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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2010

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____to _____

Commission File Number 001-33216

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

Delaware	**68-0423298**
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

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

(707) 782-0792
Registrant's telephone number, including area code

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

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

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

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
☐	☐	☐	☑

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

As of November 4, 2010 the number of shares outstanding of the registrant's common stock, $0.0001 par value, was 26,419,357.

OCULUS INNOVATIVE SCIENCES, INC.

Index

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

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

	September 30, 2010 (Unaudited)	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,367	$ 6,258
Accounts receivable, net	1,615	1,416
Inventories, net	648	565
Prepaid expenses and other current assets	603	811
Total current assets	8,233	9,050
Property and equipment, net	1,019	1,108
Other assets	51	60
Total assets	$ 9,303	$ 10,218
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 976	$ 981
Accrued expenses and other current liabilities	1,123	1,078
Current portion of long-term debt, net of discount	147	204
Derivative liability	218	472
Total current liabilities	2,464	2,735
Deferred revenue	174	328
Long-term debt, net of discount, less current portion	1,618	110
Put warrant liability	500	—
Total liabilities	4,756	3,173
Commitments and Contingencies		
Stockholders' Equity:		
Convertible preferred stock, $0.0001 par value; 5,000,000 shares authorized, no shares issued and outstanding at September 30, 2010 (unaudited) and March 31, 2010	—	—
Common stock, $0.0001 par value; 100,000,000 shares authorized, 26,384,357 and 26,161,428 shares issued and outstanding at September 30, 2010 (unaudited) and March 31, 2010, respectively	3	3
Additional paid-in capital	128,570	127,067
Accumulated other comprehensive loss	(2,965)	(2,988)
Accumulated deficit	(121,061)	(117,037)
Total stockholders' equity	4,547	7,045
Total liabilities and stockholders' equity	$ 9,303	$ 10,218

See accompanying notes

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,	
	2010	**2009**	**2010**	**2009**
Revenues				
Product	$ 2,282	$ 1,403	$ 4,327	$ 2,970
Service	184	269	403	549
Total revenues	2,466	1,672	4,730	3,519
Cost of revenues				
Product	638	601	1,334	1,128
Service	155	258	334	473
Total cost of revenues	793	859	1,668	1,601
Gross profit	1,673	813	3,062	1,918
Operating expenses				
Research and development	553	583	949	1,304
Selling, general and administrative	2,765	2,485	6,154	5,170
Total operating expenses	3,318	3,068	7,103	6,474
Loss from operations	(1,645)	(2,255)	(4,041)	(4,556)
Interest expense	(88)	(3)	(147)	(7)
Interest income	1	—	1	1
Change in fair value of derivative liability	166	451	254	(757)
Other expense, net	(83)	(86)	(91)	(115)
Net loss	$ (1,649)	$ (1,893)	$ (4,024)	$ (5,434)
Net loss per common share: basic and diluted	$ (0.06)	$ (0.08)	$ (0.15)	$ (0.26)
Weighted-average number of shares used in per common share calculations:				
Basic and diluted	26,321	22,750	26,268	21,078
Other comprehensive loss, net of tax				
Net loss	$ (1,649)	$ (1,893)	$ (4,024)	$ (5,434)
Foreign currency translation adjustments	125	42	23	113
Other comprehensive loss	$ (1,524)	$ (1,851)	$ (4,001)	$ (5,321)

See accompanying notes

OCULUS INNOVATIVE SCIENCES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended September 30,	
	2010	**2009**
Cash flows from operating activities:		
Net loss	$ (4,024)	$ (5,434)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	185	237
Stock-based compensation	1,487	906
Change in fair value of derivative liability	(254)	757
Non-cash interest expense	60	—
Foreign currency transaction losses	4	26
Loss on disposal of assets	—	125
Changes in operating assets and liabilities:		
Accounts receivable	(193)	(42)
Inventories	(84)	(148)
Prepaid expenses and other current assets	208	172
Accounts payable	—	(11)
Accrued expenses and other liabilities	(111)	57
Net cash used in operating activities	(2,722)	(3,355)
Cash flows from investing activities:		
Change in long-term deposits	10	(33)
Purchases of property and equipment	(63)	(68)
Net cash used in investing activities	(53)	(101)
Cash flows from financing activities:		
Proceeds from the issuance of common stock, net of offering costs	—	7,159
Proceeds from the exercise of common stock options and warrants	16	1,053
Proceeds from issued debt	2,000	—
Principal payments on debt	(148)	(224)
Payments on capital lease obligations	—	(4)
Net cash provided by financing activities	1,868	7,984
Effect of exchange rate on cash and cash equivalents	16	3
Net (decrease) increase in cash and cash equivalents	(891)	4,531
Cash and equivalents, beginning of period	6,258	1,921
Cash and equivalents, end of period	$ 5,367	$ 6,452
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 87	$ 7
Equipment financed	$ 40	$ 100
Obligations settled with common stock	$ —	$ 447

See accompanying notes

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Oculus Innovative Sciences, Inc. (the "Company") was incorporated under the laws of the State of California in April, 1999 and was reincorporated under the laws of the State of Delaware in December, 2006. The Company's principal office is located in Petaluma, California. The Company develops, manufactures and markets a family of tissue care products to treat infections and, through a separate mechanism of action, enhance healing while reducing the need for antibiotics. The Company's platform technology, called Microcyn®, is a proprietary solution of electrically charged oxychlorine small molecules designed to treat a wide range of organisms that cause disease (pathogens). The Company conducts its business worldwide, with significant subsidiaries in Europe and Mexico.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements as of September 30, 2010 and for the three and six months then ended have been prepared in accordance with the accounting principles generally accepted in the United States of America for interim financial information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission ("SEC") and on the same basis as the annual audited consolidated financial statements. The unaudited condensed consolidated balance sheet as of September 30, 2010, condensed consolidated statements of operations for the three and six months ended September 30, 2010 and 2009, and the condensed consolidated statements of cash flows for the six months ended September 30, 2010 and 2009 are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. The results for the three and six months ended September 30, 2010 are not necessarily indicative of results to be expected for the year ending March 31, 2011 or for any future interim period. The condensed consolidated balance sheet at March 31, 2010 has been derived from audited consolidated financial statements. However, it does not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete consolidated financial statements. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended March 31, 2010, and notes thereto included in the Company's Form 10-K, which was filed with the SEC on June 8, 2010.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Periodically, the Company evaluates and adjusts estimates accordingly. The allowance for uncollectible accounts receivable balances amounted to $75,000 and $96,000, which are included in accounts receivable, net in the accompanying September 30, 2010 and March 31, 2010 condensed consolidated balance sheets, respectively. The reserve for excess and obsolete inventory balances amounted to $137,000 and $143,000, which are included in inventories, net in the accompanying September 30, 2010 and March 31, 2010 condensed consolidated balance sheets, respectively.

Foreign Currency Reporting

The Company's subsidiary in Mexico uses the local currency (Mexican Pesos) as its functional currency and the Company's subsidiary in Europe uses the local currency (Euro) as its functional currency. Assets and liabilities are translated at exchange rates in effect at the balance sheet date, and revenue and expense accounts are translated at average exchange rates during the period. Resulting translation adjustments were recorded in accumulated other comprehensive loss in the accompanying condensed consolidated balance sheets at September 30, 2010 and March 31, 2010.

Foreign currency transaction gains (losses) relate primarily to trade payables and receivables between the Company's subsidiaries in Mexico and Europe. These transactions are expected to be settled in the foreseeable future. The Company recorded foreign currency transaction losses of $50,000 and $42,000 for the three months ended September 30, 2010 and 2009, respectively. The Company recorded foreign currency transaction losses of $4,000 and $26,000 for the six months ended September 30, 2010 and 2009, respectively. The related (losses) gains were recorded in other income and expense, net, in the accompanying condensed consolidated statements of operations.

Net Loss per Share

The Company computes basic net loss per share by dividing net loss per share available to common stockholders by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the "treasury stock" and/or "if converted" methods as applicable. The computation of basic loss per share for the three and six months ended September 30, 2010 and 2009 excludes potentially dilutive securities because their inclusion would be anti-dilutive.

The following securities were excluded from basic and diluted net loss per share calculation because their inclusion would be anti-dilutive (in thousands):

	September 30,	
	2010	2009
Options to purchase common stock	4,443	3,219
Restricted stock units	—	30
Warrants to purchase common stock	9,297	10,624
	13,740	13,873

Common Stock Purchase Warrants and Other Derivative Financial Instruments

The Company classifies common stock purchase warrants and other free standing derivative financial instruments as equity if the contracts (i) require physical settlement or net-share settlement or (ii) give the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the control of the Company), (ii) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement), or (iii) contracts that contain reset provisions as either an asset or a liability. The Company assesses classification of its freestanding derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required. The Company determined that its freestanding derivatives, which principally consist of warrants to purchase common stock, satisfied the criteria for classification as equity instruments at September 30, 2010, other than certain warrants that contain reset provisions that the Company classified as derivative liabilities as more fully described in Note 5.

Fair Value of Financial Assets and Liabilities

Financial instruments, including cash and cash equivalents, accounts payable and accrued liabilities are carried at cost, which management believes approximates fair value due to the short-term nature of these instruments. The fair value of capital lease obligations and equipment loans approximates their carrying amounts as a market rate of interest is attached to their repayment.

The Company measures the fair value of financial assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The Company uses three levels of inputs that may be used to measure fair value:

Level 1 — quoted prices in active markets for identical assets or liabilities

Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 — inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

Financial liabilities measured at fair value on a recurring basis are summarized below:

	Fair value measurements (in thousands) at September 30, 2010 using			
	September 30, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:				
Fair value of warrant obligations (Note 5)	$ 218	—	—	$ 218

Subsequent Events

Management has evaluated subsequent events or transactions occurring through the date the financial statements were issued.

Recent Accounting Pronouncements

In March 2010, the FASB issued ASU No. 2010-17, "Revenue Recognition—Milestone Method (Topic 605): Milestone Method of Revenue Recognition." This standard provides that the milestone method is a valid application of the proportional performance model for revenue recognition if the milestones are substantive and there is substantive uncertainty about whether the milestones will be achieved. Determining whether a milestone is substantive requires judgment that should be made at the inception of the arrangement. To meet the definition of a substantive milestone, the consideration earned by achieving the milestone (1) would have to be commensurate with either the level of effort required to achieve the milestone or the enhancement in the value of the item delivered, (2) would have to relate solely to past performance, and (3) should be reasonable relative to all deliverables and payment terms in the arrangement. No bifurcation of an individual milestone is allowed and there can be more than one milestone in an arrangement. The new standard is effective for interim and annual periods beginning on or after June 15, 2010. Early adoption is permitted. The adoption of this standard did not have any impact on the Company's consolidated financial position and results of operations.

Other accounting standards that have been issued or proposed by the FASB and SEC and/or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Note 2. Liquidity and Financial Condition

During the three and six months ended September 30, 2010, the Company incurred a net loss of $1,649,000 and $4,024,000 respectively. At September 30, 2010, the Company's accumulated deficit amounted to $121,061,000. During the six months ended September 30, 2010, net cash used in operating activities amounted to $2,722,000. At September 30, 2010, the Company's working capital amounted to $5,769,000. The Company may raise additional capital from external sources in order to continue the longer term efforts contemplated under its business plan. The Company expects to continue incurring losses for the foreseeable future and may raise additional capital to pursue its product development initiatives, penetrate markets for the sale of its products and continue as a going concern.

On May 1, 2010, the Company entered into a Loan and Security Agreement and a Supplement to the Loan and Security Agreement with Venture Lending & Leasing, Inc. to borrow up to an aggregate of up to $3,000,000 (collectively, the "Agreements"). The Agreements provide for a first tranche of $2,000,000 and, as of September 30, 2010, the Company has met certain financial milestones, whereby it may borrow a second tranche of $1,000,000. The loan is secured by the all assets of the Company excluding intellectual property under certain circumstances. On May 3, 2010, the Company borrowed $2,000,000 on the first tranche. The effective interest rate on the loan is 13.3%. For the first eight payments, the Company will make monthly payments of interest only set at $16,660 through December 1, 2010. Thereafter, the Company will make interest and principal payments of $75,000 per month through June 1, 2013. Additionally, the Company will make a final balloon payment of $132,340 on June 1, 2013 (Note 3). The Company achieved the financial milestones to borrow the second tranche of $1,000,000 and expects to borrow the second tranche prior to November 30, 2010.

For the six months ended September 30, 2010, the Company received $16,000 in connection with the exercise of 39,396 stock options.

The Company currently anticipates that its cash and cash equivalents will be sufficient to meet its working capital requirements to continue its sales and marketing and research and development through at least October 1, 2011. However, in order to execute the Company's long-term Microcyn product development strategy and to penetrate new and existing markets, the Company may need to raise additional funds, through public or private equity offerings, debt financings, corporate collaborations or other means. The Company may raise additional capital to pursue its product development initiatives and penetrate markets for the sale of its products.

Management believes that the Company has access to capital resources through possible public or private equity offerings, debt financings, corporate collaborations or other means; however, the Company has not secured any commitment for new financing at this time, nor can it provide any assurance that new financing will be available on commercially acceptable terms, if needed. If the Company is unable to secure additional capital, it may be required to curtail its research and development initiatives and take additional measures to reduce costs in order to conserve its cash.

Note 3. Condensed Consolidated Balance Sheets

Inventories

Inventories consisted of the following (in thousands):

	September 30, 2010	March 31, 2010
	(unaudited)	
Raw materials	$ 460	$ 406
Finished goods	325	302
	785	708
Less: inventory allowances	(137)	(143)
	$ 648	$ 565

Notes Payable

On May 1, 2010, the Company 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 (collectively, the "Agreements"). The Agreements provide for a first tranche of $2,000,000 and, upon meeting certain financial milestones, the Company may borrow a second tranche of $1,000,000, which the Company met at September 30, 2010. The loan is secured by the assets of the Company excluding intellectual property under certain circumstances. On May 3, 2010, the Company borrowed $2,000,000 on the first tranche. For the first eight payments, the Company will make monthly interest only payments set at $16,660 through December 1, 2010. Thereafter, the Company will make interest and principal payments of $75,000 per month through June 1, 2013. Additionally, the Company will make a final balloon payment of $132,340 on June 1, 2013, resulting in an effective interest rate of 13.3%. If the Company draws the second tranche, the Company will make interest-only payments for 6 months following the commencement of the second tranche. Following the interest only period, the second tranche will be amortized over 30 months, with a final payment due equal to 6.617% of the original principal balance. During the three and six months ended September 30, 2010, the Company made interest payments of $49,000 and $82,000, respectively.

