribed to such term in the loan agreement of the VLL5 Agreements, as amended by Amendment No. 1 to the VLL5 Agreements and the Waiver; and in the loan agreement of the VLL6 Agreements, as amended by the Waiver.

"Commission" means the United States Securities and Exchange Commission.

"Common Stock" means the common stock of the Company, par value $0.0001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Company Counsel" means Trombly Business Law, P.C., with offices located at 1320 Centre Street, Suite 202, Newton, MA 02459.

"Disclosure Schedules" means the Disclosure Schedules of the Company delivered concurrently herewith.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"GAAP" shall have the meaning ascribed to such term in Section 3.1(k).

"Liens" means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, or condition (financial or otherwise) of the Company; (b) a material impairment of the ability of the Company to perform under any Transaction Document; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Company of any Transaction Document.

"NASDAQ Price" shall have the meaning ascribed to such term in Section 2.1(a).

"Permitted Liens" means:

(a) involuntary Liens which, in the aggregate, would not have a Material Adverse Effect;

(b) Liens for current taxes or other governmental or regulatory assessments which are not delinquent, or which are contested in good faith by the appropriate procedures and for which appropriate reserves are maintained;

(c) security interests on any property held or acquired by the Company in the ordinary course of business securing indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property; provided, that such Lien attaches solely to the property acquired with such indebtedness and that the principal amount of such indebtedness does not exceed one hundred percent (100%) of the cost of such property;

(d) Liens securing (i) indebtedness outstanding under the VLL5 Agreements and (ii) indebtedness outstanding under the VLL6 Agreements;

(e) bankers' liens, rights of setoff and similar Liens incurred on deposits made in the ordinary course of business;

(f) materialmen's, mechanics', repairmen's, employees' or other like Liens arising in the ordinary course of business and which are not delinquent for more than 45 days or are being contested in good faith by appropriate proceedings;

(g) any judgment, attachment or similar Lien, unless the judgment it secures has not been discharged or execution thereof effectively stayed and bonded against pending appeal within 30 days of the entry thereof;

(h) licenses or sublicenses of intellectual property;

(i) Liens securing subordinated debt; and

(j) Liens which have been approved by WTI in writing prior to the Closing Date.

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

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"SEC Reports" shall have the meaning ascribed to such term in Section 3.1(k).

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shares" shall have the meaning ascribed to such term in the preamble to this Agreement.

"Short Sales" means all "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

"Subsidiary" means any subsidiary of the Company as set forth on Schedule 3.1(f), and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE AMEX, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board (or any successors to any of the foregoing).

"Transaction Documents" means this Agreement, the amendment to the VLL5 Agreements, and the amendment to the VLL6 Agreements, and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Transfer Agent" means Computershare Shareowner Services LLC, the current transfer agent of the Company, with a mailing address of 480 Washington Blvd., Jersey City, NJ 07310, and an email address of shrrelations@bnymellon.com, and any successor transfer agent of the Company.

"VLL5 Agreements" shall have the meaning ascribed to such term in the preambles to this Agreement.

"VLL6 Agreements" shall have the meaning ascribed to such term in the preambles to this Agreement.

"VLL5 Warrants" shall have the meaning ascribed to such term in the preambles to this Agreement.

"VLL6 Warrants" shall have the meaning ascribed to such term in the preambles to this Agreement.

"Waiver" shall mean the waiver agreement entered into by LLC5's affiliate, Venture Lending & Leasing V, Inc.; LLC6's affiliate, Venture Lending & Leasing VI, Inc.; and the Company on August 8, 2012.

ARTICLE II.
PURCHASE AND SALE OF THE SHARES

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of the Transaction Documents, including but not limited to the execution and delivery of this Agreement, the execution and delivery of the amendment to the VLL5 Agreements, and the execution and delivery of the amendment to the VLL6 Agreements, the Company agrees to issue to LLC5 and LLC6 a number of Shares at the consolidated closing bid price (the "NASDAQ Price") of the Company's Common Stock at the time the Transaction Documents are executed, calculated in accordance with Section 2.1(a), such number of Shares having an aggregate fair market value equal to $3,500,000. The Company shall deliver the Shares to WTI in such amount as determined pursuant to Section 2.1(a) and pursuant to the terms of Sections 2.2(a) and 2.4, and the Company and WTI shall deliver the other items set forth in Section 2.2 deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of Company Counsel or such other location as the parties shall mutually agree.

(a) NASDAQ Price. If the Transaction Documents are executed before 4PM Eastern Standard Time, the NASDAQ Price will be the consolidated closing bid price for the Business Day prior to the date the Transaction Documents are executed. If the Transaction Documents are executed after 4PM Eastern Standard Time, the NASDAQ Price will be the consolidated closing bid price on the Business Day the Transaction Documents are executed.

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to WTI the following:

(i) this Agreement duly executed by the Company; and

(ii) a copy of the irrevocable instructions to the Transfer Agent instructing the Transfer Agent to deliver on an expedited basis via The Depository Trust Company Deposit or Withdrawal at Custodian system ("DWAC") the number of Shares equal to $3,500,000 divided by the NASDAQ Price, registered in such names and in such amounts as designated by WTI within at least two Business Days prior to the Closing Date.

(b) On or prior to the Closing Date, WTI shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by LLC5 and LLC6; and

(ii) the original VLL5 Warrants and the original VLL6 Warrants to be surrendered to the Company at Closing.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects when made and on the Closing Date of the representations and warranties of WTI contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of WTI required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by WTI of the items set forth in Section 2.2(b) of this Agreement.

(b) The obligations of WTI hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;

(iv) there shall have been no Material Adverse Effect with respect to the Company since the date hereof; and

(v) from the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the Commission or the Company's principal Trading Market, and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market, which in the reasonable judgment of WTI, makes it impracticable or inadvisable to purchase the Shares at the Closing.

2.4 Allocation of Shares. At Closing, the Company will inform WTI of the actual number of the Shares, up to the total value of the Shares of $3,500,000 divided by the NASDAQ Price, calculated in accordance with Section 2.1(a). WTI shall notify the Company of (a) the legal name of the individual or entity to whom the Shares should be issued to; (b) the respective allocation of the Shares, and (c) the address for delivery of Shares. Such notification shall be received by the Company and Company Counsel at least two Business Days prior to the Closing Date. As of the date hereof, the parties have agreed to the allocation of the Shares in three pools as follows:

1. Pool #1 – allocated to LLC5, such Shares having a value upon issuance of $750,000 ("Pool #1");
2. Pool #2 – allocated to LLC6, such Shares having a value upon issuance of $1,250,000 ("Pool #2"); and
3. Pool #3 – allocated ratably to LLC5 and LLC6, such Shares having a value upon issuance of $1,500,000 ("Pool #3").

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF THE PARTIES

3.1 Representations and Warranties of the Company. Except as set forth in the Disclosure Schedules, which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules, the Company hereby makes the following representations and warranties to WTI:

(a) Due Organization. The Company is a corporation duly organized and validly existing in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified to conduct business and is in good standing in each other jurisdiction in which its business is conducted or its properties are located, except where the failure to be so qualified would not reasonably be expected to have a Material Adverse Effect.

(b) Authorization, Validity and Enforceability. The execution, delivery and performance of all Transaction Documents executed by the Company are within the Company's powers, have been duly authorized, and are not in conflict with the Company's articles or certificate of incorporation or by-laws, or the terms of any charter or other organizational document of the Company, as amended from time to time; and all such Transaction Documents constitute valid and binding obligations of the Company, enforceable in accordance with their terms (except as may be limited by bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights in general, and subject to general principles of equity).

(c) Compliance with Applicable Laws. The Company has complied with all licensing, permit and fictitious name requirements necessary to lawfully conduct the business in which it is engaged, and to any sales, leases or the furnishing of services by the Company, including without limitation those requiring consumer or other disclosures, the noncompliance with which would have a Material Adverse Effect.

(d) No Conflict. The execution, delivery, and performance by the Company of all Transaction Documents are not in conflict with any law, rule, regulation, order or directive, or any indenture, agreement, or undertaking to which the Company is a party or by which the Company may be bound or affected. Without limiting the generality of the foregoing, the issuance of the Shares to WTI does not violate any agreement or instrument by which the Company is bound or require the consent of any holders of the Company's securities other than consents which have been obtained prior to the Closing Date, except that an issuance of over 20% of the Company's equity will require shareholder approval pursuant to NASDAQ rules.

(e) No Litigation, Claims or Proceedings. There is no litigation, tax claim, proceeding or dispute pending, or, to the knowledge of the Company, threatened against or affecting the Company, its property or the conduct of its business.

(f) Subsidiaries. All of the direct and indirect subsidiaries of the Company are set forth on Schedule 3.1(f). The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, except for Permitted Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(g) Environmental Matters. To its knowledge after reasonable inquiry, the Company has concluded that the Company is in compliance with Environmental Laws, except to the extent a failure to be in such compliance could not reasonably be expected to have a Material Adverse Effect.

(h) No Event of Default. No Default, as defined in the VLL5 Agreements and the VLL6 Agreements, or Event of Default, as defined in the VLL5 Agreements and the VLL6 Agreements, has occurred and is continuing as of the date hereof.

(i) Full Disclosure. None of the representations or warranties made by the Company in the Transaction Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, report, statement or certificate furnished by or on behalf of the Company in connection with the Transaction Documents contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

(j) Issuance of the Shares. The Shares are duly authorized and, when issued and paid for in accordance with the terms and conditions of the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens, except for Permitted Liens, imposed by the Company. There are no subscriptions, warrants, rights of first refusal or other restrictions on transfer relative to, or options exercisable with respect to, the Shares. The Shares are not the subject of any present or, to the Company's knowledge, threatened suit, action, arbitration, administrative or other proceeding, and the Company knows of no reasonable grounds for the institution of any such proceedings.

(k) SEC Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company has never been an issuer subject to Rule 144(i) under the Securities Act. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(l) Certain Fees. Each party to this Agreement will bear, and indemnify the other for, any banker's, broker's or finder's fees or commissions for which such party is responsible.

(m) No Integrated Offering. Assuming the accuracy of LLC5's representations and warranties set forth in Section 3.2 and LLC6's representations and warranties set forth in Section 3.3, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Shares to be integrated with prior offerings by the Company for purposes of any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(n) Specific Representations Regarding Collateral.

(i) Title. Except for (a) the security interests created by the VLL5 Agreements and the VLL6 Agreements, which are also defined as Permitted Liens, and (b) the exclusions from the definition of Collateral as set forth in the loan agreement of the VLL5 Agreements, as amended by Amendment No. 1 and the Waiver, and as set forth in the loan agreement of the VLL6 Agreements, as amended by the Waiver; (i) the Company is and will be the unconditional legal and beneficial owner of its Collateral, and (ii) its Collateral is genuine and subject to no Liens, rights or defenses of others. Except for Permitted Liens, there exists no prior assignments or encumbrances of record with the U.S. Patent and Trademark Office or U.S. Copyright Office affecting any of the Company's Collateral in favor of any third party.

(ii) Location of Collateral. The Company's chief executive offices and any other offices or places of business are located at the address(es) set forth in Schedule 3.1(n).

(iii) Business Names. Other than its full corporate name, the Company has not conducted business using any trade names or fictitious business names except as set forth in Schedule 3.1(n).

(o) Copyrights, Patents, Trademarks and Licenses.

(i) The Company owns or has licensed or otherwise has the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other similar rights that are reasonably necessary for the operation of its business, without, to the best of the Company's knowledge, conflict with the rights of any other Person.

(ii) To the Company's knowledge, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company infringes upon any rights held by any other Person.

(iii) No claim or litigation regarding any of the foregoing is pending or, to the Company's knowledge, threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or proposed which, in either case, could reasonably be expected to have a Material Adverse Effect.

(p) Regulatory Compliance. The Company has met the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA. No event has occurred resulting from the Company's failure to comply with ERISA that is reasonably likely to result in the Company's incurring any liability that could have a Material Adverse Effect. The Company is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940. The Company is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T and U of the Board of Governors of the Federal Reserve System). The Company has complied with all the provisions of the Federal Fair Labor Standards Act.

(q) Survival. The representations and warranties of the Company as set forth in this Agreement survive the execution and delivery of this Agreement.

3.2 Representations and Warranties of LLC5. LLC5 hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein):

(a) Organization; Authority. LLC5 is a limited liability company duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation with full limited liability company power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and performance by LLC5 of the transactions contemplated by this Agreement have been duly authorized by all necessary limited liability company action on the part of LLC5. Each Transaction Document to which it is a party has been duly executed by LLC5, and when delivered by LLC5 in accordance with the terms hereof, will constitute the valid and legally binding obligation of LLC5, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Understandings or Arrangements. LLC5 is acquiring the Shares as principal for its own account and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Shares. LLC5 is acquiring the Shares hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time LLC5 was offered the Shares, it was, and as of the date hereof it is, it will be either: (i) an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act. LLC5 is not required to be registered as a broker-dealer under Section 15 of the Exchange Act.

(d) Experience of LLC5. LLC5, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Shares, and has so evaluated the merits and risks of such investment. LLC5 is able to bear the economic risk of an investment in the Shares and, at the present time, is able to afford a complete loss of such investment.

(e) No General Solicitation. LLC5 did not learn of the investment in the Shares as a result of any general solicitation or general advertising.

(f) Restricted Securities. LLC5 understands and acknowledges that:

i. the Shares are characterized as "restricted securities" under the U.S. federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances;

ii. the Shares have not been registered under the Securities Act or any state securities laws and are being offered and sold in reliance upon specific exemptions from the registration requirements of the Securities Act and state securities laws, and the Company is relying upon the truth and accuracy of, and LLC5's compliance with, the representations, warranties, covenants, agreements, acknowledgments and understandings of LLC5 contained in this Agreement in order to determine the availability of such exemptions and the eligibility of LLC5 to acquire the Shares;

iii. the Shares must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration;

iv. the Shares will bear a legend substantially in the form set forth in Section 3.2(g) herein; and

v. the Company will make a notation on its transfer books to such effect.

(g) Legends. It is understood that certificates evidencing the Shares may bear the following or any similar legend:

i. "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE TRANSFERRED UNLESS (I) SUCH SECURITIES HAVE BEEN REGISTERED FOR SALE PURSUANT TO THE SECURITIES ACT AND SUCH REGISTRATION STATEMENT REMAINS EFFECTIVE, (II) SUCH SECURITIES MAY BE SOLD PURSUANT TO RULE 144, OR (III) IF REQUESTED BY THE COMPANY, THE COMPANY HAS RECEIVED AN OPINION OF COMPANY COUNSEL, STATING THAT SUCH TRANSFER MAY LAWFULLY BE MADE WITHOUT REGISTRATION UNDER THE SECURITIES ACT."

ii. If required by the authorities of any state in connection with the issuance of sale of the Shares, the legend required by such state authority.

(h) No Registration Rights. LLC5 further understands that there are no registration rights associated with the Shares being acquired pursuant to this Agreement.

(i) Information Availability. LLC5 acknowledges that the Company has made available to LLC5 all documents and information that LLC5 has requested relating to an investment in the Shares, and LLC5 has had an opportunity to discuss this investment with representatives of the Company and ask questions of them.

(j) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, LLC5 has not, nor has any Person acting on behalf of or pursuant to any understanding with LLC5, directly or indirectly executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that LLC5 first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Other than to other Persons party to this Agreement, LLC5 has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to the identification of the availability of, or securing of, available shares to borrow in order to effect Short Sales or similar transactions in the future.

The Company acknowledges and agrees that the representations contained in Section 3.2 shall not modify, amend or affect LLC5's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

3.3 Representations and Warranties of LLC6. LLC6 hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein):

(a) Organization; Authority. LLC6 is a limited liability company duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation with full limited liability company power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and performance by LLC6 of the transactions contemplated by this Agreement have been duly authorized by all necessary limited liability company action on the part of LLC6. Each Transaction Document to which it is a party has been duly executed by LLC6, and when delivered by LLC6 in accordance with the terms hereof, will constitute the valid and legally binding obligation of LLC6, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Understandings or Arrangements. LLC6 is acquiring the Shares as principal for its own account and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Shares. LLC6 is acquiring the Shares hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time LLC6 was offered the Shares, it was, and as of the date hereof it is, it will be either: (i) an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act. LLC6 is not required to be registered as a broker-dealer under Section 15 of the Exchange Act.