Additionally, in connection with the Agreements, the Company issued a warrant to Venture Lending & Leasing, Inc. for the purchase of 166,667 shares of the Company's common stock. If the Company becomes eligible to draw the second tranche of the loan, and borrows additional funds pursuant to the second tranche, the Company will be obligated to issue a second warrant for the purchase of an additional 83,333 shares of its common stock (collectively, the "Warrants"). The Warrants may be exercised for a cash payment of $2.00 per share of common stock, subject to adjustment for stock splits, dividends, a change in control or similar transactions. The Warrants also have a cashless exercise feature. The Warrants expire on November 30, 2017. The Warrants may be put back to the Company for $500,000 cash, plus an additional $250,000 if the Company draws the second tranche of the loan. The put feature is available to the holder for 60 days after the first of the following to occur: i) a change of control of the Company, ii) the closing of at least $15,000,000 of additional equity financing, or iii) March 31, 2014. The $500,000 cash value of the warrant was recorded as a put warrant liability and a corresponding amount of $500,000 was recorded as a discount on the note payable. The discount will be accreted to non-cash interest expense over the term of the loan using the effective interest method. During the three and six months ended September 30, 2010, the Company recorded $36,000 and $60,000 of non-cash interest expense related to this to this note, respectively. The remaining balance of this note amounted to $2,000,000, and the carrying value, net of $440,000 discount, amounted to $1,560,000, at September 30, 2010, of which $65,000, net of $150,000 discount, is included in the current portion of long-term debt in the accompanying condensed consolidated balance sheet.

On August 12, 2010, the Company entered into a note agreement for principal amounting to $40,000 with an interest rate of 11.99% per annum. This instrument was issued in connection with financing an automobile. During the three months ended September 30, 2010, the Company made principal and interest payments related to this note in the amounts of $5,000 and $1,000, respectively. The remaining balance of this note amounted to $34,000 at September 30, 2010 of which $5,000 is included in the current portion of long-term debt in the accompanying condensed consolidated balance sheet.

Note 4. Commitments and Contingencies

Legal Matters

In February 2007, the Company's Mexico subsidiary served Quimica Pasteur ("QP"), a former distributor of the Company's products in Mexico, with a claim alleging breach of contract under a note made by QP. A trial date has not yet been set.

The Company, from time to time, is involved in legal matters arising in the ordinary course of its business including matters involving proprietary technology. While management believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Company is or could become involved in litigation, will not have a material adverse effect on its business, financial condition or results of operations.

Employment Agreements

As of September 30, 2010, the Company had employment agreements with five of its key executives. The agreements provide, among other things, for the payment of six to twenty-four months of severance compensation for terminations under certain circumstances. With respect to these agreements, at September 30, 2010, potential severance benefits amounted to $1,883,000 and aggregated annual salaries amounted to $1,350,000.

Commercial Agreements

On May 8, 2007, and June 11, 2007, the Company entered into separate commercial agreements with two unrelated customers granting such customers the exclusive right to sell the Company's products in specified territories or for specified uses. Both customers are required to maintain certain minimum levels of purchases of the Company's products in order to maintain the exclusive right to sell the Company's products. Up-front payments amounting to $625,000 were paid under these agreements and were recorded as deferred revenue. On April 16, 2010 the Company terminated the exclusive agreement with one of the customers. Accordingly, during the six months ended September 30, 2010, the Company recorded as revenue the remaining balance of the unamortized upfront fees which amounted to $210,000. For the three months ended September 30, 2010 and 2009, the Company recorded revenues of $7,000 and $24,000, respectively, related to the upfront payments. For the six months ended September 30, 2010 and 2009, the Company recorded revenues of $224,000 and $48,000, respectively, related to the upfront payments. These amounts were included in product revenue in the accompanying condensed consolidated statements of operations. At September 30, 2010, deferred revenue related to the remaining agreement amounted to $202,000 of which $28,000 was short-term and is included in accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheet. The remaining up-front fee will be amortized on a straight-line basis over the term of the underlying agreement.

Agreements with Related Party

On January 26, 2009, the Company entered into a commercial agreement with VetCure, Inc., a California corporation, to market and sell our Vetericyn products. VetCure, Inc. later changed its name to Vetericyn, Inc. This agreement was amended on February 24, 2009, July 24, 2009, June 1, 2010 and September 1, 2010. At the time of each of the 2009 transactions, Vetericyn was wholly-owned by Robert Burlingame, who was also a Director at the time of the transactions. Mr. Burlingame resigned from the Board on February 10, 2010. Pursuant to the agreement, the Company provides Vetericyn, Inc. with bulk product and Vetericyn, Inc. bottles, packages, and sells Vetericyn Inc. products. The Company receives a fixed amount for each bottle of Vetericyn sold by Vetericyn, Inc. In addition, once certain financial milestones are met by Vetericyn, Inc., the Company shares revenue generated by Vetericyn, Inc. related to Vetericyn sales.

On February 24, 2009, the Company entered into a Purchase Agreement with certain investors, including Robert Burlingame, who was a Director at the time of the transaction. Mr. Burlingame resigned from the Board on February 10, 2010. Pursuant to the terms of the Purchase Agreement, the investors agreed to make a $3,000,000 investment in the Company. The investors paid $1,000,000 (net proceeds of $948,000 after deducting offering expenses) for 854,701 shares of common stock on February 24, 2009 and paid $2,000,000 for 1,709,402 shares of common stock on June 1, 2009. In addition, the Company issued to the investors Series A Warrants to purchase a total of 1,500,000 shares of common stock pro rata to the number of shares of common stock issued on each closing date at an exercise price of $1.87 per share. The Series A Warrants became exercisable after six months and have a five year term. The Company also issued to the investors Series B Warrants to purchase a total of 2,000,000 shares of common stock pro rata to the number of shares of common stock issued on each closing date at an exercise price of $1.13 per share. The Series B Warrants became exercisable after six months and have a three year term. In addition, for every two shares of common stock the investor purchases upon exercise of a Series B Warrant, the investor will receive an additional Series C Warrant to purchase one share of common stock. The Series C Warrant shall be exercisable after six months and will have an exercise price of $1.94 per share and a five year term. The Company will only be obligated to issue Series C Warrants to purchase up to 1,000,000 shares of common stock.

On September 15, 2009, the Company entered a commercial agreement with V&M Industries, Inc., a California corporation, to market and sell the Microcyn over-the-counter liquid and gel products on a non-exclusive basis. V&M Industries, Inc. was wholly-owned by Robert Burlingame, who was a Director at the time of the transaction. V&M Industries, Inc. subsequently changed its name to Innovacyn, Inc. On June 1, 2010, and September 1, 2010, Innovacyn and the Company amended this agreement granting Innovacyn the exclusive right to sell specific over-the-counter products. Additionally, once certain milestones are met, but no later than July 1, 2011, the Company will share profits related to Vetericyn and Microcyn over-the-counter sales.

The Company currently manufactures all Microcyn over-the-counter products and bears all inventory and collection risks related to the over-the-counter sales and incurs costs associated with Innovacyn's sales and marketing efforts. Accordingly, the Company records over-the-counter related revenue on the gross basis and records expenses related to Innovacyn's sales and marketing efforts in selling, general and administrative expenses. During the three months ended September 30, 2010 and 2009, the Company recorded revenue related to these agreements in the amounts of $747,000 and $61,000, respectively. During the six months ended September 30, 2010 and 2009, the Company recorded revenue related to these agreements in the amounts of $1,108,000 and $92,000, respectively. The revenue is included in product revenues in the accompanying condensed consolidated statements of operations.

Other Matters

On September 16, 2005, the Company entered into a series of agreements with QP, a Mexico-based company engaged in the business of distributing pharmaceutical products to hospitals and health care entities owned or operated by the Mexican Ministry of Health. These agreements provided, among other things, for QP to act as the Company's exclusive distributor of Microcyn to the Mexican Ministry of Health for a period of three years. In connection with these agreements, the Company was concurrently granted an option to acquire all except a minority share of the equity of QP directly from its principals in exchange for 150,000 shares of common stock, contingent upon QP's attainment of certain financial milestones. The Company's distribution and related agreements were cancelable by the Company on thirty days' notice without cause and included certain provisions to hold the Company harmless from debts incurred by QP outside the scope of the distribution and related agreements. The Company terminated these agreements on March 26, 2006 without having exercised the option.

Due to its liquidity circumstances, QP was unable to sustain operations without the Company's subordinated financial and management support. Accordingly, QP was deemed to be a variable interest entity in accordance with FIN 46(R) and its results were consolidated with the Company's consolidated financial statements for the period of September 16, 2005 through March 26, 2006, the effective termination date of the distribution and related agreement, without such option having been exercised.

Subsequent to having entered into the agreements with QP, the Company became aware of an alleged tax avoidance scheme involving the principals of QP. The audit committee of the Company's Board of Directors engaged an independent counsel, as well as tax counsel in Mexico to investigate this matter. The audit committee of the Board of Directors was advised that QP's principals could be liable for up to $7,000,000 of unpaid taxes; however, the Company is unlikely to have any loss exposure with respect to this matter because the alleged tax omission occurred prior to the Company's involvement with QP. The Company has not received any communications to date from Mexican tax authorities with respect to this matter.

Based on an opinion of Mexican counsel, the Company's management and the audit committee of the Board of Directors do not believe that the Company is likely to experience any loss with respect to this matter. However, there can be no assurance that the Mexican tax authorities will not pursue this matter and, if pursued, that it would not result in a material loss to the Company.

Note 5. Derivative Liability

The Company deems financial instruments which do not have fixed settlement provisions to be derivative instruments. The common stock purchase warrants issued with the Company's August 13, 2007 private placement, and the common stock purchase warrants issued to the placement agent in the transaction, do not have fixed settlement provisions because their exercise prices may be lowered if the Company issues securities at lower prices in the future. The Company was required to include the reset provisions in order to protect the warrant holders from the potential dilution associated with future financings. At issuance, the warrants were recognized as derivative instruments and classified as equity and have since been re-characterized as derivative liabilities. Accordingly, the fair value of the derivative liabilities is re-measured at the end of every reporting period with the change in value reported in the statement of operations.

The derivative liability was valued using the Black-Scholes option valuation model and the following assumptions on the following dates:

	September 30, 2010	March 31, 2010
Expected life	1.87 years	2.37 years
Risk-free interest rate	0.42%	1.02%
Dividend yield	0.00%	0.00%
Volatility	87%	84%
Warrants outstanding	725,866	724,188
Fair value of warrants	$ 218,000	$ 472,000

The Company recorded a gain of $166,000 and $254,000 due to a change in the fair value of the Company's derivative liability for the three and six months ended September 30, 2010, respectively. The Company recorded a gain of $451,000 and a loss of $757,000 due to a change in the fair value of the Company's derivative liability for the three and six months ended September 30, 2009, respectively. These amounts are included as a change in the fair value of derivative instruments in the accompanying condensed consolidated statements of operations.

Note 6. Stockholders' Equity

Common Stock Issued to Service Providers

On April 24, 2009, the Company entered into an agreement with Advocos LLC, a contract sales organization that serves as part of the Company's sales force for the sale of wound care products in the United States. Pursuant to the agreement, the Company agreed to pay the contract sales organization a monthly fee and potential bonuses that will be based on achievement of certain levels of sales. The Company agreed to issue the contract sales organization shares of common stock each month as compensation for its services. During the three months ended September 30, 2010 and 2009, the Company issued 10,436 and 5,600 shares of common stock, respectively, in connection with this agreement. During the six months ended September 30, 2010 and 2009, the Company issued 20,691 and 30,100 shares of common stock, respectively, in connection with this agreement. The Company has determined that the fair value of the common stock, which was calculated as shares were issued, was more readily determinable than the fair value of the services rendered. Accordingly, the Company recorded the fair market value of the stock as compensation expense. The expense will be recognized as the shares of stock are earned. During the three months ended September 30, 2010 and 2009, the Company recorded $19,000 and $14,000 of compensation expense related to this agreement, respectively. During the six months ended September 30, 2010 and 2009, the Company recorded $41,000 and $40,000 of compensation expense related to this agreement, respectively. These expenses were recorded as selling, general and administrative expense in the accompanying condensed consolidated statements of operations.

On December 17, 2009, the Company entered into an agreement with Windsor Corporation. Windsor Corporation provides financial advisory services to the Company. Pursuant to the agreement, the Company agreed to pay Windsor Corporation, on a quarterly basis, common stock as compensation for services provided. The Company determined the fair value of the common stock was more readily determinable than the fair value of the services rendered. Accordingly, the Company recorded the fair market value of the stock as compensation expense. During the three and six months ended September 30, 2010, the Company issued 22,614 and 37,842 shares of common stock, respectively. During the three and six months ended September 30, 2010, the Company recorded $41,000 and $71,000 of expense related to this agreement which was recorded as selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

On May 19, 2010, the Company issued common stock to Life Tech Capital, a Division of Aurora Capital, LLC, for providing financial advisory services. The Company agreed to pay Life Tech Capital, a Division of Aurora Capital, LLC, 20,000 shares of common stock for the services provided. The Company determined the fair value of the common stock was more readily determinable than the fair value of the services rendered. The aggregate fair value of the common stock amounted to $44,000. Accordingly, during six months ended September 30, 2010, the Company recorded $44,000 of expense related to this agreement which was recorded as selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

On May 19, 2010, the Company issued common stock to Acute Care Partners, Inc., for providing recruiting and other management services. The Company agreed to pay Acute Care Partners, Inc. 50,000 shares of common stock for the services provided. The Company determined that the fair value of the common stock was more readily determinable than the fair value of the services rendered. The aggregate fair value of common stock amounted to $111,000. Accordingly, during the six months ended September 30, 2010, the Company recorded $111,000 of expense related to this agreement which was recorded as selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

On September 9, 2010, the Company issued common stock to Vista Partners, for providing financial advisory services. The Company agreed to pay Vista Partners 55,000 shares of common stock for the services provided. The Company determined that the fair value of the common stock was more readily determinable than the fair value of the services rendered. The aggregate fair value of common stock amounted to $90,000. Accordingly, during the three months ended September 30, 2010, the Company recorded $90,000 of expense related to this agreement which was recorded as selling, general and administrative expense in the accompanying condensed consolidated statement of operations.

Note 7. Stock-Based Compensation

The Company accounts for share-based awards exchanged for employee services at the estimated grant date fair value of the award. The Company amortizes the fair value of employee stock options on a straight-line basis over the requisite service period of the awards. Compensation expense includes the impact of an estimate for forfeitures for all stock options.

Employee stock-based compensation expense is as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2010	2009	2010	2009
Cost of service revenue	$ 15	$ 5	$ 30	$ 10
Research and development	52	17	103	46
Selling, general and administrative	301	167	997	334
Total stock-based compensation	$ 368	$ 189	$ 1,130	$ 390

The fair value of employee stock options was estimated using the following weighted-average assumptions:

	Six Months Ended September 30,	
	2010	2009
Expected life	5.6 years	6.0 years
Risk-free interest rate	1.95%	1.65%
Dividend yield	0.00%	0.00%
Volatility	84%	85%

The Company did not grant any options during the three months ended September 30, 2010. Options granted during the six months ended September 30, 2010 were granted to the Company's executive officers.

The expected term of stock options represents the average period the stock options are expected to remain outstanding and is based on the expected term calculated using the approach prescribed by Staff Accounting Bulletin No. 110 for "plain vanilla" options. The expected stock price volatility for the Company's stock options was determined by examining the historical volatilities for industry peers and using an average of the historical volatilities of the Company's industry peers as well as the trading history for the Company's common stock. The Company will continue to analyze the stock price volatility and expected term assumptions as more data for the Company's common stock and exercise patterns becomes available. The risk-free interest rate assumption is based on the U.S. Treasury instruments whose term was consistent with the expected term of the Company's stock options. The expected dividend assumption is based on the Company's history and expectation of dividend payouts.