(d) Experience of LLC6. LLC6, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Shares, and has so evaluated the merits and risks of such investment. LLC6 is able to bear the economic risk of an investment in the Shares and, at the present time, is able to afford a complete loss of such investment.

(e) No General Solicitation. LLC6 did not learn of the investment in the Shares as a result of any general solicitation or general advertising.

(f) Restricted Securities. LLC6 understands and acknowledges that:

i. the Shares are characterized as "restricted securities" under the U.S. federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances;

ii. the Shares have not been registered under the Securities Act or any state securities laws and are being offered and sold in reliance upon specific exemptions from the registration requirements of the Securities Act and state securities laws, and the Company is relying upon the truth and accuracy of, and LLC6's compliance with, the representations, warranties, covenants, agreements, acknowledgments and understandings of LLC6 contained in this Agreement in order to determine the availability of such exemptions and the eligibility of LLC6 to acquire the Shares;

iii. the Shares must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration;

iv. the Shares will bear a legend substantially in the form set forth in Section 3.2(g) herein; and

v. the Company will make a notation on its transfer books to such effect.

(g) Legends. It is understood that certificates evidencing the Shares may bear the following or any similar legend:

i. "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE TRANSFERRED UNLESS (I) SUCH SECURITIES HAVE BEEN REGISTERED FOR SALE PURSUANT TO THE SECURITIES ACT AND SUCH REGISTRATION STATEMENT REMAINS EFFECTIVE, (II) SUCH SECURITIES MAY BE SOLD PURSUANT TO RULE 144, OR (III) IF REQUESTED BY THE COMPANY, THE COMPANY HAS RECEIVED AN OPINION OF COMPANY COUNSEL, STATING THAT SUCH TRANSFER MAY LAWFULLY BE MADE WITHOUT REGISTRATION UNDER THE SECURITIES ACT."

ii. If required by the authorities of any state in connection with the issuance of sale of the Shares, the legend required by such state authority.

(h) No Registration Rights. LLC6 further understands that there are no registration rights associated with the Shares being acquired pursuant to this Agreement.

(i) Information Availability. LLC6 acknowledges that the Company has made available to LLC6 all documents and information that LLC6 has requested relating to an investment in the Shares, and LLC6 has had an opportunity to discuss this investment with representatives of the Company and ask questions of them.

(j) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, LLC6 has not, nor has any Person acting on behalf of or pursuant to any understanding with LLC6, directly or indirectly executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that LLC6 first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Other than to other Persons party to this Agreement, LLC6 has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to the identification of the availability of, or securing of, available shares to borrow in order to effect Short Sales or similar transactions in the future.

The Company acknowledges and agrees that the representations contained in Section 3.3 shall not modify, amend or affect LLC6's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Use of Proceeds from Sale. The parties have determined that there shall be three pools of Shares, allocated as set forth in Section 2.4. The parties acknowledge and agree that the amount of cash received from the sale of the Shares, after deduction of all costs and expenses incurred in connection with all sales of the Shares shall be applied to the Company's obligations under the VLL5 Agreements and the VLL6 Agreements in the following manner:

1. Proceeds of Pool #1 Shares shall be applied against the put warrant liabilities of the VLL5 Warrants until such liabilities are satisfied in full;

    a. If the proceeds of the Pool #1 Shares are not sufficient to satisfy the put warrant liabilities of the VLL5 Warrants, the proceeds of Pool #3 Shares allocated to LLC5 shall be applied against the put warrant liabilities of the VLL5 Warrants until such time as LLC5 has received $750,000 (i.e., the return of the total put option cash value of the VLL5 Warrants).

    b. If the proceeds of the Pool #1 Shares are sufficient to fully satisfy the put warrant liabilities of the VLL5 Warrants, then 100% of the excess proceeds of the Pool # 1 Shares shall be the property of, and retained by, LLC5 until such time as LLC5 has received an additional $375,000; thereafter, 50% of any additional excess proceeds of the Pool #1 Shares shall be the property of, and retained by, LLC5 and the other 50% of such additional excess proceeds shall be the property of the Company, and used by the Company to prepay the outstanding loans under the VLL5 Agreements, with such additional excess proceeds applied to the loans under the VLL5 Agreements in the inverse order of maturity until the loans under the VLL5 Agreements have been prepaid in full (i.e., the proceeds will be applied to furthest in time payments and not affect the original payment schedules of the loans under the VLL5 Agreements).

2. Proceeds of Pool #2 Shares shall be applied against the put warrant liabilities of the VLL6 Warrants until such liabilities are satisfied in full;

    a. If the proceeds of the Pool #2 Shares are not sufficient to satisfy the put warrant liabilities of the VLL6 Warrants, the proceeds of Pool #3 Shares allocated to LLC6 shall be applied against the put warrant liabilities of the VLL6 Warrants until such time as LLC6 has received $1,250,000 (i.e., the return of the total put option cash value of the VLL6 Warrants).

b. If the proceeds of the Pool #2 Shares are sufficient to fully satisfy the warrant liabilities of the VLL6 Warrants, then 100% of the excess proceeds of the Pool # 2 Shares shall be the property of, and retained by, LLC6 until such time as LLC6 has received an additional $625,000; thereafter, 50% of any additional excess proceeds of the Pool #2 Shares shall be the property of, and retained by, LLC6 and the other 50% of such additional excess proceeds shall be the property of the Company, and used by the Company to prepay the outstanding loans under the VLL6 Agreements, with such additional excess proceeds applied to the loans under the VLL6 Agreements in the inverse order of maturity until the loans under the VLL6 Agreements have been prepaid in full (i.e., the proceeds will be applied to furthest in time payments and not affect the original payment schedules of the loans under the VLL6 Agreements).

3. If (a) LLC5 has received $750,000 from the sale of the Pool #1 Shares and/or Pool #3 Shares or the put warrant liabilities of the VLL5 Warrants otherwise have been satisfied in accordance with the terms of Section 4.2(a) hereof, (b) LLC6 has received $1,250,000 from the sale of the Pool #1 Shares and/or Pool #3 Shares or the put warrant liabilities of the VLL6 Warrants otherwise have been satisfied in accordance with the terms of Section 4.2(b) hereof, (c) the loans under the VLL5 Agreements have been prepaid in full and (d) the loans under the VLL6 Agreements have been prepaid in full, then any remaining proceeds from the sale of the Pool #3 Shares shall be distributed as follows: 50% of the excess proceeds of the Pool #3 Shares shall be the property of, and retained by, LLC5 and LLC6 (to be allocated ratably between LLC5 and LLC6) and the other 50% of such excess proceeds shall be the property of, and retained by, the Company.

4. If the put warrant liabilities for LLC5 and/ or LLC6 have been satisfied, then the full proceeds from the sale of Pool #3 Shares will be applied to the reduction of the remaining loans in VLL5 Agreements and VLL6 Agreements, respectively, in inverse order of maturity. If all the loans under the VLL5 Agreements have been paid, then the proceeds will be applied to the repayment of the loans under the VLL6 Agreements.

5. Allocation of the proceeds from the sales of all Shares will be subject to change in the discretion of LLC5 and LLC6, subject to the aggregate limitations described herein.

6. By way of illustration and not of limitation, Exhibit "A" hereto sets forth examples of how the proceeds from the sale(s) of the Shares will be distributed and applied, based upon the facts assumed therein for purposes of such examples.

4.2 Shortfall.

(a) If as of March 31, 2014, the net proceeds LLC5 has received from one or more sales of any combination of the Pool #1 Shares and the Pool #3 Shares are less than $750,000 then the Company shall make a cash payment on such date to LLC5 in an amount equal to the difference between (i) $750,000 and (ii) the net proceeds LLC5 has received as of such date from such sales of the Pool #1 Shares and the Pool #3 Shares.

(b) If as of July 31, 2015, the net proceeds LLC6 has received from one or more sales of any combination of the Pool #2 Shares and the Pool #3 Shares are less than $1,250,000 then the Company shall make a cash payment on such date to LLC6 in an amount equal to the difference between (i) $1,250,000 and (ii) the net proceeds LLC6 has received as of such date from such sales of the Pool #2 Shares and the Pool #3 Shares.

4.3 Acknowledgment of Dilution. The Company acknowledges that the issuance of the Shares may result in dilution of the outstanding shares of Common Stock, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against WTI and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of the Company.

4.4 Furnishing of Information. The Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof for at least 12 months thereafter pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

4.5 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Shares for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.6 Securities Laws Disclosure; Publicity. The Company shall (a) by 9:00 a.m. (New York City time) on the third Trading Day immediately following the date hereof, issue a press release disclosing the material terms of the transactions contemplated hereby, and (b) file a current report on Form 8-K, including the Transaction Documents as exhibits thereto, with the Commission within the time required by the Exchange Act. From and after the issuance of such press release, the Company represents to WTI that it shall have publicly disclosed all material, non-public information delivered to WTI by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. The Company and WTI shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor WTI shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release by WTI, or without the prior consent of WTI, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication.

4.7 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that WTI is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that WTI could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Shares under the Transaction Documents or under any other agreement between the Company and WTI.

4.8 Listing of Common Stock. The Company hereby agrees to use its best efforts to maintain the listing or quotation of the Common Stock on the Trading Market on which it is currently listed.

ARTICLE V.
MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by either party upon written notice to the other parties, if the Closing has not been consummated on or before October 31, 2012; provided, however, that no such termination will affect the right of either party to sue for any breach by the other party.

5.2 Fees and Expenses. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement, except that the Company will reimburse up to $15,000 of WTI's fees and expenses and except as expressly set forth in the Transaction Documents to the contrary. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company), stamp taxes and other taxes and duties levied in connection with the delivery of any Shares to WTI.

5.3 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.4 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of WTI (other than by merger). WTI may assign any or all of its rights under this Agreement to any Person to whom WTI assigns or transfers any Shares, provided that such transferee agrees in writing to be bound, with respect to the transferred Shares, by the provisions of the Transaction Documents that applies to WTI.

5.5 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.6 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.7 Notices. Any notice given by any party under any Transaction Document shall be in writing and personally delivered, sent by overnight courier, or United States mail, postage prepaid, or sent by facsimile, or other authenticated messenger, charges prepaid, to the other party's or parties' addresses set forth in the preambles to this Agreement. Each party may change the address or facsimile number to which notices, requests and other communications are to be sent by giving written notice of such change to each other party. Notice given by hand delivery shall be deemed received on the date delivered; if sent by overnight courier, on the next Business Day after delivery to the courier service; if by first class mail, on the third Business Day after deposit in the U.S. Mail; and if by facsimile, on the date of transmission.

5.8 No Waiver. Any waiver, consent or approval by WTI of any breach or default of any provision, condition, or covenant of any Transaction Document must be in writing and shall be effective only to the extent set forth in writing. No waiver of any breach or default shall be deemed a waiver of any later breach or default of the same or any other provision of any Transaction Document. No failure or delay on the part of WTI in exercising any power, right, or privilege under any Transaction Document shall operate as a waiver thereof, and no single or partial exercise of any such power, right, or privilege shall preclude any further exercise thereof or the exercise of any other power, right or privilege.

5.9 Rights Cumulative. All rights and remedies existing under the Transaction Documents are cumulative to, and not exclusive of, any other rights or remedies available under contract or applicable law.

5.10 Unenforceable Provisions. Any provision of any Transaction Document executed by the Company which is prohibited or unenforceable in any jurisdiction, shall be so only as to such jurisdiction and only to the extent of such prohibition or unenforceability, but all the remaining provisions of any such Transaction Document shall remain valid and enforceable.

5.11 Accounting Terms. Except as otherwise provided in this Agreement, accounting terms and financial covenants and information shall be determined and prepared in accordance with GAAP.

5.12 Indemnification; Exculpation. The Company shall pay and protect, defend and indemnify WTI and WTI's employees, officers, directors, shareholders, affiliates, correspondents, agents and representatives (other than WTI, collectively "Agents") against, and hold WTI and each such Agent harmless from, all claims, actions, proceedings, liabilities, damages, losses, expenses (including, without limitation, attorneys' fees and costs) and other amounts incurred by WTI and each such Agent, arising from (i) the matters contemplated by this Agreement or any other Transaction Documents, (ii) any dispute between the Company and a third party, or (iii) any contention that the Company has failed to comply with any law, rule, regulation, order or directive applicable to the Company's business; provided, however, that this indemnification shall not apply to any of the foregoing incurred solely as the result of WTI's or any Agent's gross negligence or willful misconduct.

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

5.14 Entire Agreement. The Transaction Documents are intended by the parties as the final expression of their agreement and therefore contain the entire agreement between the parties and supersede all prior understandings or agreements concerning the subject matter hereof. This Agreement may be amended only in a writing signed by the Company and WTI.

5.15 Governing Law and Jurisdiction.

(a) **THIS AGREEMENT AND THE TRANSACTION DOCUMENTS SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA.**

(b) **ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF CALIFORNIA OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE COMPANY AND WTI CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE COMPANY AND WTI IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE COMPANY AND WTI EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY CALIFORNIA LAW.**

5.16 **WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW, THE COMPANY AND WTI EACH WAIVES ITS RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE COMPANY AND WTI EACH AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEMS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS.**

IN WITNESS WHEREOF, the parties hereto have caused this Stock Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

OCULUS INNOVATIVE SCIENCES, INC.

1129 N. McDowell Blvd.
Petaluma, California 94954
Fax: (707) 283-0551

By: /s/ Jim Schutz

Name: Jim Schutz
Title: Chief Operating Officer and General Counsel

Date: October 30, 2012

With a copy to (which shall not constitute notice):

Amy Trombly, Esq.
Trombly Business Law, P.C.
1320 Centre Street, Suite 202
Newton, MA 02459
Fax: (617) 243-0066

IN WITNESS WHEREOF, the parties hereto have caused this Stock Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

VENTURE LENDING & LEASING V, LLC

By: Westech Investment Advisors LLC,
a California limited liability company
Its: Managing Member

By: /s/ Maurice Werdegar

Name: Maurice Werdegar

Title: Vice President and COO

Date: October 30, 2012

VENTURE LENDING & LEASING VI, LLC

By: Westech Investment Advisors LLC,
a California limited liability company
Its: Managing Member

By: /s/ Maurice Werdegar

Name: Maurice Werdegar

Title: Vice President and COO

Date: October 30, 2012

With a copy to (which shall not constitute notice):

Jeffrey Klugman
Greene Radovsky et al
Four Embarcadero Center, Suite 4000
San Francisco, CA 94111
Fax: 415.777.4961

Disclosure Schedules to the Stock Purchase Agreement

Schedule 3.1(f) Subsidiaries.

The Company is in a control relationship with the following subsidiaries:

- Aquamed Technologies, Petaluma, CA
- MicroMed Laboratories, Inc., Petaluma, CA
- L3 Pharmaceuticals, Inc., Petaluma, CA
- Oculus Technologies of Mexico, S.A. de C.V.
- Oculus Innovative Sciences Netherlands, B.V.

Schedule 3.1 (n) Location of Collateral; Business Names.

The Company's chief executive offices are located at: 1129 North McDowell Boulevard, Petaluma, CA 94954.

In addition to its chief executive offices, the Company maintains offices or operates its business at the following locations:

Aquamed Technologies
1129 N. McDowell Blvd.
Petaluma, CA 94954
USA

MicroMed Laboratories, Inc.
1129 N. McDowell Blvd.
Petaluma, CA 94954
USA

L3 Pharmaceuticals, Inc.
1129 N. McDowell Blvd.
Petaluma, CA 94954
USA

Oculus Technologies of Mexico S.A. de C.V.
Industria Vidriera 81 de la Calle
Fracc Industrial Zapopan Norte
Zapopan, Jalisco
México
45130 (manufacturing and administration)

Pedro Martinez Rivas 861
Parque Industrial Belenes Norte
Zapopan, Jalisco
México
45150 (warehouse)

Oculus Innovative Sciences Netherlands B.V.
Nusterweg 123
6136 KT Sittard
P.O. Box 5056
6130 PB Sittard
The Netherlands

Other than its full corporate name, the Company has conducted business using the following trade names or fictitious business names:

- Micromed Laboratories, Inc.; and
- OIS Reincorporation Sub, Inc.