The Company estimates forfeitures based on historical experience and reduces compensation expense accordingly. The estimated forfeiture rates used during the three months ended September 30, 2010 was 2.53%.

At September 30, 2010, there were unrecognized compensation costs of $1,964,000 related to stock options which is expected to be recognized over a weighted-average amortization period of 1.95 years.

No income tax benefit has been recognized related to stock-based compensation expense and no tax benefits have been realized from exercised stock options.

The Company did not capitalize any cost associated with stock-based compensation.

The Company issues new shares of common stock upon exercise of stock options.

A summary of all option activity as of September 30, 2010 and changes during the three months then ended is presented below:

Options	Shares (000)	Weighted-Average Exercise Price	Weighted-Average Contractual Term	Aggregate Intrinsic Value ($000)
Outstanding at April 1, 2010	3,987	$ 2.96		
Granted	500	1.97		
Exercised	(39)	0.41		
Forfeited or expired	(5)	13.33		
Outstanding at September 30, 2010	4,443	$ 2.85	7.50	$ 1,198
Exercisable at September 30, 2010	2,606	$ 3.66	6.58	$ 587

The aggregate intrinsic value is calculated as the difference between the exercise price of the stock options and the underlying fair value of the Company's common stock ($1.56) for stock options that were in-the-money as of September 30, 2010.

As provided under the Company's 2006 Stock Incentive Plan (the "2006 Plan"), the aggregate number of shares authorized for issuance as awards under the 2006 Plan automatically increased on April 1, 2010 by 1,308,071 shares (which number constitutes 5% of the outstanding shares on the last day of the year ended March 31, 2010).

Note 8. Income Taxes

At March 31, 2010, the Company completed a study to assess whether a change in control has occurred or whether there have been multiple changes of control since the Company's formation. The Company determined, based on the results of the study, that no change in control occurred for purposes of Internal Revenue Code section 382. The Company, after considering all available evidence, fully reserved for these and its other deferred tax assets since it is more likely than not such benefits will not be realized in future periods. The Company has incurred losses for the financial reporting and income tax purposes for the three and six ended September 30, 2010. Accordingly, the Company is continuing to fully reserve for its deferred tax assets. The Company will continue to evaluate its deferred tax assets to determine whether any changes in circumstances could affect the realization of their future benefit. If it is determined in future periods that portions of the Company's deferred income tax assets satisfy the realization standards, the valuation allowance will be reduced accordingly.

The Company only recognizes tax benefits from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. To date, the Company has not recognized such tax benefits in its financial statements.

The Company has identified its federal tax return and its state tax return in California as major tax jurisdictions. The Company is also subject to certain other foreign jurisdictions, principally Mexico and The Netherlands. The Company's evaluation of uncertain tax matters was performed for tax years ended through March 31, 2010. Generally, the Company is subject to audit for the years ended March 31, 2009, 2008 and 2007 and may be subject to audit for amounts relating to net operating loss carryforwards generated in periods prior to March 31, 2007. The Company has elected to retain its existing accounting policy with respect to the treatment of interest and penalties attributable to income taxes, and continues to reflect interest and penalties attributable to income taxes, to the extent they arise, as a component of its income tax provision or benefit as well as its outstanding income tax assets and liabilities. The Company believes that its income tax positions and deductions would be sustained on audit and does not anticipate any adjustments, other than those identified above that would result in a material change to its financial position.

Note 9. Segment and Geographic Information

The Company generates revenues from wound care products which are sold into the human and animal health care markets and the Company generates revenues from laboratory testing services which are provided to medical device manufacturers. The Company operates a single segment business which consists of three geographical sales territories as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September30,	
	2010	2009	2010	2009
U.S.	$ 918	$ 160	$ 1,441	$ 289
Mexico	1,054	890	2,052	2,098
Europe and Other	310	353	834	583
	$ 2,282	$ 1,403	$ 4,327	$ 2,970

The Company's service revenues amounted to $184,000 and $269,000 for the three months ended September 30, 2010 and 2009, respectively. The Company's service revenues amounted to $403,000 and $549,000 for the six months ended September 30, 2010 and 2009, respectively.

Note 10. Significant Customer Concentrations

One customer accounted for $747,000, or 30%, of revenue for the three months ended September 30, 2010, and $1,108,000, or 23%, of revenue for the six months ended September 30, 2010 and one customer accounted for $171,000, or 10%, of revenue for the three months ended September 30, 2009.

At September 30, 2010, one customer had an accounts receivable balance of $283,000, or 18% of accounts receivable, and another customer had an accounts receivable balance of $180,000, or 11% of accounts receivable. At September 30, 2009, one customer had an accounts receivable balance of $159,000, or 16% of accounts receivable.

Note 11. Subsequent Events

On October 19, 2010, the Company issued 35,000 shares of common stock to settle an outstanding vendor obligation. The fair value of the common stock was determined to be $57,000.

On November 3, 2010, the Company granted a cash bonus of $166,000 to Hojabr Alimi, the Company's Chairman of the Board of Directors and Chief Executive Officer.

On November 1, 2010, the Company amended its agreements with Innovacyn, Inc. and Vetericyn, Inc. The amendment revises the formula by which profit sharing is calculated.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes to those statements included elsewhere in this Quarterly Report on Form 10-Q as of September 30, 2010 and our audited consolidated financial statements for the year ended March 31, 2010 included in our report on Form 10-K, that was filed with the Securities and Exchange Commission on June 8, 2010.

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this report, the words "expects," "anticipates," "suggests," "believes," "intends," "estimates," "plans," "projects," "continue," "ongoing," "potential," "expect," "predict," "believe," "intend," "may," "will," "should," "could," "would" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to the risks described in our Annual Report on Form 10-K including our ability to become profitable; the effect of the general decline in the economy on our business; the progress and timing of our development programs and regulatory approvals for our products; the benefits and effectiveness of our products; the ability of our products to meet existing or future regulatory standards; the progress and timing of clinical trials and physician studies; our expectations related to the use of our cash reserves; our expectations and capabilities relating to the sales and marketing of our current products and our product candidates; our ability to gain sufficient reimbursement from third-party payors; our ability to compete with other companies that are developing or selling products that are competitive with our products; the establishment of strategic partnerships for the development or sale of products; the risk our research and development efforts do not lead to new products; the timing of commercializing our products; our relationship with Quimica Pasteur; our ability to penetrate markets through our sales force, distribution network , and strategic business partners to gain a foothold in the market and generate attractive margins; the expansion of our sales force and distribution network; the ability to attain specified revenue goals within a specified time frame, if at all, or to reduce costs; the outcome of discussions with the U.S. Food and Drug Administration, or FDA, and other regulatory agencies; the content and timing of submissions to, and decisions made by, the FDA and other regulatory agencies, including demonstrating to the satisfaction of the FDA the safety and efficacy of our products; our ability to manufacture sufficient amounts of our product candidates for clinical trials and products for commercialization activities; our ability to protect our intellectual property and operate our business without infringing on the intellectual property of others; our ability to continue to expand our intellectual property portfolio; our expectations about the outcome of litigation and controversies with third parties; the risk we may need to indemnify our distributors or other third parties; our ability to attract and retain qualified directors, officers and employees; our expectations relating to the concentration of our revenue from international sales; our ability to expand to and commercialize products in markets outside the wound care market; and the impact of the Sarbanes-Oxley Act of 2002 and any future changes in accounting regulations or practices in general with respect to public companies. These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

Our Business

We develop, manufacture and market a family of tissue care products that cure infections and, through a separate mechanism of action, enhance healing while reducing the need for antibiotics. Infection is a serious potential complication in both chronic and acute wounds, and controlling infection is a critical step in wound healing. Our platform technology, called Microcyn®, is a proprietary solution of electrically charged oxychlorine small molecules designed to treat a wide range of organisms that cause disease (pathogens). These include viruses, fungi, spores and antibiotic-resistant strains of bacteria, such as methicillin-resistant *Staphylococcus aureus* , or MRSA, and vancomycin-resistant *Enterococcus,* or VRE, in wounds, as well as *Clostridium difficile* (C. diff), a highly contagious bacteria spread by human contact.

We do not have the necessary regulatory approvals to market Microcyn in the United States as a drug. In the United States our device product does, however, have six clearances as a 510(k) medical device for the following summary indications:

1) moistening and lubricating absorbent wound dressings for traumatic wounds requiring a prescription;

2) moistening and debriding acute and chronic dermal lesions requiring a prescription;

3) moistening absorbent wound dressings and cleaning minor cuts as an over-the-counter product;

4) management of exuding wounds such as leg ulcers, pressure ulcers, diabetic ulcers and for the management of mechanically or surgically debridement of wounds in a gel form and required as a prescription;

5) debridement of wounds, such as stage I-IV pressure ulcers, diabetic foot ulcers, post surgical wounds, first and second degree burns, grafted and donor sites as a preservative, which can kill listed bacteria such as MRSA & VRE and required as a prescription; and

6) as a hydrogel, for management of wounds including itch and pain relief associated with dermal irritation, sores, injuries and ulcers of dermal tissue as a prescription. As an over-the-counter product, the hydrogel is intended to relieve itch and pain from minor skin irritations, lacerations, abrasions and minor burns. It is also indicated for management of irritation and pain from minor sunburn.

We do not have the necessary regulatory clearance or approval to market Microcyn in the U.S. as a medical device for an antimicrobial or wound healing indication. In the future we expect to apply with the FDA for clearance as an antimicrobial in a liquid and a hydrogel form and as conducive to wound healing via a 510(k) medical device clearance.

Outside the United States, our product has a CE Mark device approval in Europe for debriding, irrigating and moistening acute and chronic wounds in comprehensive wound treatment by reducing microbial load and creating a moist environment. In Mexico, we are approved as a drug for antiseptic treatment of wounds and infected areas. In India, our technology has a drug license for cleaning and debriding in wound management while in China there is a medical device approval by the State Food and Drug Administration for reducing the propagation of microbes in wounds and creating a moist environment for wound healing.

While in the U.S. we do not have the necessary regulatory clearance for an antimicrobial or wound healing indication, clinical and laboratory testing we conducted in connection with our submissions to the FDA, as well as physician clinical studies and scientific papers, suggest that our Microcyn Technology may help reduce a wide range of pathogens from acute and chronic wounds while curing or improving infection and concurrently enhancing wound healing through modes of action unrelated to the treatment of infection. These physician clinical studies suggest that our Microcyn is safe, easy to use and complementary to many existing treatment methods in wound care. Physician clinical studies and usage in the United States suggest that our 510(k) cleared products may shorten hospital stays, lower aggregate patient care costs and, in certain cases, reduce the need for systemic antibiotics. We are also pursuing the use of our Microcyn platform technology in other markets outside of wound and skin care, including the respiratory, ophthalmology, dental, dermatology, animal healthcare and industrial markets.

In 2005, chronic and acute wound care represented an aggregate of $9.6 billion in global product sales, of which $3.3 billion was spent for the treatment of skin ulcers, $1.6 billion to treat burns and $4.7 billion for the treatment of surgical and trauma wounds, according to Kalorama Information, a life sciences market research firm. In the Kalorama Information we believe the markets most related to our product involve approximately $1.3 billion for the treatment of skin ulcers, $300 million for the treatment of burns and $700 million for the treatment of surgical and trauma wounds. Common methods of controlling infection, including topical antiseptics and antibiotics, have proven to be only moderately effective in combating infection in the wound bed. However, topical antiseptics tend to inhibit the healing process due to their toxicity and may require specialized preparation or handling. Antibiotics can lead to the emergence of resistant bacteria, such as MRSA and VRE. Systemic antibiotics may be less effective in controlling infection in patients with disorders affecting circulation, such as diabetes, which are commonly associated with chronic wounds. As a result, no single treatment is used across all types of wounds and stages of healing.

We believe the Microcyn Technology is the only known stable, anti-infective therapeutic available in the world today that simultaneously cures or improves infection while also promoting wound healing through increased blood flow to the wound bed and reduction of inflammation. Also, we believe Microcyn provides significant advantages over current methods of care in the treatment of a wide range of chronic and acute wounds throughout all stages of treatment. These stages include cleaning, debridement, prevention and treatment of infections and wound healing. We believe that unlike antibiotics, antiseptics, growth regulators and other advanced wound care products; Microcyn is the only stable wound care solution that is as safe as saline, and also cures infection while simultaneously accelerating wound healing. Also, unlike most antibiotics, we believe Microcyn does not target specific strains of bacteria, a practice which has been shown to promote the development of resistant bacteria. In addition, our products are shelf stable, non-toxic, require no special preparation and are easy to use.

Our goal is to become a worldwide leader as the standard of care in the treatment and irrigation of open wounds and skin care. We currently have, and intend to seek additional, regulatory clearances and approvals to market our Microcyn-based products worldwide. In July 2004, we began selling Microcyn60™ in Mexico after receiving approval from the Mexican Ministry of Health, for the use as an antiseptic, disinfectant and sterilant. Since then, physicians in the United States, Europe, India, Pakistan, China and Mexico have conducted more than 28 physician clinical studies assessing Microcyn Technology's use in the treatment of infections in a variety of wound types, including hard-to-treat wounds such as diabetic ulcers and burns. Most of these studies were not intended to be rigorously designed or controlled clinical trials and, as such, did not have all of the controls required for clinical trials used to support a new drug application submission to the FDA. A number of these studies did not include blinding, randomization, predefined clinical end points, use of placebo and active control groups or U.S. good clinical practices requirements. We used the data generated from some of these studies to support our application for the CE Mark, or European Union certification, for wound cleaning and reduction of microbial load. We received the CE Mark in November 2004 and additional international approvals in China, Canada, Mexico and India. Microcyn has also received six FDA 510(k) approvals for use as a medical device in wound cleaning, or debridement, lubricating, moistening and dressing, including traumatic wounds and acute and chronic dermal lesions. On May 27, 2009, we received a 510(k) approval from the FDA to market our Microcyn Skin and Wound HydroGel™ as both a prescription and over-the-counter formulation. Additionally, on June 4, 2009, we received an expanded 510(k) label clearance from the FDA to market our Microcyn Skin and Wound Care with preservatives as both a prescription and over-the-counter formulation. The new prescription product is indicated for use by health care professionals to manage the debridement of wounds such as stage I-IV pressure ulcers, diabetic foot ulcers, post-surgical wounds, first- and second-degree burns, grafted and donor sites. Most recently, on March 8, 2010, we received a 510(k) clearance from the FDA to market our Microcyn Skin and Wound HydroGel for management of dermal irritation, sores, injuries and ulcers of dermal tissue including itch and pain relief as a prescription and as an over-the-counter product intended to relieve itch and pain from minor skin irritations, lacerations, abrasions and minor burns.