Example #1: proceeds of the Pool #1 Shares are $1,500,000

If the proceeds of the Pool #1 Shares are $1,500,000 then:

- LLC5 will receive $750,000 pursuant to Section 4.1.1.a, which represents the amount required to satisfy the put warrant liabilities of the VLL5 Warrants
- LLC5 will receive an additional $375,000 pursuant to Section 4.1.1.b., which results in LLC5 receiving proceeds in the aggregate amount of $1,125,000
- The remaining proceeds of the Pool #1 Shares are $375,000 ($1,500,000 - $1,125,000)
    - 50% of that figure ($187,500) is allocated to LLC5, which results in LLC5 receiving proceeds from the Pool #1 Shares in the aggregate amount of $1,312,500
    - The other 50% of that figure ($187,500) is allocated to the Company
        - The Company uses that amount to prepay the outstanding loans under the VLL5 Agreements
        - If there are no outstanding loans under the VLL5 Agreements then the Company uses that amount to prepay the outstanding loans under the VLL6 Agreements
        - If there are no outstanding loans under the VLL5 Agreements and there are no then outstanding loans under the VLL6 Agreements then the Company retains $187,500

- **In addition to the above, the proceeds of the Pool #3 Shares allocated to LLC5 will be distributed and applied in accordance with the terms of Section 4.1.4 and Section 4.1.5 (*see* Example #3 starting on page 26)**

Example #2: proceeds of the Pool #2 Shares are $2,500,000

If the proceeds of the Pool #2 Shares are $2,500,000 then:

- LLC6 will receive $1,250,000 pursuant to Section 4.1.2.a, which represents the amount required to satisfy the put warrant liabilities of the VLL6 Warrants
- LLC6 will receive an additional $625,000 pursuant to Section 4.1.2.b., which results in LLC6 receiving proceeds in the aggregate amount of $1,875,000
- The remaining proceeds of the Pool #2 Shares are $625,000 ($2,500,000 - $1,875,000)
    - 50% of that figure ($312,500) is allocated to LLC6, which results in LLC6 receiving proceeds from the Pool #2 Shares in the aggregate amount of $2,187,500
    - The other 50% of that figure ($312,500) is allocated to the Company
        - The Company uses that amount to prepay the outstanding loans under the VLL6 Agreements[1]
        - If there are no outstanding loans under the VLL6 Agreements (and there are no outstanding loans under the VLL5 Agreements) then the Company retains $312,500
- **In addition to the above, the proceeds of the Pool #3 Shares allocated to LLC6 will be distributed and applied in accordance with the terms of Section 4.1.4 and Section 4.1.5 (*see* Example #3 starting on page 26)**

_____

[1] In the event that there are no loans outstanding under the VLL6 Agreements and there are loans outstanding under the VLL5 Agreements then the Company will use its share of the proceeds from the Pool #2 Shares to prepay such loans outstanding under the VLL5 Agreements

Example #3: proceeds of the Pool #1 Shares are $375,000 and proceeds of the Pool #2 Shares are $625,000

If proceeds of the Pool #1 Shares are $375,000 then:

- All such proceeds of the Pool #1 Shares are allocated to LLC5, resulting in unsatisfied put warrant liabilities of the VLL5 Warrants in the amount of $375,000
- Pool #3 Shares allocated to LLC5 are sold until the first to occur of (i) March 31, 2014 and (ii) such time as LLC5 receives an additional $375,000.
- If "(i)" occurs first then LLC5 will have received proceeds from the Pool #3 Shares allocated to LLC5 in an aggregate amount less than $375,000. Consequently, on March 31, 2014, the Company shall make a payment to LLC5 in an amount equal to the difference between $750,000 and the net proceeds LLC5 has received as of such date from the sales of the Pool #1[2] and Pool #3 Shares
    - o After LLC5 receives such payment, any further proceeds from sale of Pool #3 Shares will be used by the Company to prepay the outstanding loans under the VLL5 Agreements. If there are no outstanding loans under the VLL5 Agreements then the Company will use such excess proceeds to prepay the outstanding loans under the VLL6 Agreements. If there are no outstanding loans under the VLL5 Agreements and there are no then outstanding loans under the VLL6 Agreements then 50% of such excess proceeds is allocated to LLC5 and LLC6 (and further allocated ratably between LLC5 and LLC6), and the other 50% of such excess proceeds is allocated to, and retained by, the Company.
- If "(ii)" occurs first then LLC5 will have received proceeds from the sale of the Pool #1 Shares and the Pool #3 Shares in the aggregate amount of at least $750,000, which represents the amount required to satisfy the put warrant liabilities of the VLL5 Warrants
    - o Pool #3 Shares allocated to LLC5 at closing will have a fair market value of $562,500. Such Shares could decrease in value from $562,500 to $375,000 and the proceeds of such shares still will be sufficient to satisfy the put warrant liabilities of the VLL5 Warrants
        - Assume that the Pool #3 Shares allocated to LLC5 are sold for $562,500
            - From such proceeds, LLC5 will receive $375,000, which when taken together with the proceeds LLC5 received from the Pool #1 Shares (in the amount of $375,000), results in LLC5 having received proceeds from the sale of the Pool #1 Shares and the Pool #3 Shares in the aggregate amount of $750,000, which represents the amount required to satisfy the put warrant liabilities of the VLL5 Warrants

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[2] In this example, the proceeds of the Pool #1 Shares were $375,000, so the maximum cash payment due to LLC5 on March 31, 2014 would be $375,000, assuming there were no sales of the Pool #3 Shares allocated to LLC5

- The remaining proceeds from the Pool #3 Shares in the amount $187,500 ($562,500 - $375,000) are used by the Company to prepay outstanding loans under the VLL5 Agreements (i.e., if there are excess proceeds from the sale of the Pool #3 Shares allocated to LLC5 then such excess proceeds are used by the Company to prepay the outstanding loans under the VLL5 Agreements)

- If there are no outstanding loans under the VLL5 Agreements then the Company uses such excess proceeds to prepay the outstanding loans under the VLL6 Agreements

- If there are no outstanding loans under the VLL5 Agreements and there are no then outstanding loans under the VLL6 Agreements then 50% of such excess proceeds is allocated to LLC5 and LLC6 (and further allocated ratably between LLC5 and LLC6), and the other 50% of such excess proceeds is allocated to, and retained by, the Company

If proceeds of the Pool #2 Shares are $625,000 then:

- All such proceeds of the Pool #2 Shares are allocated to LLC6, resulting in unsatisfied put warrant liabilities of the VLL6 Warrants in the amount of $625,000
- Pool #3 Shares allocated to LLC6 are sold until the first to occur of (i) July 31, 2015 and (ii) such time as LLC6 receives an additional $625,000.
- If "(i)" occurs first then LLC6 will have received proceeds from the Pool #3 Shares allocated to LLC6 in an aggregate amount less than $625,000. Consequently, on July 31, 2015, the Company shall make a payment to LLC6 in an amount equal to the difference between $1,250,000 and the net proceeds LLC6 has received as of such date from the sales of the Pool #2[3] and Pool #3 Shares
    - After LLC6 receives such payment, any further proceeds from sale of Pool #3 Shares will be used by the Company to prepay the outstanding loans under the VLL6 Agreements.[4] If there are no outstanding loans under the VLL6 Agreements (and there are no outstanding loans under the VLL5 Agreements) then 50% of such excess proceeds is allocated to LLC5 and LLC6 (and further allocated ratably between LLC5 and LLC6), and the other 50% of such excess proceeds is allocated to, and retained by, the Company
- If "(ii)" occurs first then LLC6 will have received proceeds from the sale of the Pool #2 Shares and the Pool #3 Shares in the aggregate amount of at least $1,250,000, which represents the amount required to satisfy the put warrant liabilities of the VLL6 Warrants

[3] In this example, the proceeds of the Pool #2 Shares were $625,000, so the maximum cash payment due to LLC6 on July 31, 2015 would be $625,000, assuming there were no sales of the Pool #3 Shares allocated to LLC6

[4] In the event that there are no loans outstanding under the VLL6 Agreements and there are loans outstanding under the VLL5 Agreements then the Company will use its share of the proceeds from the Pool #3 Shares to prepay such loans outstanding under the VLL5 Agreements