In the fourth quarter of 2007, we completed a Phase II randomized clinical trial, which was designed to evaluate the effectiveness of Microcyn in mildly infected diabetic foot ulcers with the primary endpoint of clinical cure or improvement in signs and symptoms of infection according to guidelines of Infectious Disease Society of America. We used 15 clinical sites and enrolled 48 evaluable patients in three arms, using Microcyn alone, Microcyn plus an oral antibiotic, and saline plus an oral antibiotic. We announced the results of our Phase II trial in March 2008. In the clinically evaluable population of the study, the clinical success rate at visit four (test of cure) for patients treated with Microcyn alone was 93.3% compared to 56.3% for the Levofloxacin plus saline-treated patients. This study was not statistically powered, but the high clinical success rate (93.3%) and the p-value (0.033) would suggest the difference is meaningfully positive for the Microcyn-treated patients. Also, for this set of data, the 95.0% confidence interval for the Microcyn-only arm ranged from 80.7% to 100.0% while the 95.0% confidence interval for the Levofloxacin and saline arm ranged from 31.9% to 80.6%; the confidence intervals do not overlap, thus indicating a favorable clinical success for Microcyn compared to Levofloxacin. At visit three (end of treatment) the clinical success rate for patients treated with Microcyn alone was 77.8% compared to 61.1% for the Levofloxacin plus saline-treated patients.

We conducted a review meeting with the FDA in August 2008 to discuss the results of our Phase II trial and our future clinical program. Following a review of the Phase II data on Microcyn Technology for the treatment of mildly infected diabetic foot ulcers, the FDA agreed:

- We could move forward into the pivotal phase of our U.S. clinical program for Microcyn Technology;
- There were no safety issues relative to moving into this next clinical phase immediately, and carcinogenicity studies would not be required for product approval; and
- Clinical requirements for efficacy and safety for a new drug application, or NDA, would be appropriately accounted for within the agreed upon pivotal trial designs.

Two pivotal clinical trials must be completed for submission of a new drug application to the FDA for the treatment of mildly infected diabetic foot ulcers. Commencement of these trials will be dependent upon the support of a strategic partner. In the event that we successfully complete clinical trials and obtain drug approval from the FDA, we may seek clearance for treatment of other types of wounds. We are currently pursuing strategic partnerships to assess potential applications for Microcyn in several other markets and therapeutic categories, including respiratory, ophthalmology, dermatology, dental and veterinary markets. FDA or other governmental approvals will be required for any potential new products or new indications.

Our products are purchased by hospitals, physicians, nurses, and other healthcare practitioners who are the primary caregivers to patients being treated for acute or chronic wounds or undergoing surgical procedures. We currently make Microcyn Technology available, both as prescription and over-the-counter products, under our six 510(k) approvals in the United States, primarily through a partnership with a combination of Advocos, a specialty U.S. contract sales organization, and a commissioned sales force.

In the quarter ending December 31, 2008, we initiated an aggressive commercialization into the podiatry market in the United States. In the second quarter of 2009, we expanded this sales effort to include wound care centers, hospitals, nursing homes, urgent care clinics and home healthcare. Additionally, we are in the process of introducing Microcyn-based consumer healthcare products both in the United States and Mexico. Initially, these include animal and human wound care.

On January 26, 2009, we entered into a commercial agreement with VetCure, Inc., a California corporation, to market and sell our Vetericyn products. VetCure, Inc. later changed its name to Vetericyn, Inc. This agreement was amended on February 24, 2009, July 24, 2009, June 1, 2010 and September 1, 2010. At the time of each of these transactions, Vetericyn was wholly-owned by Robert Burlingame, who was a Director at the time of the transactions. Mr. Burlingame resigned from our Board on February 10, 2010. Pursuant to the agreement, we provide Vetericyn, Inc. with bulk product and Vetericyn, Inc. bottles, packages, and sells Vetericyn products. We receive a fixed amount for each bottle of Vetericyn sold by Vertericyn, Inc. In addition, once certain milestones are met by Vetericyn, Inc., but no later than July 1, 2011, we will share profits generated by Vetericyn, Inc. related to Vetericyn sales.

On September 15, 2009, we entered a commercial agreement with V&M Industries, Inc., a California corporation, to market and sell our Microcyn over-the-counter liquid and gel products. V&M Industries, Inc. was wholly-owned by Robert Burlingame, who was a Director at the time of the transaction. V&M Industries, Inc. subsequently changed their name to Innovacyn, Inc. On June 1, 2010 and September 1, 2010 we entered into amendments to this agreement. Once certain milestones are met by Innovacyn, Inc., but no later than July 1, 2011, we will share profits generated by Innovacyn, Inc. On May 13, 2010, Innovacyn, Inc. received notice from Health Canada they can market these products in the Canadian market.

Our partner, Union Springs Pharmaceuticals, a subsidiary of the Drug Enhancement Company of America, has marketed MyClyns, an over-the-counter “first responder” pen application, with Microcyn in the United States since January 2008.

Our prescription dental partner, OroScience, Inc. has the exclusive right to sell prescription dental products in the United States and Europe subject to certain annual minimum payments and has filed for 510(k) approval to market our product for use as an oral rinse in liquid form and for oral mucositis in a gel form.

We have announced the commercialization of a Microcyn hydrogel for both wound care and dermatology which received six 510(k) approvals in the U.S. We intend to pursue additional approvals in Europe, China, India and Mexico and plan to initiate commercialization upon obtaining these approvals.

We currently rely on exclusive agreements with country-specific distributors for the sale of Microcyn-based products in Europe in Italy, Netherlands, Germany, Czech Republic, Sweden, Finland and Denmark.

In Mexico, we market our products through our established distribution network and direct sales organization. We have a dedicated contract sales force, including salespeople, nurses and clinical support staff responsible for selling Microcyn to private and public hospitals and to retail pharmacies.

In India, we entered into an exclusive agreement with Alkem Laboratories, a large pharmaceutical company in India, for the sale of Microcyn-based products in India and Nepal.

In China, we signed an exclusive distribution agreement with China Bao Tai, which in March 2008 secured marketing approval from the Chinese State Food and Drug Administration. In April 2010, we terminated the distribution agreement. We will continue to supply China Bao Tai with product on a non-exclusive basis. We are currently in the process of setting up a broader distribution network in China.

Throughout the rest of the world, we intend to use strategic partners and distributors, who have a significant sales, marketing and distribution presence in their respective countries. We have established partners and distribution channels for our wound care products in Bangladesh, Pakistan, Singapore, United Arab Emirates and Saudi Arabia.

We also operate a microbiology contract testing laboratory division that provides consulting and laboratory services to medical companies that design and manufacture biomedical devices and drugs, as well as testing on our products and potential products. Our testing laboratory complies with U.S. good manufacturing practices and quality systems regulation.

Comparison of Three Months Ended September 30, 2010 and 2009

Revenues

Total revenues were $2,466,000 during the quarter ended September 30, 2010 compared to $1,672,000 in the prior year period. Product revenues increased $879,000, or 63%, with increases in the U.S, Mexico, India and Middle East and declines in Europe and China.

Product revenue in the U.S. increased $758,000 with most of the growth in animal wound care, related to television advertising and sales initiatives sponsored by Innovacyn, Inc. along with increases in the human wound care.

Revenue in Mexico increased 18% from the prior year period with strong price increases, partially offset by a unit decline in the 5 liter units. Last year, the 5 liter units were higher than normal, due to the swine flu epidemic in Mexico. Sales of our 120 & 240-milliliter presentation, which is primarily sold to pharmacies in Mexico, increased 11% from the prior year to a monthly average of 38,896 units compared to 35,122 in the same period last year. Sales to hospitals increased 21% with strong price increases, partially offset by a small decline in units sold.

Europe and Rest of World revenue decreased $43,000, down 12% over the prior year period, caused by lower sales in China and Czech Republic, which were partially offset by increases in India, Middle East, Germany, Netherlands and Italy.

The following table shows our product revenues by geographic region:

	Three Months Ended September 30,			
	2010	2009	Increase	Increase
U.S.	$ 918,000	$ 160,000	$ 758,000	474%
Europe and Rest of World	310,000	353,000	(43,000)	(12)%
Mexico	1,054,000	890,000	164,000	18%
Total	$2,282,000	$1,403,000	$ 879,000	63%

Service revenue decreased $85,000 when compared to the prior year period due to a decrease in the number of tests provided by our services business.

Gross Profit

We reported gross profit from our Microcyn products business of $1,644,000, or 72% of product revenues, during the three months ended September 30, 2010, compared to a gross profit of $802,000, or 57%, in the prior year period. The improved gross margins represent higher margins in U.S. and Mexico, partially offset by lower gross margins in Europe and Rest of World. The higher margins in the U.S. are due to improved product mix for certain U.S. sales. Mexico's margins were 82% during the quarter ended September 30, 2010, compared to 79% in the prior year period due to better pricing and increased volume of certain products.

We expect our gross margins to improve in the U.S and Europe as our unit volume increases.

Research and Development Expense

Research and development expense declined $30,000, or 5%, to $553,000 for the three months ended September 30, 2010, compared to $583,000 in the prior year period. Most of the decrease was attributable to the reduction in personnel and related expenses, as we converted our research and development facility and the related people to operational manufacturing, supporting the U.S. sales.

We expect that our research and development expense will slightly increase over the next few quarters as we incur additional expenses related to laboratory tests, clinical trials and the development and approval of new products.

Selling, General and Administrative Expense

Selling, general and administrative expense increased $280,000, or 11%, to $2,765,000 during the three months ended September 30, 2010, from $2,485,000 during the three months ended September 30, 2009. Primarily, this increase was due to higher sales related costs and higher compensation costs in the U.S. These increases were partially offset by lower sales and marketing costs in Europe.

We expect selling, general and administrative expenses to grow slightly in future periods as we incur additional expenses to expand our sales efforts in the U.S., Europe and Mexico markets.

Interest income and expense and other income and expense, net

Interest expense increased $85,000 to $88,000 during the three months ended September 30, 2010 from $3,000 during the three months ended September 30, 2009. Primarily this increase was due to $53,000 of cash interest incurred and $36,000 of non-cash interest incurred during the three months ended September 30, 2010. This interest is primarily related to $2,000,000 borrowed on May 3, 2010. Interest income showed no material change from the same period last year.

Other income and expense, net decreased $3,000 to net other expense of $83,000 for the three months ended September 30, 2010, from net other expense of $86,000 for the same period last year. The change in other income and expense, net was primarily related to the quarterly unrealized foreign exchange gains and losses on intercompany transactions.

Derivative liability

During the three months ended September 30, 2010 we recorded a change in the fair value of our derivative liability of $166,000 and as a result we recorded this amount as income. For the three months ended September 30, 2009 we recorded a gain of $451,000. The change in the fair value of our derivative liability was primarily the result of the exercise of warrants and decreases in our stock price.

Net Loss

Net loss for the three months ended September 30, 2010 was $1,649,000, down $244,000 from $1,893,000 for the same period in the prior year. The stock compensation charges were $521,000 and $441,000 for the quarters ending September 30, 2010 and 2009 respectively.

Comparison of Six Months Ended September 30, 2010 and 2009

Revenues

Total revenues were $4,730,000 during the six months ended September 30, 2010 compared to $3,519,000 in the prior year period. Product revenues increased $1,357,000, or 46%, with strong increases in the U.S., Europe, India and Middle East, partially offset by a slight decline in Mexico.

Product revenue in the U.S. increased $1,152,000 with most of the growth in animal wound care, related to television advertising and sales initiatives sponsored by Innovacyn, Inc. along with increases in the human wound care.

Revenue in Mexico decreased 2% from the prior year period with abnormally high sales last year, caused by the swine flu epidemic in Mexico in the first fiscal quarter last year. Sales of our 120 & 240-milliliter presentation, which is primarily sold to pharmacies in Mexico, decreased 12% from the prior year to a monthly average of 40,328, units compared to 45,907 in the same period last year. Sales to hospitals increased 15% with price increases offsetting a decline in units sold. We believe that during the six months ended September 30, 2009, the swine flu epidemic in Mexico resulted in sales of $300,000 to $400,000 higher than normal.

Europe and Rest of World revenue increased $251,000, up 43% over the prior year period, due to higher sales in India, Middle East, Germany, Netherlands, Czech Republic and Italy. During the six months ended September 30, 2010, we recorded product revenue of $210,000 related to China which was the result of the conversion of our exclusive relationship with China Bao Tai to a non-exclusive relationship and recognition of deferred revenue related to an upfront payment from China Bao Tai.

The following table shows our product revenues by geographic region:

	Six Months Ended June 30, 2010	2009	Increase	Increase
U.S.	$1,441,000	$ 289,000	$1,152,000	399%
Europe and Rest of World	834,000	583,000	251,000	43%
Mexico	2,052,000	2,098,000	(46,000)	(2)%
Total	$4,327,000	$2,970,000	$1,357,000	46%

Service revenue decreased $146,000 when compared to the prior year period due to a decrease in the number of tests provided by our services business.

Gross Profit

We reported gross profit from our Microcyn products business of $2,993,000, or 69% of product revenues, during the six months ended September 30, 2010, compared to a gross profit of $1,842,000, or 62%, in the prior year period. The higher gross margins represent higher margins in U.S. and Europe and Rest of World, offset by lower gross margins in Mexico. The higher margins in the U.S. are due to improved product mix for certain U.S. sales. Mexico's margins were 78% during the six months ended September 30, 2010, compared to 81% in the prior year period due to the high volume last year caused by the swine flu epidemic.

We expect our gross margins to improve in the U.S and Europe as our unit volume increases.

Research and Development Expense

Research and development expense declined $355,000, or 27%, to $949,000 for the six months ended September 30, 2010, compared to $1,304,000 in the prior year period. Most of the decrease was attributable to the reduction in personnel and related expenses, as we converted our research and development facility and the related people to operational manufacturing, supporting the U.S. sales.

We expect that our research and development expense will slightly increase over the next few quarters as incur additional expenses related to laboratory tests, clinical trials and the development and approval of new products.

Selling, General and Administrative Expense

Selling, general and administrative expense increased $984,000, or 19%, to $6,154,000 during the six months ended September 30, 2010, from $5,170,000 during the six months ended September 30, 2009. Primarily, this increase was due to higher stock compensation costs, up by $504,000 and higher salary and bonus costs in the U.S. Bonuses were recorded and paid during the quarter ending June 30, 2010, consisting of stock options and cash. These increases were partially offset by lower sales and marketing costs in Europe.

We expect selling, general and administrative expenses to grow slightly in future periods as we incur additional expenses to expand our sales efforts in the U.S., Europe and Mexico markets.

Interest income and expense and other income and expense, net

Interest expense increased $140,000 to $147,000 during the six months ended September 30, 2010 from $7,000 during the six months ended September 30, 2009. Primarily this increase was due to $87,000 of cash interest incurred and $60,000 of non-cash interest incurred during the six months ended September 30, 2010. This interest is primarily related to $2,000,000 borrowed on May 3, 2010. Interest income showed no material change from the same period last year.

Other income and expense, net decreased $24,000 to net other expense of $91,000 for the six months ended September 30, 2010, from net other expense of $115,000 for the same period last year. The change in other income and expense, net was primarily related to the quarterly unrealized foreign exchange gains and losses on intercompany transactions.