- Pool #3 Shares allocated to LLC6 at closing will have a fair market value of $937,500. Such Shares could decrease in value from $937,500 to $625,000 and the proceeds of such shares still will be sufficient to satisfy the put warrant liabilities of the VLL6 Warrants
    - Assume that the Pool #3 Shares allocated to LLC5 are sold for $937,500
        - From such proceeds, LLC6 will receive $625,000, which when taken together with the proceeds LLC6 received from the Pool #2 Shares (in the amount of $625,000), results in LLC6 having received proceeds from the sale of the Pool #2 Shares and the Pool #3 Shares in the aggregate amount of $1,250,000, which represents the amount required to satisfy the put warrant liabilities of the VLL6 Warrants
        - The remaining proceeds from the Pool #3 Shares in the amount $312,500 ($937,500 - $625,000) are used by the Company to prepay outstanding loans under the VLL6 Agreements (i.e., if there are excess proceeds from the sale of the Pool #3 Shares allocated to LLC6 then such excess proceeds are used by the Company to prepay the outstanding loans under the VLL6 Agreements)
        - If there are no outstanding loans under the VLL6 Agreements then 50% of such excess proceeds is allocated to LLC5 and LLC6 (and further allocated ratably between LLC5 and LLC6), and the other 50% of such excess proceeds is allocated to, and retained by, the Company

Exhibit 10.2

Venture Lending & Leasing V, Inc.
104 La Mesa Dr., Suite 102
Portola Valley, CA 94028

October 30, 2012

VIA EMAIL

Oculus Innovative Sciences, Inc.

Re: Loan and Security Agreement dated as of May 1, 2010

Ladies and Gentlemen:

Reference is made to the Loan and Security Agreement, dated as of May 1, 2010 (as the same has been and may be amended, supplemented, extended, renewed or otherwise modified from time to time, the "Loan Agreement"), and the Supplement thereto of even date therewith (as the same has been and may be amended, supplemented, extended, renewed or otherwise modified from time to time, the "Supplement"), both between Oculus Innovative Sciences, Inc. ("Borrower") and Venture Lending & Leasing V, Inc. ("Lender"). All capitalized terms not otherwise defined in this letter have the meanings ascribed thereto in the Loan Agreement and Supplement, as applicable.

Borrower, Lender's parent company, Venture Lending & Leasing V, LLC (" LLC5"), and Venture Lending & Leasing VI, LLC ("LLC6") are parties to that certain Stock Purchase Agreement of even date herewith (as the same may be amended, supplemented, extended, renewed or otherwise modified from time to time, "SPA"). It is a condition precedent to the obligations of Borrower, LLC5 and LLC6 to consummate the transactions contemplated by the SPA that Borrower and Lender amend the Loan Agreement and Supplement in certain respects to allow Borrower to prepay the Loans advanced to Borrower by Lender in accordance with the terms of the SPA. In furtherance of the foregoing and notwithstanding anything to the contrary in Part 2, Sections 2(a) and 2(b) of the Supplement, Borrower and Lender agree that Borrower may prepay the Loans advanced to Borrower by Lender in accordance with Section 4.1 of the SPA, which provides, among other things, that Borrower shall use a portion of the excess net proceeds from the sale of the Shares (as such term is defined in the SPA) to prepay the outstanding Loans, with such excess net proceeds applied to such Loans in the inverse order of maturity until such Loans have been prepaid in full (i.e., the proceeds will be applied to furthest in time payments and not affect the original payment schedules of the Loans).

Except as expressly amended by this letter, the Loan Agreement, the Supplement and all of the other Loan Documents remain unamended and in full force and effect. Borrower hereby ratifies, confirms and reaffirms all representations, warranties and covenants contained therein, except to the extent any of the same have been modified by the SPA. All legal fees and costs incurred by Lender in connection with the preparation, negotiation and execution hereof shall be reimbursed by Borrower in accordance with the terms of the SPA. This letter may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any party may execute this letter by facsimile signature or scanned signature in PDF (or like) format, and any such facsimile signature or scanned signature, if identified, legible and complete, shall be deemed an original signature and each of the parties is hereby authorized to rely thereon.

Please indicate your agreement to the foregoing by executing and returning a copy of this letter.

VENTURE LENDING & LEASING V, INC.

By: /s/ Maurice Werdegar
Name: Maurice Werdegar
Title: President and CEO

Acknowledged and agreed as of the date set forth above:

OCULUS INNOVATIVE SCIENCES, INC.

By: /s/ Jim Schutz
Name: Jim Schutz
Title: Chief Operating Officer and General Counsel

Exhibit 10.3

Venture Lending & Leasing VI, Inc.
104 La Mesa Dr., Suite 102
Portola Valley, CA 94028

October 30, 2012

VIA EMAIL

Oculus Innovative Sciences, Inc.

Re: Loan and Security Agreement dated as of June 29, 2011

Ladies and Gentlemen:

Reference is made to the Loan and Security Agreement, dated as of June 29, 2011 (as the same has been and may be amended, supplemented, extended, renewed or otherwise modified from time to time, the "Loan Agreement"), and the Supplement thereto of even date therewith (as the same has been and may be amended, supplemented, extended, renewed or otherwise modified from time to time, the "Supplement"), both between Oculus Innovative Sciences, Inc. ("Borrower") and Venture Lending & Leasing VI, Inc. ("Lender"). All capitalized terms not otherwise defined in this letter have the meanings ascribed thereto in the Loan Agreement and Supplement, as applicable.

Borrower, Lender's parent company, Venture Lending & Leasing VI, LLC (" LLC6"), and Venture Lending & Leasing V, LLC ("LLC5") are parties to that certain Stock Purchase Agreement of even date herewith (as the same may be amended, supplemented, extended, renewed or otherwise modified from time to time, "SPA"). It is a condition precedent to the obligations of Borrower, LLC6 and LLC5 to consummate the transactions contemplated by the SPA that Borrower and Lender amend the Loan Agreement and Supplement in certain respects to allow Borrower to prepay the Loans advanced to Borrower by Lender in accordance with the terms of the SPA. In furtherance of the foregoing and notwithstanding anything to the contrary in Part 2, Section 2 of the Supplement, Borrower and Lender agree that Borrower may prepay the Loans advanced to Borrower by Lender in accordance with Section 4.1 of the SPA, which provides, among other things, that Borrower shall use a portion of the excess net proceeds from the sale of the Shares (as such term is defined in the SPA) to prepay the outstanding Loans, with such excess net proceeds applied to such Loans in the inverse order of maturity until such Loans have been prepaid in full (i.e., the proceeds will be applied to furthest in time payments and not affect the original payment schedules of the Loans).

Except as expressly amended by this letter, the Loan Agreement, the Supplement and all of the other Loan Documents remain unamended and in full force and effect. Borrower hereby ratifies, confirms and reaffirms all representations, warranties and covenants contained therein, except to the extent any of the same have been modified by the SPA. All legal fees and costs incurred by Lender in connection with the preparation, negotiation and execution hereof shall be reimbursed by Borrower in accordance with the terms of the SPA. This letter may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any party may execute this letter by facsimile signature or scanned signature in PDF (or like) format, and any such facsimile signature or scanned signature, if identified, legible and complete, shall be deemed an original signature and each of the parties is hereby authorized to rely thereon.

Please indicate your agreement to the foregoing by executing and returning a copy of this letter.

VENTURE LENDING & LEASING VI, INC.

By: /s/ Maurice Werdegar
Name: Maurice Werdegar
Title: President and CEO

Acknowledged and agreed as of the date set forth above:

OCULUS INNOVATIVE SCIENCES, INC.

By: /s/ Jim Schutz
Name: Jim Schutz
Title:: Chief Operating Officer and General Counsel

Exhibit 10.4

October 29, 2012

Robert Grundstein
Sabby Healthcare Volatility Master Fund, Ltd.
Sabby Volatility Warrant Master Fund, Ltd.
c/o Sabby Management, LLC
10 Mountainview Road, Suite 205
Upper Saddle River, NJ 07458

Jim Schutz
Chief Operating Officer and General Counsel
Oculus Innovative Sciences, Inc.
1129 N. McDowell Blvd.
Petaluma, California 94954

Subject: Side Letter Agreement regarding that certain Stock Purchase Agreement between Sabby Healthcare Volatility Master Fund, Ltd. and Sabby Volatility Warrant Master Fund, Ltd. on one hand and Oculus Innovative Sciences, Inc. on the other hand dated April 22, 2012 (the "Agreement") and the warrants issued pursuant to that Agreement

Dear Mr. Grundstein and Mr. Schutz:

In connection with the Agreement, Oculus Innovative Sciences, Inc. (the "Company") issued to Sabby Healthcare Volatility Master Fund, Ltd. warrants to purchase 2,360,001 shares of the Company's common stock and Sabby Volatility Warrant Master Fund, Ltd. warrants to purchase 1,111,111 shares of the Company's common stock (collectively, "Sabby") a warrant to purchase shares of common stock of the Company (the "Warrant"). This Side Letter Agreement will serve to amend such Warrants. Section 3(e) of the Warrant shall be replaced in its entirely with the following:

e) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) or (vi) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Common Shares (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity

shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

Additionally, the Termination Date of the Warrant will be extended from October 25, 2014 to October 25, 2016.

Sabby agrees to return the originally-issued Warrants within 5 business days of the execution of this Agreement and the Company agrees to issue replacement Warrants within 3 business days of the receipt of the originally-issued Warrants.

No other terms, rights or provisions of the Agreement and Warrant are or should be considered to have been modified by the terms of this Side Letter Agreement and each party to the Agreement retains all other rights, obligations, privileges and duties contained in the Agreement. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute the same agreement. Signed facsimile copies of this Agreement will legally bind the parties to the same extent as original documents.

Agreed and Accepted on October 29, 2012:

Very truly yours,

Sabby Healthcare Volatility Master Fund, Ltd.
Name: Robert Grundstein

Signature: /s/ Robert Grundstein

Sabby Volatility Warrant Master Fund, Ltd.
Name: Robert Grundstein

Signature: /s/ Robert Grundstein

Oculus Innovative Sciences, Inc.
Name: Jim Schutz

Signature: /s/ Jim Schutz

FOR IMMEDIATE RELEASE

Oculus Innovative Sciences Reports Record Revenues of $4.5 Million for the Second Quarter of Fiscal 2013

- **Revenue for the second quarter of $4.5 million, up 24%**
- **Revenue for six months of $8.6 million, up 30%**
- **Cash position of $8.3 million, up $4.9 million from March 31, 2012**
- **EBITDAS for the second quarter of ($213,000) with $410,000 of one-time severance costs related to the More Pharma transaction in Mexico**
- **EBITDAS for first half of fiscal 2013 of ($235,000)**

Conference Call Begins at 4:30 p.m. (EDT) Today

PETALUMA, Calif.--(November 1, 2012)--Oculus Innovative Sciences, Inc. (Nasdaq: OCLS) today announced financial results for the second quarter of fiscal year 2013, ended September 30, 2012. Total revenues were $4.5 million for the second quarter ended September 30, 2012, compared to $3.7 million for the same period in the prior year. Product revenues, including product licensing fees received, increased $874,000, or 26%, for the second quarter ended September 30, 2012, as compared to the same period in the prior year, with increases in the United States, Mexico and Singapore, partly offset by declines in Europe, Middle East, India and China.

“This quarter’s record results reaffirms the wisdom of our strategy of sustainable growth through expansion of partnerships and product diversification,” said Hoji Alimi, Oculus CEO and founder. “For example, our collaboration with More Pharma expands commercialization of our Microcyn products in Mexico and Latin America while allowing us to eliminate our marketing and sales infrastructure in those regions. This partnership improves our profitability and enables us to grow faster without increasing our expenses. Similarly, the introduction of new dermatology formulations for our U.S. partners contributes to meaningful top line growth via expanding domestic sales. We anticipate this *growth-via-diversification* strategy to generate revenue ramps internationally as well as we expand both product offerings and partnerships outside the United States.”

Product revenue in the United States for the three months ended September 30, 2012, increased $452,000, or 31%, as compared to the same period in the prior year due to both unit growth and new product launches into the dermatology market, and slightly higher unit growth from Oculus’s animal healthcare partner, Innovacyn, Inc. The revenue recorded from Innovacyn of $1.2 million for the three months ended September 30, 2012, was up $53,000 from the same period last year. Revenue growth attributed to Oculus’ dermatology partners reflected strong unit growth as three new product lines were launched in the fourth quarter of the fiscal year ended March 31, 2012.

Revenue in Mexico for the three months ended September 30, 2012, increased $558,000, or 43% when compared to the same period last year. The increase was driven by a 14% increase in sales of the 120-mL and 240-mL solutions and gel presentations; a 67% increase in sales of the 5-liter presentation and the recognition of $183,000 related to the amortization of upfront fees paid by More Pharma Corporation, S. de R.L. de C.V., Oculus' new partner in Mexico.

The effective date of Oculus' entry into the distribution agreement with More Pharma was August 15, 2012. Accordingly, as a result of this agreement, revenues recognized during the first half of the quarter ended September 30, 2012, were accounted for as Oculus had traditionally reported in the past with the sales sold to, or collected from, the end customer. However, during the second half of the quarter ended September 30, 2012, Oculus recognized revenue on the sell-through basis for the products More Pharma purchased from Oculus. Also, due to the transfer of the sales function to More Pharma, Oculus reduced or transferred the cost of the sales people and promotions, thus eliminating those operating costs. During the three months ended September 30, 2012, Oculus incurred about $410,000 of severance and related one-time costs in connection with the More Pharma transaction. In addition, an upfront fee of $5.1 million will be recognized as revenue over a three-to-five year period, which is based on the term of the agreements with More Pharma and an analysis of Oculus' experience with similar transactions.

Revenue in Europe and Rest of World for the three months ended September 30, 2012, decreased $136,000, or 21% over the prior year period, primarily as the result of decreases in sales in Europe, India, Middle East and China, partially offset by increases in Singapore.

Oculus reported gross profit related to sales of Microcyn®-based products of $3.2 million, or 74% of product revenues, during the three months ended September 30, 2012, compared to a gross profit of $2.7 million, or 80% of product revenues, for the same period in the prior year. The lower gross profitability is primarily the result of product mix in the United States and the impact of the execution of the More Pharma transaction in Mexico. Gross margins in Mexico were 74% of product revenues during the three months ended September 30, 2012, compared to 81% for the same period last year.

Total operating expenses increased by $609,000, or 18%, to $4.0 million for the three months ended September 30, 2012, compared to $3.4 million for the similar period in the prior year. Operating expenses minus non-cash expenses during the quarter ended September 30, 2012, were $3.5 million, up from $2.9 million for the same period last year. Research and development expenses decreased $47,000, or 8%, to $513,000 for the three months ended September 30, 2012, compared to $560,000 in the prior year period, mostly due to lower costs related to tests and studies. Selling, general and administrative expense increased $656,000, or 23%, to $3.5 million during the three months ended September 30, 2012, as compared to $2.8 million for the same period last year. The increase was primarily due to $410,000 of one-time severance costs in Mexico and higher expenses related to new products, compensation, and investor-related costs in the United States.

Loss from operations minus non-cash expenses for the quarter ending September 30, 2012, was at $213,000, which included $410,000 of one-time severance costs related to the More Pharma transaction.

Net loss for the three months ended September 30, 2012, was $1.5 million, an increase of $680,000 from a net loss of $839,000 for the same period last year. Stock-based compensation charges were $541,000 and $515,000 for the quarters ended September 30, 2012 and 2011, respectively.

As of September 30, 2012, Oculus had unrestricted cash and cash equivalents of $8.3 million, compared with $3.4 million as of March 31, 2012. Oculus' total debt position was $3.7 million as of September 30, 2012, compared with $4.6 million as of March 31, 2012.

Six Months Results
Total revenue was $8.6 million in the six months ended September 30, 2012, compared to $6.6 million in the same period last year. Product revenues, including product licensing fees received, for the six months ended September 30, 2012 was $8.1 million, up 32%, as compared to $6.1 million for the same period last year, with revenue increases in the United States, Mexico and Singapore, partially offset by a decline in Europe, Middle East, India and China. Gross profitability for product revenue for the six months ended September 30, 2012, decreased to 74%, from 76%, in the prior year period, primarily due to lower profitability in the United States and Mexico. Total operating expenses increased $21,000 or 0.3% for the six months compared to the same period last year. Operating loss minus non-cash expenses (EBITDAS) for the six months was $235,000 compared to $1.2 million in the same period last year.