Derivative liability

During the six months ended September 30, 2010 we recorded a gain on the fair value of our derivative liability of $254,000 and as a result we recorded this amount as income. For the six months ended September 30, 2009 we recorded a loss of $757,000. The change in the fair value of our derivative liability was primarily the result of the exercise of warrants and decreases in our stock price.

Net Loss

Net loss for the six months ended September 30, 2010 was $4,024,000, down $1,410,000 from $5,434,000 for the same period in the prior year. The stock compensation charges were $1,487,000 and $906,000 for the six months ended in September 2010 and 2009, respectively.

Sources of Liquidity

As of September 30, 2010, we had cash and cash equivalents of $5,367,000. Since our inception, substantially all of our operations have been financed through sales of equity securities. Other sources of financing that we have used to date include our revenues, as well as various loans.

Since our inception, substantially all of our operations have been financed through the sale of $114,456,000 (net proceeds) of our common and convertible preferred stock. This includes:

- net proceeds of $21,936,000 raised in our initial public offering on January 30, 2007;
- net proceeds of $9,124,000 raised in a private placement of common shares on August 13, 2007;
- net proceeds of $12,613,000 raised through a registered direct placement from March 31, 2008 to April 1, 2008;
- net proceeds of $1,514,000 raised through a private placement on February 6, 2009;
- net proceeds of $948,000 from a private placement on February 24, 2009;
- net proceeds of $2,000,000 from a private placement on June 1, 2009;
- net proceeds of $5,411,000 from a registered direct offering on July 30, 2009; and
- proceeds of $4,239,000 received from the exercise of common stock purchase warrants and options.

In June 2006, we entered into a loan and security agreement with a financial institution to borrow a maximum of $5,000,000. Under this facility we borrowed $4,182,000. The loan was repaid in full at March 31, 2009. We no longer have the ability to borrow against this facility.

On May 1, 2010, we entered into a loan and security agreement with a financial institution to borrow a maximum of $3,000,000. Under this facility we borrowed $2,000,000. We have achieved the financial milestones to borrow the second tranche of $1,000,000 and expect to borrow the second tranche prior to November 30, 2010.

Cash Flows

As of September 30, 2010, we had cash and cash equivalents of $5,367,000, compared to $6,258,000 at March 31, 2010.

Net cash used in operating activities during the six months ended September 30, 2010 was $2,722,000 primarily due to the $4,024,000 net loss for the period which was offset in part by non-cash transactions during the three months ended September 30, 2010, including $1,487,000 of stock-based compensation.

Net cash used in operating activities during the six months ended September 30, 2009 was $3,355,000, primarily due to the $5,434,000 net loss for the period. These uses of cash were offset in part by non-cash charges during the year ended September 30, 2009, including $757,000 loss on the fair value of warrants, $906,000 of stock-based compensation, and $237,000 of depreciation and amortization.

Net cash used in investing activities was $53,000 for the six months ended September 30, 2010 and $101,000 for the six months ended September 30, 2009, primarily for the purchase of equipment

Net cash provided by financing activities was $1,868,000 during the six months ended September 30, 2010, primarily due to the issuance of $2,000,000 of debt which was offset by payments of $148,000 of outstanding debt during the period. We also received $16,000 in connection with the exercise of stock options.

Net cash provided by financing activities was $7,984,000 for the six months ended September 30, 2009. We received net proceeds from the sale of common stock during this period of $7,159,000. Additionally, we received proceeds of $1,053,000 related to the exercise of common stock purchase warrants and stock options.

Operating Capital and Capital Expenditure Requirements

We incurred a net loss of $4,024,000 for the six months ended September 30, 2010. At September 30, 2010 our accumulated deficit amounted to $121,061,000 and at March 31, 2010 our accumulated deficit amounted to $117,037,000. At September 30, 2010, our working capital amounted to $5,769,000.

We may raise additional capital from external sources in order to continue the longer term efforts contemplated under our business plan. We expect to continue incurring losses for the foreseeable future and may raise additional capital to pursue our product development initiatives and to penetrate markets for the sale of our products. We cannot provide any assurance that we will raise additional capital. Our management believes that we have access to capital resources through possible public or private equity offerings, debt financings, corporate collaborations or other means; however, we have not secured any commitment for new financing at this time.

We have undertaken initiatives to reduce costs in an effort to conserve capital. Future pivotal trials will require the selection of a partner and must also be completed in order for us to commercialize Microcyn as a drug product in the United States. Commencement of the pivotal clinical trials will be delayed until we find a strategic partner to fund these trials. Without a strategic partner or additional capital, our pivotal clinical trials will be delayed for a period of time that is currently indeterminate.

Our future funding requirements will depend on many factors, including:

- the scope, rate of progress and cost of our clinical trials and other research and development activities;
- future clinical trial results;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the cost and timing of regulatory approvals;
- the cost and delays in product development as a result of any changes in regulatory oversight applicable to our products;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the effect of competing technological and market developments;
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights; and
- the extent to which we acquire or invest in businesses, products and technologies.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. These estimates and assumptions include reserves and write-downs related to receivables and inventories, the recoverability of long-term assets, deferred taxes and related valuation allowances and valuation of equity instruments.

Off-Balance Sheet Transactions

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

(a) ***Evaluation of Disclosure Controls and Procedures*** . We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, or the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective at the reasonable assurance level.

(b) ***Changes in Internal Controls.*** There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Our Company, on occasion, may be involved in legal matters arising in the ordinary course of its business. While management believes that such matters are currently insignificant, matters arising in the ordinary course of business for which we are or could become involved in litigation may have a material adverse effect on its business, financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes from risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2010, as filed with the SEC on June 8, 2010.

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

We did not sell any unregistered equity securities during the quarter ended September 30, 2010.

Item 3. Default Upon Senior Securities

We did not default upon any senior securities during the quarter ended September 30, 2010.

Item 4. Removed and Reserved

Item 5. Other Information

Entry into a Material Definitive Agreement

On January 26, 2009, we entered into a Revenue Sharing Distribution Agreement with VetCure, appointing them as the exclusive distributor of our Vetericyn Wound Care product for animals in the United States. Pursuant to the terms of the Distribution Agreement, VetCure may distribute Vetericyn Wound Care product for animals in the United States. The Distribution Agreement does not limit our marketing or distribution activities or our ability to appoint other dealers, distributors, licensees or agents outside of the United States.

On November 1, 2010, effective September 1, 2010, we entered into Amendment No. 1 to Exhibit A to the Revenue Sharing Distribution Agreement to amend certain terms of Exhibit A to reflect changes in the Consumer Price Index and modify the definition of Net Revenue.

Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On November 3, 2010, we approved the Fiscal Year 2011 Bonus Plan for employees and executive officers. The Bonus Plan does not guarantee a bonus to any employee or executive officer. Awards under the Bonus Plan may be made in cash, stock options or a combination of cash and stock options.

On or about April 7, 2011, the Compensation Committee will determine the cash pool for bonus awards for executive officers, if any, and whether stock option grants will be made in lieu of all or some cash payments and, if so, in what ratio. On or about May 22, 2011, the Compensation Committee will determine whether Target Milestones and Stretch Milestones have been met and make preliminary determination of the bonus award. In determining the cash pool for awards of cash bonuses, the Compensation Committee will consider the Company's year-end cash position, cash needs, and projected cash receipts. In determining whether option awards shall be made, the Compensation Committee will take into consideration the shares available for grant under the Company's Stock Incentive Plan, the

contractual obligations of the Company to grant stock options and the future need to grant additional options to attract or retain talented executive officers, employees or consultants. Bonuses paid pursuant to the Bonus Plan will be paid on or about June 7, 2011.

Bonus Plan Structure for Executive Officers:

Chief Executive Officer

- If some or all of the Target Milestones are met, then the bonus may equal up to 58% of individual base salary.
- If some or all of the Stretch Milestone are met, then the bonus may equal up to 68% of individual base salary.

Chief Financial Officer, Executive Vice President and Chief Operating Officer

- If some or all of the Target Milestones are met, then the bonus may equal up to 48% of individual base salary.
- If some or all of the Stretch Milestones are met, then the bonus may equal up to 64% of individual base salary.

For all executive officers, if some or all of the Target Milestones are exceeded, but fewer than all of the Stretch Milestones are achieved, the Compensation Committee may, at its discretion, determine and award a bonus in an amount between the Target Milestone bonus and Stretch Milestone bonus amounts set forth above

On November 3, 2010, we granted a cash bonus of $166,000 to Hojabr Alimi, our Chairman of the Board of Directors and Chief Executive Officer. This bonus is intended to partially compensate Mr. Alimi for the financial sacrifices and personal debts Mr. Alimi acquired during the early years as he was building our Company.

Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

On November 3, 2010, our Board of Directors approved an amendment to our By-laws. The By-laws now provide that, when a quorum is present at a shareholder meeting, certain matters can be approved by a majority of shareholders present and entitled to vote on that matter.

Item 6. Exhibits

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Registrant (included as Exhibit 3.1 of the Company's Annual Report on Form 10-K for the year ended March 31, 2007, and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Registrant, as amended effective on June 11, 2008 (included as Exhibit 3.1(ii) to the Company's Annual Report on Form 10-K for the year ended March 31, 2008, and incorporated herein by reference).
3.3*	Amended and Restated Bylaws of the Registrant as Amended, effective November 3, 2010.
4.1	Specimen Common Stock Certificate (included as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
4.2	Warrant to Purchase Series A Preferred Stock of Registrant by and between Registrant and Venture Lending & Leasing III, Inc., dated April 21, 2004 (included as Exhibit 4.2 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
4.3	Warrant to Purchase Series B Preferred Stock of Registrant by and between Registrant and Venture Lending & Leasing IV, Inc., dated June 14, 2006 (included as Exhibit 4.3 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
4.4	Form of Warrant to Purchase Common Stock of Registrant (included as Exhibit 4.4 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
4.5	Form of Warrant to Purchase Common Stock of Registrant (included as Exhibit 4.5 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
4.6	Form of Warrant to Purchase Common Stock of Registrant (included as Exhibit 4.11 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
4.7	Form of Warrant to Purchase Common Stock of Registrant (included as Exhibit 4.12 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
4.8	Form of Warrant to Purchase Common Stock of Registrant (included as Exhibit 10.3 to the Company's Current Report on Form 8-K filed August 13, 2007, and incorporated herein by reference).
4.9	Form of Warrant to Purchase Common Stock of Registrant (included as Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 28, 2008, and incorporated herein by reference).
4.10	Warrant issued to Dayl Crow, dated March 4, 2009 (included as Exhibit 4.16 to the Company's Annual Report on Form 10-K filed on June 11, 2009, and incorporated herein by reference).
4.11	Form of Common Stock Purchase Warrant for July 2009 offering, (included as Exhibit 4.15 to the Company's Registration Statement on Form S-1 (File No. 333-158539), as amended, declared effective on July 24, 2009, and incorporated herein by reference)
4.12	Warrant to Purchase Shares of Common Stock of Oculus Innovative Sciences, Inc., (Included as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 6, 2010, and incorporated herein by reference).

10.1	Form of Indemnification Agreement between Registrant and its officers and directors (included as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.2	Form of 2006 Stock Incentive Plan and related form stock option plan agreements (included as Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.3	Amended and Restated Investors Rights Agreement, effective as of September 14, 2006 (included as Exhibit 4.6 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.4	Form of Promissory Note issued to Venture Lending & Leasing III, Inc. (included as Exhibit 4.7 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.5	Form of Promissory Note (Equipment and Soft Cost Loans) issued to Venture Lending & Leasing IV, Inc. (included as Exhibit 4.8 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.6	Form of Promissory Note (Growth Capital Loans) issued to Venture Lending & Leasing IV, Inc. (included as Exhibit 4.9 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.7	Form of Promissory Note (Working Capital Loans) issued to Venture Lending & Leasing IV, Inc. (included as Exhibit 4.10 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.8	Office Lease Agreement, dated October 26, 1999, between Registrant and RNM Lakeville, L.P. (included as Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.9	Amendment to Office Lease No. 1, dated September 15, 2000, between Registrant and RNM Lakeville L.P. (included as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.10	Amendment to Office Lease No. 2, dated July 29, 2005, between Registrant and RNM Lakeville L.P. (included as Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.11	Amendment No. 3 to Lease, dated August 23, 2006, between Registrant and RNM Lakeville L.P. (included as Exhibit 10.23 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.12	Amendment No. 4 to Lease, dated September 13, 2007, by and between Registrant and RNM Lakeville L.P. (included as Exhibit 10.43 to the Company's Annual Report on Form 10-K for the year ended March 31, 2008, and incorporated herein by reference).
10.13	Office Lease Agreement, dated May 15, 2005, between Oculus Technologies of Mexico, S.A. de C.V. and Antonio Sergio Arturo Fernandez Valenzuela (translated from Spanish) (included as Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.14	Office Lease Agreement, dated July 2003, between Oculus Innovative Sciences, B.V. and Artikona Holding B.V. (translated from Dutch) (included as Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.15	Amendment to Office Lease Agreement, effective February 15, 2008, by and between Oculus Innovative Sciences Netherlands B.V. and Artikona Holding B.V. (translated from Dutch) (included as Exhibit 10.44 to the Company's Annual Report on Form 10-K for the year ended March 31, 2008, and incorporated herein by reference).
10.16	Form of Director Agreement (included as Exhibit 10.20 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).

10.17	Leasing Agreement, dated May 5, 2006, by and between Mr. Jose Alfonzo I. Orozco Perez and Oculus Technologies of Mexico, S.A. de C.V. (included as Exhibit 10.22 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.18	Stock Purchase Agreement, dated June 16, 2005, by and between Registrant, Quimica Pasteur, S de R.L., Francisco Javier Orozco Gutierrez and Jorge Paulino Hermosillo Martin (included as Exhibit 10.24 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.19	Framework Agreement, dated June 16, 2005, by and among Javier Orozco Gutierrez, Quimica Pasteur, S de R.L., Jorge Paulino Hermosillo Martin, Registrant and Oculus Technologies de Mexico, S.A. de C.V. (included as Exhibit 10.25 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.20	Mercantile Consignment Agreement, dated June 16, 2005, between Oculus Technologies de Mexico, S.A. de C.V., Quimica Pasteur, S de R.L. and Francisco Javier Orozco Gutierrez (included as Exhibit 10.26 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.21	Partnership Interest Purchase Option Agreement, dated June 16, 2005, by and between Registrant and Javier Orozco Gutierrez (included as Exhibit 10.27 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.22	Termination of Registrant and Oculus Technologies de Mexico, S.A. de C.V. Agreements with Quimica Pasteur, S de R.L. by Jorge Paulino Hermosillo Martin (translated from Spanish) (included as Exhibit 10.28 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.23	Termination of Registrant and Oculus Technologies de Mexico, S.A. de C.V. Agreements with Quimica Pasteur, S de R.L. by Francisco Javier Orozco Gutierrez (translated from Spanish) (included as Exhibit 10.29 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.24	Director Agreement, dated November 8, 2006, by and between Registrant and Robert Burlingame (included as Exhibit 10.34 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.25†	Exclusive Marketing Agreement, dated December 5, 2005, by and between Registrant and Alkem Laboratories Ltd (included as Exhibit 10.35 to the Company's Registration Statement on Form S-1 (File No. 333-135584), as amended, declared effective on January 24, 2007, and incorporated herein by reference).
10.26*	Securities Purchase Agreement, dated August 7, 2007, by and between Registrant and certain purchasers identified on the signatures pages thereto (originally filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 13, 2007, and refiled herewith to add signature pages of investors).
10.27*	Registration Rights Agreement, dated August 7, 2007, by and between Registrant and certain purchasers identified on signatures pages thereto (originally filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed August 13, 2007, and refiled herewith to add signature pages of investors).
10.28	Form of Securities Purchase Agreement, dated March 27, 2008, by and between Registrant and each investor signatory thereto (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 28, 2008, and incorporated herein by reference).
10.29	Purchase Agreement by and between Registrant and Robert Burlingame, dated January 26, 2009 (included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 29, 2009 and incorporated herein by reference).
10.30	Purchase Agreement by and between Registrant and Non-Affiliated Investors, dated January 26, 2009 (included as Exhibit 10.2 to the Company's Current Report on Form 8-K filed January 29, 2009 and incorporated herein by reference).
10.31	Revenue Sharing Distribution Agreement by and between Registrant and VetCure, Inc., dated January 26, 2009 (included as Exhibit 10.3 to the Company's Current Report on Form 8-K filed January 29, 2009 and incorporated herein by reference).
10.32*	Purchase Agreement by and between Registrant and certain accredited investors, dated February 6, 2009 (originally filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 9, 2009, and refiled herewith to add investor lists and signature pages of investors).
10.33	Purchase Agreement by and between Registrant, Robert Burlingame and Seamus Burlingame, dated February 24, 2009 (incuded as Exhibit 10.4 to the Company's Current Report on Form 8-K filed February 27, 2009 and incorporated herein by reference).