Conference Call
Oculus management will hold a conference call today to discuss second quarter results and to answer questions, beginning at 4:30 p.m. EDT. Individuals interested in participating in the conference call may do so by dialing 877-303-7607 for domestic callers or 973-638-3203 for international callers. Those interested in listening to the conference call live via the Internet may do so at http://ir.oculusis.com/events.cfm. Please log on approximately 30 minutes prior to the presentation in order to register and download the appropriate software.

A telephone replay will be available for seven days following the conclusion of the call by dialing 855-859-2056 for domestic callers, or 404-537-3406 for international callers, and entering conference code 34864546. A webcast replay will be available on the site at http://ir.oculusis.com/events.cfm for one year following the call.

About Oculus Innovative Sciences
Oculus Innovative Sciences is a *commercial healthcare* company that designs, produces and markets innovative, safe and effective drugs, devices, and nutritional products. Oculus is pioneering innovative solutions in multiple markets for the dermatology, surgical, wound care, and animal healthcare markets, and has commercialized products in the United States, Europe, India, China, Mexico and select Middle East countries. The company's headquarters are in Petaluma, California, with manufacturing operations in the United States and Latin America. More information can be found at www.oculusis.com.

Forward-Looking Statements
Except for historical information herein, matters set forth in this press release are forward-looking within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including statements about the Company's commercial and technology progress and future financial performance. These forward-looking statements are identified by the use of words such as "expansion," "eliminate," and "enables," among others. Forward-looking statements in this press release are subject to certain risks and uncertainties inherent in the Company's business that could cause actual results to vary, including such risks that regulatory clinical and guideline developments may change, scientific data may not be sufficient to meet regulatory standards or receipt of required regulatory clearances or approvals, clinical results may not be replicated in actual patient settings, protection offered by the Company's patents and patent applications may be challenged, invalidated or circumvented by its competitors, the available market for the Company's products will not be as large as expected, the Company's products will not be able to penetrate one or more targeted markets, revenues will not be sufficient to fund further development and clinical studies, the Company may not meet its future capital needs, and its ability to obtain additional funding, as well as uncertainties relative to varying product formulations and a multitude of diverse regulatory and marketing requirements in different countries and municipalities, and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission including the annual report on Form 10-K for the year ended March 31, 2012. Oculus Innovative Sciences disclaims any obligation to update these forward-looking statements except as required by law.

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OCULUS INNOVATIVE SCIENCES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	September 30, 2012 (Unaudited)	March 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,310	$ 3,351
Accounts receivable, net	2,842	2,151
Inventories, net	876	953
Prepaid expenses and other current assets	419	505
Total current assets	12,447	6,960
Property and equipment, net	730	806
Other assets	215	72
Total assets	$ 13,392	$ 7,838
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	$ 783	$ 816
Accrued expenses and other current liabilities	765	844
Deferred revenue	2,874	1,619
Current portion of long-term debt, net of debt discount of $615 and $624 at September 30, 2012 (unaudited) and March 31, 2012, respectively	1,477	1,415
Derivative liability	1,552	55
Total current liabilities	7,451	4,749
Deferred revenue, less current portion	3,350	133
Long-term debt, net of debt discount of $475 and $769 at September 30, 2012 (unaudited) and March 31, 2012, respectively, less current portion	1,092	1,824
Put warrant liability	2,000	2,000
Total liabilities	13,893	8,706
Commitments and Contingencies		
Stockholders' Deficiency:		
Convertible preferred stock, $0.0001 par value; 5,000,000 shares authorized, no shares issued and outstanding at September 30, 2012 (unaudited) and March 31, 2012	–	–
Common stock, $0.0001 par value; 100,000,000 shares authorized, 32,768,903 and 29,007,903 shares issued and outstanding at September 30, 2012 (unaudited) and March 31, 2012, respectively	3	3
Additional paid-in capital	135,938	134,496
Accumulated other comprehensive loss	(3,054)	(3,053)
Accumulated deficit	(133,388)	(132,314)
Total stockholders' deficiency	(501)	(868)
Total liabilities and stockholders' deficiency	$ 13,392	$ 7,838

OCULUS INNOVATIVE SCIENCES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2012	2011	2012	2011
Revenues				
Product	$ 3,890	$ 3,296	$ 7,674	$ 5,911
Product licensing fees	374	94	406	189
Service	262	273	497	503
Total revenues	4,526	3,663	8,577	6,603
Cost of revenues				
Product	1,092	668	2,080	1,458
Service	234	217	413	418
Total cost of revenues	1,326	885	2,493	1,876
Gross profit	3,200	2,778	6,084	4,727
Operating expenses				
Research and development	513	560	1,045	996
Selling, general and administrative	3,504	2,848	6,351	6,379
Total operating expenses	4,017	3,408	7,396	7,375
Loss from operations	(817)	(630)	(1,312)	(2,648)
Interest expense	(280)	(230)	(568)	(392)
Interest income	1	1	2	2
(Loss) gain due to change in fair value of derivative instruments	(397)	121	850	218
Other expense, net	(26)	(101)	(46)	(194)
Net loss	(1,519)	(839)	(1,074)	(3,014)
Preferred stock deemed dividend	–	–	(1,062)	–
Net loss available to common shareholders	$ (1,519)	$ (839)	$ (2,136)	$ (3,014)
Net loss per common share: basic and diluted	$ (0.05)	$ (0.03)	$ (0.07)	$ (0.11)
Weighted-average number of shares used in per common share calculations:				
Basic and diluted	32,616	26,828	32,111	26,771
Other comprehensive loss, net of tax				
Net loss	$ (1,519)	$ (839)	$ (1,074)	$ (3,014)
Foreign currency translation adjustments	119	(174)	(1)	(207)
Other comprehensive loss	$ (1,400)	$ (1,013)	$ (1,075)	$ (3,221)

OCULUS INNOVATIVE SCIENCES, INC. AND SUBSIDIARIES
Reconciliation of GAAP Measures to Non-GAAP Measures
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2012	2011	2012	2011
(1) Loss from operations minus non-cash expenses (EBITDAS):				
GAAP loss from operations as reported	$ (817)	$ (630)	$ (1,312)	$ (2,648)
Non-cash adjustments:				
Stock-based compensation	541	515	941	1,327
Depreciation and amortization	63	82	136	166
Non-GAAP loss from operations minus non-cash expenses (EBITDAS)	$ (213)	$ (33)	$ (235)	$ (1,155)
(2) Net loss minus non-cash expenses:				
GAAP net loss as reported	$ (1,519)	$ (839)	$ (1,074)	$ (3,014)
Non-cash adjustments:				
Stock-based compensation	541	515	941	1,327
Depreciation and amortization	63	82	136	166
(Loss) gain due to change in fair value of derivative instruments	397	(121)	(850)	(218)
Non-cash interest expense	153	117	303	175
Non-GAAP net loss minus non-cash expenses	$ (365)	$ (246)	$ (544)	$ (1,564)
(3) Operating expenses minus non-cash expenses				
GAAP operating expenses as reported	$ 4,017	$ 3,408	$ 7,396	$ 7,375
Non-cash adjustments:				
Stock-based compensation	(507)	(485)	(875)	(1,277)
Depreciation and amortization	(29)	(44)	(71)	(90)
Non-GAAP operating expenses minus non-cash expenses	$ 3,481	$ 2,879	$ 6,450	$ 6,008

Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP.

(1) Loss from operations minus non-cash expenses (EBITDAS) is a non-GAAP financial measure. The Company defines operating loss minus non-cash expenses as GAAP reported operating loss minus operating depreciation and amortization, and operating stock-based compensation. The Company uses this measure for the purpose of modifying the operating loss to reflect direct cash related transactions during the measurement period.

(2) Net income (loss) minus non-cash expenses is a non-GAAP financial measure. The Company defines net income (loss) minus non-cash expenses as GAAP reported net loss minus depreciation and amortization, stock-based compensation, a change in the fair value of derivative instruments, and non-cash interest. The Company uses this measure for the purpose of modifying the net loss to reflect only those expenses to reflect direct cash transactions during the measurement period.

(3) Operating expenses minus non-cash expenses is a non-GAAP financial measure. The Company defines operating expenses minus non-cash expenses as GAAP reported operating expenses minus operating depreciation and amortization, and operating stock-based compensation. The Company uses this measure for the purpose of identifying total operating expenses involving cash transactions during the measurement period.