10.34	Amendment to Revenue Sharing Distribution Agreement by and between Registrant and Vetericyn, Inc., dated February 24, 2009 (included as Exhibit 10.5 to the Company's Current Report on Form 8-K filed February 27, 2009 and incorporated herein by reference).
10.35	Agreement by and between Registrant and Robert C. Burlingame, dated April 1, 2009 (included as Exhibit 10.52 to the Company's Annual Report on Form 10-K filed on June 11, 2009 and incorporated herein by reference).
10.36	Microcyn U.S. Commercial Launch Agreement, by and between Registrant and Advocos, dated April 24, 2009 (included as Exhibit 10.53 to the Company's Current Report on Form 10-K filed on June 11, 2009 and incorporated herein by reference).
10.37	Amendment No. 5 to Lease by and between Registrant and RNM Lakeville, LLC, dated May 18, 2009 (included as Exhibit 10.54 to the Company's Current Report on Form 10-K filed on June 11, 2009 and incorporated herein by reference).
10.38	Engagement Agreement by and between Registrant and Dawson James Securities, Inc., dated April 10, 2009, (included as Exhibit 10.55 to the Company's Registration Statement on Form S-1 (File No. 333-158539), as amended, declared effective on July 24, 2009, and incorporated herein by reference).
10.39	Letter Agreement by and between Registrant and Dawson James Securities, Inc., dated July 2, 2009, (included as Exhibit 10.56 to the Company's Registration Statement on Form S-1 (File No. 333-158539), as amended, declared effective on July 24, 2009, and incorporated herein by reference).
10.40	Letter Agreement by and between Registrant and Dawson James Securities, Inc., dated July 10, 2009, (included as Exhibit 10.57 to the Company's Registration Statement on Form S-1 (File No. 333-158539), as amended, declared effective on July 24, 2009, and incorporated herein by reference).
10.41	Warrant Purchase Agreement by and between Registrant and Dawson James Securities, Inc., dated July 13, 2009, (included as Exhibit 10.58 to the Company's Registration Statement on Form S-1 (File No. 333-158539), as amended, declared effective on July 24, 2009, and incorporated herein by reference).
10.42	Loan and Security Agreement, dated May 1, 2010 between Oculus Innovative Sciences, Inc. and Venture Lending & Leasing V., Inc., (Included as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 6, 2010, and incorporated herein by reference).
10.43	Supplement to the Loan and Security Agreement, dated as of May 1, 2010 between Oculus Innovative Sciences, Inc., and Venture Lending & Leasing V, Inc., (included as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 6, 2010, and incorporated herein by reference).
10.44*††	Amendment No. 2 to Revenue Sharing, Partnership and Distribution Agreement between the Registrant and Vetericyn, Inc., dated July 24, 2009.
10.45††	Amendment No. 3 to Revenue Sharing, Partnership and Distribution Agreement between the Registrant and Vetericyn, Inc. dated June 1, 2010 (Included as Exhibit 10.34 to the Company's Quarterly Report on Form 10-Q filed on August 5, 2010 and incorporated herein by reference).
10.46*††	Amendment No. 1 to Exhibit A to the Revenue Sharing Distribution Agreement and to the Revenue Sharing, Partnership and Distribution Agreement as Revised and Amended, June 1, 2010, dated September 1, 2010.
21.1*	List of Subsidiaries
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*#	Certification of Officers pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

† Confidential treatment has been granted with respect to certain portions of this agreement.

†† Confidential treatment has been requested with respect to certain portions of this agreement.

In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act.

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 thereunto duly authorized.

Oculus Innovative Sciences, Inc.

Date: November 4, 2010

By: /s/ Hojabr Alimi
Hojabr Alimi
Its: Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)

Date: November 4, 2010

By: /s/ Robert Miller
Robert Miller
Its: Chief Financial Officer
(Principal Financial Officer)

Exhibit 3.3

AMENDED AND RESTATED

BYLAWS,

AS AMENDED

OF

OCULUS INNOVATIVE SCIENCES, INC.

(a Delaware corporation)

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

AMENDED AND RESTATED
BYLAWS,
AS AMENDED
OF
OCULUS INNOVATIVE SCIENCES, INC.
(a Delaware corporation)

ARTICLE 1
Offices

1.1 Registered Office. The registered office of the corporation shall be set forth in the certificate of incorporation of the corporation.

1.2 Other Offices. The corporation may also have offices at such other places, either within or without the State of Delaware, as the Board of Directors of the corporation (the "Board") may from time to time designate or the business of the corporation may require.

ARTICLE 2
Meeting of Stockholders

2.1 Place of Meeting. Meetings of stockholders may be held at such place, either within or without of the State of Delaware, as may be designated by or in the manner provided in these bylaws, or, if not so designated, at the registered office of the corporation or the principal executive offices of the corporation.

2.2 Annual Meeting. Annual meetings of stockholders shall be held each year at such date and time as shall be designated from time to time by the Board or the Chief Executive Officer and stated in the notice of the meeting. At each such annual meeting, the stockholders shall elect by a plurality vote the number of directors equal to the number of directors of the class whose term expires at such meeting (or, if fewer, the number of directors properly nominated and qualified for election) to hold office until the third succeeding annual meeting of stockholders after their election. The stockholders shall also transact such other business as may properly be brought before the meeting.

To be properly brought before the annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board or the Chief Executive Officer, (b) otherwise properly brought before the meeting by or at the direction of the Board or the Chief Executive Officer, or (c) otherwise properly brought before the meeting by a stockholder of record. A motion related to business proposed to be brought before any stockholders' meeting may be made by any stockholder entitled to vote if the business proposed is otherwise proper to be brought before the meeting. However, any such stockholder may propose business to be brought before a meeting only if such stockholder has, in accordance with the provisions of Section 2.3, given timely notice to the Secretary of the corporation in proper written form of the stockholder's intent to propose such business.

2.3 Stockholder Proposals.

(a) Stockholder Proposals Relating to Nominations for and Election of Directors.

(i) Nominations by a stockholder of candidates for election to the Board by stockholders at any meeting of stockholders may be made only if the stockholder complies with the procedures set forth in this Section 2.3(a), and any candidate proposed by a stockholder not nominated in accordance with such provisions shall not be considered or acted upon for execution at such meeting of stockholders. A proposal by a stockholder for the nomination of a candidate for election by stockholders as a director at any meeting of stockholders at which directors are to be elected may be made only by notice in writing, delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, within the time limits specified in Section 2.3(c).

(ii) A stockholder's notice to the Secretary shall set forth (A) as to each person whom the stockholder proposes to nominate for election or reelection as a director: (I) the name, age, business address and, if known, residence address of each such person, (II) the principal occupation or employment of each such person for the past five years, (III) the class, series and number of shares of the corporation that are beneficially owned and of record by each such person and beneficial owner, and the earliest date of acquisition of any such capital stock, (IV) a description of any arrangement or understanding between each such person and the stockholder making such nomination with respect to such person's proposal for nomination and election as a director and actions to be proposed or taken by such person if elected a director, (V) the written consent of each person so proposed to serve as a director if nominated and elected as a director and (VI) any other information that would be required to be provided by the stockholder pursuant to the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (collectively, the "1934 Act") in such stockholder's capacity as a proponent of a stockholder proposal if proxies were to be solicited for the election as a director of each person whom the stockholder proposes; and (B) as to the stockholder giving notice, (I) the name and record address of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made and (II) the class, series and number of shares of the corporation that are owned beneficially and of record by the stockholder and such beneficial owner.

(b) Stockholder Proposals Relating to Matters Other Than Nominations for and Elections of Directors.

(i) A stockholder of the corporation may bring such business (other than a nomination of a candidate for election as a director, which is covered by Section 2.3(a)) (a "Stockholder Matter") before any meeting of stockholders only if such Stockholder Matter is a proper matter for stockholder action and such stockholder shall have provided notice in writing, delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, within the time limits specified in Section 2.3(c); *provided, however*, that a proposal submitted by a stockholder for inclusion in the corporation's proxy statement for an annual meeting that is appropriate for inclusion therein and otherwise complies with the provisions of Rule 14a-8 under the 1934 Act (including timeliness) shall be deemed to have also been submitted on a timely basis pursuant to this Section 2.3.

(ii) A stockholder's notice to the Secretary of a proposal of a Stockholder Matter shall set forth (A) as to each matter the stockholder proposes to bring before the meeting a brief description of the business desired to be brought before the meeting, (I) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these bylaws of the corporation, the language of the proposed amendment), (II) the reasons for conducting such business at the meeting and (III) any other information that would be required to be provided by the stockholder pursuant to Section 14 of the 1934 Act in such stockholder's capacity as a proponent of a stockholder proposal if proxies were solicited for stockholder consideration of such Stockholder Matter at a meeting of stockholders, and (B) as to the stockholder giving Notice, (I) the name and record address of the stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (II) the class, series and number of shares of the corporation that are owned beneficially and of record by the stockholder and such beneficial owner and (III) any material interest of the stockholder in such business.

(c) Time for Notice of Stockholder Proposals Relating to Nominations or Stockholder Matters.

(i) In the case of an annual meeting of stockholders, to be timely, any written proposal of a nomination or of a Stockholder Matter must be received at the principal executive offices of the corporation addressed to the attention of the Secretary of the corporation not earlier than ninety (90) days nor more than one hundred twenty (120) days in advance of the one-year anniversary of the date the corporation's proxy statement was released to the stockholders in connection with the previous year's annual meeting of stockholders; *provided, however*, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholder must be received by the Secretary of the corporation not later than the close of business on the later of (x) the ninetieth (90th) day prior to such annual meeting and (y) the seventh (7th) day following the day on which public announcement of the date of such meeting is first made (or, in the case of (x) and (y), if such day is not a business day, then the close of the next business day). For the purposes of these bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission. In no event shall the public announcement of an adjournment or postponement of any meeting of stockholders commence a new time period (or extend any time period) for the giving of stockholder's notice as described in these bylaws.

(ii) In the case of a special meeting of stockholders, to be timely, any written proposal of a nomination or of a Stockholder Matter must be delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, and received at the principal executive offices of the corporation addressed to the attention of the Secretary of the corporation not later than the close of business on the seventh (7th) day following the earlier of (x) the date that the corporation mailed notice to its stockholders that a special meeting of stockholders will be held and (y) the date on which public announcement of the date of such meeting is first made (or, in the case of (x) or (y), if such day is not a business day, then the close of the next business day).

(d) Determination of Defective Notice. Notwithstanding anything in these bylaws to the contrary, no nomination or Stockholder Matter shall be presented at a meeting of stockholders except in accordance with the procedures set forth in this Section 2.3, and any nomination or Stockholder Matter not submitted in accordance with such provisions shall not be considered or acted upon at any meeting of stockholders. The Chairman of the Board (or such other person presiding at a meeting of stockholders in accordance with these bylaws) shall, if the facts warrant, determine and declare to a meeting of stockholders that a proposal of a nomination or of a Stockholder Matter was not properly brought before the meeting in accordance with the provisions of this Section 2.3, and if he or she should so determine, he or she shall so declare to the meeting and any such defective nomination or Stockholder Matter shall be disregarded.

2.4 Special Meetings. Special meetings of the stockholders may be called for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, by the Secretary only at the request of the Chairman of the Board, the Chief Executive Officer or by a resolution duly adopted by the affirmative vote of a majority of the Board. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

2.5 Notice of Meetings. Except as otherwise provided by law, written notice of each meeting of stockholders, annual or special, stating the place, if any, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which such special meeting is called, shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting.

When a meeting is adjourned to another place, date or time, notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; *provided, however*, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, if any, date, time and means of remote communications, if any, of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted that might have been transacted at the original meeting.

2.6 List of Stockholders. The officer in charge of the stock ledger of the corporation or the transfer agent shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten days prior to the meeting, (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the corporation. If the meeting is to be held at a place, then the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to gain access to such list shall be provided with the notice of the meeting.

2.7 Organization and Conduct of Business. The Chairman of the Board or, in his or her absence, the Chief Executive Officer or President of the corporation or, in their absence, such person as the Board may have designated or, in the absence of such a person, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the corporation, the secretary of the meeting shall be such person as the chairman of the meeting appoints.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seems to him or her in order.

2.8 Quorum. Except where otherwise provided by law or the certificate of incorporation of the corporation or these bylaws, the holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented in proxy, shall constitute a quorum at all meetings of the stockholders.

2.9 Adjournments. Any meeting of stockholders may be adjourned from time to time to any other time and to any other place at which a meeting of stockholders may be held under these bylaws, which time and place shall be announced at the meeting, by a majority of the stockholders present in person or represented by proxy at the meeting and entitled to vote, though less than a quorum, or, if no stockholder is present or represented by proxy, by any officer entitled to preside at or to act as secretary of such meeting, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.10 Voting Rights. Unless otherwise provided in the certificate of incorporation of the corporation, each stockholder shall at every meeting of the stockholders be entitled to one vote for each share of the capital stock having voting power held by such stockholder.

2.11 Majority Vote. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy and entitled to vote with respect to that matter shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation of the corporation or of these bylaws, a different vote is required in which case such express provision shall govern and control the decision of such question.

2.12 Record Date for Stockholder Notice and Voting. For purposes of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any right in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than sixty (60) days nor fewer than ten (10) days before the date of any such meeting nor more than sixty (60) days before any other action to which the record date relates. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board may fix a new record date for the adjourned meeting. If the Board does not so fix a record date, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating to such purpose.

2.13 Proxies. Each stockholder entitled to vote at a meeting of stockholders, or to express consent or dissent to corporate action in writing without a meeting, may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. All proxies must be filed with the Secretary of the corporation at the beginning of each meeting in order to be counted in any vote at the meeting. Subject to the limitation set forth in the last clause of the first sentence of this Section 2.13, a duly executed proxy that does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the corporation stating that the proxy is revoked or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy, or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted.

2.14 Inspectors of Election. The corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors of election to act at the meeting and make a written report thereof. The corporation may designate one or more persons to act as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability.

2.15 Action Without a Meeting. No action required or permitted to be taken at any annual or special meeting of the stockholders of the corporation may be taken without a meeting and the power of the stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

ARTICLE 3
Directors

3.1 Number, Election, Tenure and Qualifications. The number of directors that shall constitute the entire Board shall not be less than five (5) nor more than nine (9), and initially shall be set at seven (7); *provided, however*, that the number of directors that shall constitute the entire Board shall be fixed from time to time by resolution adopted by a majority of the entire Board. The classes of directors that shall constitute the entire Board shall be as provided in the certificate of incorporation of the corporation.

The directors shall be elected at the annual meetings of the stockholders, except as otherwise provided in Section 3.2, and each director elected shall hold office until such director's successor is elected and qualified or until such director's earlier resignation, removal, death or incapacity.

Subject to the rights of holders of any class or series of stock having a preference over the common stock as to dividends or upon liquidation, nominations of persons for election to the Board by or at the direction of the Board may be made by any nominating committee or person appointed by the Board; nominations may also be made by any stockholder of record of the corporation entitled to vote for the election of directors at the applicable meeting who complies with the notice procedures set forth in Section 2.3(a). Such nominations, other than those made by or at the direction of the Board, shall be made within the time limits specified in Section 2.3(c). Such stockholder's notice to the Secretary shall set forth the information specified in Section 2.3(a)(ii).

3.2 Enlargement and Vacancies. The number of members of the Board may be increased at any time as provided in Section 3.1 above. Sole power to fill vacancies and newly created directorships resulting from any increase in the authorized number of directors shall be vested in the Board through action by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and each director so chosen shall hold office until the next annual election at which the term of the class to which they have been elected expires and until such director's successor is duly elected and qualified or until such director's earlier resignation, removal from office, death or incapacity. If there are no directors in office, then an election of directors may be held in the manner provided by statute. In the event of a vacancy in the Board, the remaining directors, except as otherwise provided by law or these bylaws, may exercise the powers of the full board until the vacancy is filled.

3.3 Resignation and Removal. Any director may resign at any time upon written notice to the corporation at its principal place of business or to the Chief Executive Officer or the Secretary. Such resignation shall be effective upon receipt of such notice unless the notice specifies such resignation to be effective at some other time or upon the happening of some other event. Any director or the entire Board may be removed by the holders of a majority of the shares then entitled to vote at an election of directors, unless otherwise specified by law or the certificate of incorporation of the corporation.

3.4 Composition. The corporation shall use commercially reasonable efforts to ensure that a majority of the members of the Board qualify as "independent directors" (each an "Independent Director") under the then current rules and regulations of the United States Securities and Exchange Commission and the primary stock exchange, stock market or quotation system on which the corporation's stock is then listed or quoted, as applicable.

3.5 Powers. The business of the corporation shall be managed by or under the direction of the Board, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation of the corporation or by these bylaws directed or required to be exercised or done by the stockholders.

3.6 Chairman of the Board. If the Board appoints a Chairman of the Board, such Chairman shall, when present, preside at all meetings of the stockholders and the Board. The Chairman shall perform such duties and possess such powers as are customarily vested in the office of the Chairman of the Board or as may be vested in the Chairman by the Board.

3.7 Place of Meetings. The Board may hold meetings, both regular and special, either within or without the State of Delaware.

3.8 Annual Meetings. The annual meetings of the Board shall be held immediately following the annual meeting of stockholders, and no notice of such meeting shall be necessary to the Board, provided a quorum shall be present, or shall be held at the next regularly scheduled meeting of the Board or at such other date, time and place as shall be designated from time to time by the Board and stated in the notice of the meeting. The annual meetings shall be for the purposes of organization, and an election of officers and the transaction of other business.

3.9 Regular Meetings. Regular meetings of the Board may be held without notice at such time and place as may be determined from time to time by the Board; provided that any director who is absent when such a determination is made shall be given prompt notice of such determination.

3.10 Special Meetings. Special meetings of the Board may be called by the Chairman of the Board, the Chief Executive Officer, the President or the Secretary, or on the written request of two or more directors, or by one director in the event that there is only one director in office. Notice of the time and place, if any, of special meetings shall be delivered personally or by telephone to each director, or sent by first-class mail or commercial delivery service, facsimile transmission, or by electronic mail or other electronic means, charges prepaid, sent to such director's business or home address as they appear upon the records of the corporation. In case such notice is mailed, it shall be deposited in the United States mail at least four (4) days prior to the time of holding of the meeting. In case such notice is delivered personally or by telephone or by commercial delivery service, facsimile transmission, or electronic mail or other electronic means, it shall be so delivered at least twenty-four (24) hours prior to the time of the holding of the meeting. A notice or waiver of notice of a meeting of the Board need not specify the purposes of the meeting.

3.11 Quorum, Action at Meeting, Adjournments. At all meetings of the Board, a majority of directors then in office, but in no event less than one-third (1/3) of the entire Board, shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by law or by the certificate of incorporation of the corporation. For purposes of this Section, the term "entire Board" shall mean the number of directors last fixed by directors in accordance with these bylaws; *provided, however*, that if fewer than all the number of directors so fixed have been elected (by the stockholders or the Board), the "entire Board" shall mean the greatest number of directors so elected to hold office at any one time pursuant to such authorization. If a quorum shall not be present at any meeting of the board of directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

3.12 Action Without Meeting. Unless otherwise restricted by the certificate of incorporation of the corporation or these bylaws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee.

3.13 Telephone Meetings. Unless otherwise restricted by the certificate of incorporation of the corporation or these bylaws, any member of the Board or any committee thereof may participate in a meeting of the Board or of any committee, as the case may be, by means of conference telephone or by any form of communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.14 Committees. The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not the member or members present constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval or (ii) adopting, amending or repealing any of these bylaws. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board. Each committee shall keep regular minutes of its meetings and make such reports to the Board as the Board may request. Except as the Board may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these bylaws for the conduct of its business by the Board.

3.15 Fees and Compensation of Directors. Unless otherwise restricted by the certificate of incorporation of the corporation or these bylaws, the Board shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board and may be paid a fixed sum for attendance at each meeting of the Board or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.16 Rights of Inspection. Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his or her position as a director.

ARTICLE 4
Officers

4.1 Officers Designated. The officers of the corporation shall be chosen by the Board and shall be a Chief Executive Officer, a President, a Secretary and a Chief Financial Officer or Treasurer. The Board may also choose a Chief Operating Officer, one or more Vice Presidents, and one or more assistant Secretaries or assistant Treasurers. Any number of offices may be held by the same person, unless the certificate of incorporation of the corporation or these bylaws otherwise provide.

4.2 Election. The Board at its first meeting after each annual meeting of stockholders shall choose a Chief Executive Officer, a President, a Secretary and a Chief Financial Officer or Treasurer. Other officers may be appointed by the Board of Directors at such meeting, at any other meeting, or by written consent or may be appointed by the Chief Executive Officer pursuant to a delegation of authority from the Board.

4.3 Tenure. Each officer of the corporation shall hold office until such officer's successor is elected and qualified, unless a different term is specified in the vote choosing or appointing such officer, or until such officer's earlier death, resignation, removal or incapacity. Any officer elected or appointed by the Board or by the Chief Executive Officer may be removed with or without cause at any time by the affirmative vote of a majority of the Board or a committee duly authorized to do so, except that any officer appointed by the Chief Executive Officer may also be removed at any time by the Chief Executive Officer. Any vacancy occurring in any office of the corporation may be filled by the Board, at its discretion. Any officer may resign by delivering such officer's written resignation to the corporation at its principal place of business or to the Chief Executive Officer or the Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

4.4 The Chief Executive Officer. Subject to such supervisory powers, if any, as may be given by the Board to the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the stockholders and in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board, shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board are carried into effect. He or she shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the corporation.

4.5 The President. The President shall, in the event there be no Chief Executive Officer or in the absence of the Chief Executive Officer or in the event of his or her disability or refusal to act, perform the duties of the Chief Executive Officer, and when so acting, shall have the powers of and be subject to all the restrictions upon the Chief Executive Officer. The President shall perform such other duties and have such other powers as may from time to time be prescribed for such person by the Board, the Chairman of the Board, the Chief Executive Officer or these bylaws.

4.6 The Vice President. The Vice President (or in the event there be more than one, the Vice Presidents in the order designated by the directors, or in the absence of any designation, in the order of their election), shall, in the absence of the President or in the event of his or her disability or refusal to act, perform the duties of the President, and when so acting, shall have the powers of and be subject to all the restrictions upon the President. The Vice President(s) shall perform such other duties and have such other powers as may from time to time be prescribed for them by the Board, the President, the Chairman of the Board or these bylaws.

4.7 The Secretary. The Secretary shall attend all meetings of the Board and the stockholders and record all votes and the proceedings of the meetings in a book to be kept for that purpose and shall perform like duties for the standing committees, when required. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and special meetings of the Board, and shall perform such other duties as may from time to time be prescribed by the Board, the Chairman of the Board or the Chief Executive Officer, under whose supervision he or she shall act. The Secretary shall have custody of the seal of the corporation, and the Secretary, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it, and, when so affixed, the seal may be attested by his or her signature or by the signature of such Assistant Secretary. The Board may give general authority to any other officer to affix the seal of the corporation and to attest the affixing thereof by his or her signature. The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same and the number and date of cancellation of every certificate surrendered for cancellation.

4.8 The Assistant Secretary. The Assistant Secretary, or if there be more than one, any Assistant Secretaries in the order designated by the Board (or in the absence of any designation, in the order of their election) shall assist the Secretary in the performance of his or her duties and, in the absence of the Secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as may from time to time be prescribed by the Board.

4.9 The Chief Financial Officer. The Chief Financial Officer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board. The Chief Financial Officer shall disburse the funds of the corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board, at its regular meetings, or when the Board so requires, an account of all his or her transactions as Chief Financial Officer and of the financial condition of the corporation. The Chief Financial Officer shall perform such other duties and have other powers as may from time to time be prescribed by the Board of Directors or the Chief Executive Officer.

4.10 The Treasurer and Assistant Treasurers. The Treasurer (if one is appointed) shall have such duties as may be specified by the Chief Financial Officer to assist the Chief Financial Officer in the performance of his or her duties and to perform such other duties and have other powers as may from time to time be prescribed by the Board or the Chief Executive Officer. It shall be the duty of any Assistant Treasurers to assist the Treasurer in the performance of his or her duties and to perform such other duties and have other powers as may from time to time be prescribed by the Board or the Chief Executive Officer.

4.11 Bond. If required by the Board, any officer shall give the corporation a bond in such sum and with such surety or sureties and upon such terms and conditions as shall be satisfactory to the Board, including without limitation a bond for the faithful performance of the duties of such officer's office and for the restoration to the corporation of all books, papers, vouchers, money and other property of whatever kind in such officer's possession or under such officer's control and belonging to the corporation.

4.12 Delegation of Authority. The Board may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

ARTICLE 5
Notices

5.1 Delivery. Whenever, under the provisions of law, or of the certificate of incorporation of the corporation or these bylaws, written notice is required to be given to any director or stockholder, such notice may be given by mail, addressed to such director or stockholder, at such person's address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail or delivered to a nationally recognized courier service. Unless written notice by mail is required by law, written notice may also be given by commercial delivery service, facsimile transmission, electronic means or similar means addressed to such director or stockholder at such person's address as it appears on the records of the corporation, in which case such notice shall be deemed to be given when delivered into the control of the persons charged with effecting such transmission, the transmission charge to be paid by the corporation or the person sending such notice and not by the addressee. Oral notice or other in-hand delivery, in person or by telephone, shall be deemed given at the time it is actually given.

5.2 Waiver of Notice. Whenever any notice is required to be given under the provisions of law or of the certificate of incorporation of the corporation or of these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

ARTICLE 6
Indemnification and Insurance

6.1 Indemnification.

(a) Each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director or officer of the corporation (or any predecessor), or is or was serving at the request of the corporation (or any predecessor) as a director, officer, employee or agent of another corporation or of a partnership, limited liability company, joint venture, trust, employee benefit plan sponsored or maintained by the corporation, or other enterprise (or any predecessor of any of such entities) (hereinafter an "Indemnitee"), shall be indemnified and held harmless by the corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware (the "DGCL"), as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), or by other applicable law as then in effect, against all expense, liability and loss (including attorneys' fees and related disbursements, judgments, fines, excise taxes or penalties under the Employee Retirement Income Security Act of 1974, as amended from time to time, penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such Indemnitee in connection therewith. Each person who is or was serving as a director, officer, employee or agent of a subsidiary of the corporation shall be deemed to be serving, or have served, at the request of the corporation. The right to indemnification conferred in this Section 6.1 shall be a contract right.

(b) Any indemnification (but not advancement of expenses) under this Article 6 (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, as the same exists or hereafter may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment). Such determination shall be made with respect to a person who is a director or officer at the time of such determination (A) by a majority vote of the directors who are not or were not parties to the proceeding in respect of which indemnification is being sought by Indemnitee (the "Disinterested Directors"), even though less than a quorum, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum, (C) if there are no such Disinterested Directors, or if the Disinterested Directors so direct, by independent legal counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee, or (D) by the stockholders.

6.2 Advance Payment. The right to indemnification under this Article 6 shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the corporation within thirty (30) days after the receipt by the corporation of a statement or statements from the claimant requesting such advance or advances from time to time; *provided, however*, that if the DGCL requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking by or on behalf of such director or officer to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under Section 6.1 or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to this Article 6, no advance shall be made by the corporation to an officer of the corporation (except by reason of the fact that such officer is or was a director of the corporation, in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by the Board by a majority vote of the Disinterested Directors, even though less than a quorum, or (B) by a committee of Disinterested Directors designated by majority vote of the Disinterested Directors, even though less than a quorum, or (C) if there are no Disinterested Directors or the Disinterested Directors so direct, by independent legal counsel in a written opinion to the Board, a copy of which shall be delivered to the claimant, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

6.3 Non-Exclusivity and Survival of Rights; Amendments. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article 6 shall not be deemed exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation of the corporation, bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise, and shall continue as to a person who has ceased to be a director, officer, employee or agent of the corporation and shall inure to the benefit of the heirs, executors and administrators of such a person. Any repeal or modification of the provisions of this Article 6 shall not in any way diminish or adversely affect the rights of any director, officer, employee or agent of the corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

6.4 Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any expense, liability or loss asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the DGCL.

6.5 Reliance. Persons who after the date of the adoption of this provision become or remain directors or officers of the corporation shall be conclusively presumed to have relied on the rights to indemnity, advance of expenses and other rights contained in this Article 6 in entering into or continuing such service. The rights to indemnification and to the advance of expenses conferred in this Article 6 shall apply to claims made against an Indemnitee arising out of acts or omissions that occurred or occur both prior and subsequent to the adoption hereof.

6.6 Severability. If any word, clause, provision or provisions of this Article 6 shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article 6 (including, without limitation, each portion of any section or paragraph of this Article 6 containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article 6 (including, without limitation, each such portion of any section or paragraph of this Article 6 containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

ARTICLE 7
Capital Stock

7.1 Certificates for Shares. The shares of the corporation shall be represented by certificates or shall be uncertificated. Certificates shall be signed by, or in the name of the corporation by, the Chairman of the Board, the Chief Executive Officer, the President or a Vice President and by the Chief Financial Officer, the Treasurer or an Assistant Treasure, or the Secretary or an Assistant Secretary of the corporation. Certificates may be issued for partly paid shares and in such case upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required by the DGCL or a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

7.2 Signatures on Certificates. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

7.3 Transfer of Stock. Upon surrender to the corporation or the transfer agent of the corporation of a certificate of shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, and proper evidence of compliance or other conditions to rightful transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions, and proper evidence of compliance or other conditions to rightful transfer, from the registered owner of uncertificated share, such uncertificated shares shall be canceled and issuance of new equivalent uncertificated shares or certificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the corporation.

7.4 Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

7.5 Lost, Stolen or Destroyed Certificates. The corporation may direct that a new certificate or certificates be issued to replace any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed and on such terms and conditions as the corporation may require. When authorizing the issue of a new certificate or certificates, the corporation may, in its discretion and as a condition precedent to the issuance thereof, require the owner of the lost, stolen or destroyed certificate or certificates, or his or her legal representative, to advertise the same in such manner as it shall require, to indemnify the corporation in such manner as it may require, and/or to give the corporation a bond or other adequate security in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

ARTICLE 8
Certain Transactions

8.1 Transactions with Interested Parties. No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction or solely because the vote or votes of such director or officer are counted for such purpose, if:

(a) the material facts as to such director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(b) the material facts as to such director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(c) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board, a committee thereof or the stockholders.

8.2 Quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes the contract or transaction.

ARTICLE 9
General Provisions

9.1 Dividends. Dividends upon the capital stock of the corporation, subject to any restrictions contained in the DGCL or the provisions of the certificate of incorporation of the corporation, if any, may be declared by the Board at any regular or special meeting or by unanimous written consent. Dividends may be paid in cash, in property or in shares of capital stock, subject to the provisions of the certificate of incorporation of the corporation.

9.2 Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

9.3 Checks. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board may from time to time designate.

9.4 Corporate Seal. The Board of Directors may, by resolution, adopt a corporate seal. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the word “Delaware.” The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced. The seal may be altered from time to time by the Board.

9.5 Execution of Corporate Contracts and Instruments. The Board, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

9.6 Representation of Shares of Other Corporations. The Chief Executive Officer, the President or any Vice President, the Chief Financial Officer or the Treasurer or any Assistant Treasurer, or the Secretary or any Assistant Secretary of the corporation is authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares of any corporation or corporations standing in the name of the corporation. The authority herein granted to said officers to vote or represent on behalf of the corporation any and all shares held by the corporation in any other corporation or corporations may be exercised either by such officers in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officers.

ARTICLE 10
Amendments

The Board is expressly empowered to adopt, amend or repeal these bylaws; *provided, however*, that any adoption, amendment or repeal of these bylaws by the Board shall require the approval of at least sixty-six and two-thirds percent of the total number of directors then in office. The stockholders shall also have power to adopt, amend or repeal these bylaws at any regular or special meeting of stockholders; *provided, however*, that in addition to any vote of the holders of any class or series of stock of the corporation required by law or by the certificate of incorporation of the corporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent of the voting power of all of the then outstanding shares of the stock of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required for such adoption, amendment or repeal by the stockholders of any provision of these bylaws and notice of such adoption, amendment or repeal shall be contained in the notice of such meeting.

Exhibit 10.26

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of August 7, 2007, between Oculus Innovative Sciences, Inc., a Delaware corporation (the "Company"), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a "Purchaser" and collectively the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company 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 each Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

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

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"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. With respect to a Purchaser, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Purchaser will be deemed to be an Affiliate of such Purchaser.

"Board of Directors" means the board of directors of the Company.

"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 purchase and sale of the Securities pursuant to Section 2.1.

"Closing Date" means the Trading Day when all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers' obligations to pay the Subscription Amount and (ii) the Company's obligations to deliver the Securities have been satisfied or waived.

"Commission" means the 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 into.

"Common Stock Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"Company Counsel" means Pillsbury Winthrop Shaw Pittman LLP, with offices located at 2475 Hannover, Palo Alto, California 94304.

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

"Effective Date" means the date that the initial Registration Statement filed by the Company pursuant to the Registration Rights Agreement is first declared effective by the Commission.

"Evaluation Date" shall have the meaning ascribed to such term in Section 3.1(r).

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

"Exempt Issuance" means the issuance of (a) shares of Common Stock or options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose at a price at least equal to the market price at the time of the grant or issuance, (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise, exchange or conversion price of such securities, and (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a Person which is, itself or through its subsidiaries, an operating company in a business synergistic with the business of the Company and in which the Company receives benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

"FWS" means Feldman Weinstein & Smith LLP with offices located at 420 Lexington Avenue, Suite 2620, New York, New York 10170-0002.

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

"Indebtedness" shall have the meaning ascribed to such term in Section 3.1(aa).

"Intellectual Property Rights" shall have the meaning ascribed to such term in Section 3.1(o).

"Legend Removal Date" shall have the meaning ascribed to such term in Section 4.1(c).

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

"Material Adverse Effect" shall have the meaning assigned to such term in Section 3.1(b).

"Material Permits" shall have the meaning ascribed to such term in Section 3.1(m).

"Participation Maximum" shall have the meaning ascribed to such term in Section 4.12.

"Per Share Purchase Price" equals $8.00, 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.

"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.

"Placement Agent" means Rodman & Renshaw, LLC.

"Pre-Notice" shall have the meaning ascribed to such term in Section 4.12.

"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.

"Purchaser Party" shall have the meaning ascribed to such term in Section 4.8.

"Registration Rights Agreement" means the Registration Rights Agreement, dated the date hereof, among the Company and the Purchasers, in the form of Exhibit A attached hereto.

"Registration Statement" means a registration statement meeting the requirements set forth in the Registration Rights Agreement and covering the resale by the Purchasers of the Shares and the Warrant Shares.

"Required Approvals" shall have the meaning ascribed to such term in Section 3.1(e).

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

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

"Securities" means the Shares, the Warrants and the Warrant Shares.

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

"Shareholder Approval" means such approval as may be required by the applicable rules and regulations of the Nasdaq Stock Market (or any successor entity) from the shareholders of the Company with respect to the transactions contemplated by the Transaction Documents, including the issuance of all of the Shares and Warrants Shares in excess of 19.99% of the issued and outstanding Common Stock on the Closing Date.

"Shares" means the shares of Common Stock issued or issuable to each Purchaser pursuant 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).

"Subscription Amount" means, as to each Purchaser, the aggregate amount to be paid for Shares and Warrants purchased hereunder as specified below such Purchaser's name on the signature page of this Agreement and next to the heading "Subscription Amount," in United States dollars and in immediately available funds.

"Subsequent Financing" shall have the meaning ascribed to such term in Section 4.12.

"Subsequent Financing Notice" shall have the meaning ascribed to such term in Section 4.12.

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

"Trading Day" means a day on which the New York Stock Exchange is open for trading.

"Trading Market" means the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the American Stock Exchange, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board.

"Transaction Documents" means this Agreement, the Warrants, the Registration Rights Agreement and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Transfer Agent" means Mellon Investor Services, LLC the current transfer agent of the Company, with a mailing address of 525 Market Street, Suite 3500, San Francisco, CA 94105 and a facsimile number of 415-951-4181, and any successor transfer agent of the Company.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted for trading as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time); (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board; (c) if the Common Stock is not then quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by Pink Sheets, LLC (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Shares then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"Warrants" means, collectively, the Common Stock purchase warrants delivered to the Purchasers at the Closing in accordance with Section 2.2(a) hereof, which Warrants shall be exercisable 181 days after the Closing Date and have a term of exercise equal to 5 years, in the form of Exhibit C attached hereto.

"Warrant Shares" means the shares of Common Stock issuable upon exercise of the Warrants.

ARTICLE II.
PURCHASE AND SALE

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 this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, up to an aggregate of $20,000,000 of Shares and Warrants. Each Purchaser shall deliver to the Company, via wire transfer, immediately available funds equal to its Subscription Amount and the Company shall deliver to each Purchaser its respective Shares and a Warrant as determined pursuant to Section 2.2(a), and the Company and each Purchaser shall deliver, or cause to be delivered, 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 FWS or such other location as the parties shall mutually agree.

2.2 Deliveries.

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

(i) this Agreement duly executed by the Company;

(ii) a legal opinion of Company Counsel, substantially in the form of Exhibit B attached hereto;

(iii) a copy of the irrevocable instructions to the Transfer Agent instructing the Transfer Agent to deliver, on an expedited basis, a certificate evidencing a number of Shares equal to such Purchaser's Subscription Amount divided by the Per Share Purchase Price, registered in the name of such Purchaser;

(iv) a Warrant registered in the name of such Purchaser to purchase up to a number of shares of Common Stock equal to 33% of the number of shares of Common Stock purchased by such Purchaser, with an exercise price equal to $9.50, subject to adjustment therein; and

(v) the Registration Rights Agreement duly executed by the Company.

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

(i) this Agreement duly executed by such Purchaser;

(ii) such Purchaser's Subscription Amount by wire transfer to the account as specified in writing by the Company;

(iii) the Registration Rights Agreement duly executed by such Purchaser; and

(iv) a certificate of the Placement Agent to the Company, substantially in the form of Exhibit D hereto.

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 on the Closing Date of the representations and warranties of the Purchasers contained herein;

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

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

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

(i) the accuracy in all material respects on the Closing Date of the representations and warranties of the Company contained herein;

(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 (except for any suspension of trading of limited duration agreed to by the Company, which suspension shall be terminated prior to the Closing), 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 each case, in the reasonable judgment of [each Purchaser, makes it [impracticable or inadvisable] to purchase the Securities at the Closing.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

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 each Purchaser:

(a) Subsidiaries. All of the direct and indirect subsidiaries of the Company are set forth on Schedule 3.1(a). The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any 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. If the Company has no subsidiaries, then all other references to the Subsidiaries or any of them in the Transaction Documents shall be disregarded.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization (as applicable), with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation or default of any of the provisions of its respective certificate or certificate of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by each of the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of each of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection therewith other than in connection with the Required Approvals. Each Transaction Document has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company 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.

(d) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company, the issuance and sale of the Securities and the consummation by the Company of the other transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or certificate of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than (i) filings required pursuant to Section 4.4 of this Agreement, (ii) the filing with the Commission of the Registration Statement, (iii) application(s) to each applicable Trading Market for the listing of the Securities for trading thereon in the time and manner required thereby, and (iv) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws ("Required Approvals").

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Warrant Shares, when issued in accordance with the terms of the Transaction Documents, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Company has reserved from its duly authorized capital stock the maximum number of shares of Common Stock issuable pursuant to this Agreement and the Warrants.

(g) Capitalization. The capitalization of the Company is as set forth on Schedule 3.1(g), which Schedule 3.1(g) shall also include the number of shares of Common Stock owned beneficially, and of record, by Affiliates of the Company as of the date hereof. The Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee stock options under the Company's stock option plans, the issuance of shares of Common Stock to employees pursuant to the Company's employee stock purchase plans and pursuant to the conversion or exercise of Common Stock Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as a result of the purchase and sale of the Securities, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents. The issuance and sale of the Securities will not obligate the Company to issue shares of Common Stock or other securities to any Person (other than the Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. All of the outstanding shares of capital stock of the Company are validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no stockholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

(h) 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 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.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans or securities outstanding as of the date hereof. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement or as set forth on Schedule 3.1(i), no event, liability or development has occurred or exists with respect to the Company or its Subsidiaries or their respective business, properties, operations or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least 1 Trading Day prior to the date that this representation is made.

(j) Litigation. There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations. No material labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company which could reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. No executive officer, to the knowledge of the Company, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Neither the Company nor any Subsidiary (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any order of any court, arbitrator or governmental body, or (iii) is or has been in violation of any statute, rule or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws applicable to its business and all such laws that affect the environment, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(n) Title to Assets. Except as set forth on Schedule 3.1(n), the Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and Liens for the payment of federal, state or other taxes, the payment of which is neither delinquent nor subject to penalties. Any real property, facilities and tangible property held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.

(o) Patents and Trademarks. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights necessary or material for use in connection with their respective businesses as described in the SEC Reports and which the failure to so have could have a Material Adverse Effect (collectively, the "Intellectual Property Rights"). Neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of the Intellectual Property Rights used by the Company or any Subsidiary violates or infringes upon the rights of any Person except as described onSchedule 3.1(o). To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(p) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage at least equal to the aggregate Subscription Amount. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(q) Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Company and, to the knowledge of the Company, none of the employees of the Company is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of $60,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company, (iii) other employee benefits, including stock option agreements under any stock option plan of the Company, and (iv) as set forth in the SEC Reports.

(r) Sarbanes-Oxley; Internal Accounting Controls. The Company is in material compliance with all provisions of the Sarbanes-Oxley Act of 2002 which are applicable to it as of the Closing Date. The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by the Company's most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the Company's internal control over financial reporting (as such term is defined in the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(s) Certain Fees. Except as set forth on Schedule 3.1(s), no brokerage or finder's fees or commissions are or will be payable by the Company to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(t) Private Placement. Assuming the accuracy of the Purchasers representations and warranties set forth in Section 3.2, and the accuracy of the statements set forth in the certificate of the Placement Agent referenced in Section 2.2(b), no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Trading Market.

(u) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become subject to the Investment Company Act of 1940, as amended.

(v) Registration Rights. Except as set forth on Schedule3.1(v), other than each of the Purchasers, no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company.

(w) Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

(x) Application of Takeover Protections. The Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's certificate of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company's issuance of the Securities and the Purchasers' ownership of the Securities.

(y) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company, its business and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(z) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, and the accuracy of the statements set forth in the certificate of the Placement Agent referenced in Section 2.2(b), 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 Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(aa) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder, (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date. Schedule 3.1(aa) sets forth as of the date thereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, "Indebtedness" means (a) any liabilities for borrowed money or amounts owed in excess of $50,000 (other than trade accounts payable incurred in the ordinary course of business), (b) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company's balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (c) the present value of any lease payments in excess of $50,000 due under leases required to be capitalized in accordance with GAAP. Neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(bb) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and each Subsidiary has filed all necessary federal, state and foreign income and franchise tax returns and has paid or accrued all taxes shown as due thereon, and the Company has no knowledge of a tax deficiency which has been asserted or threatened against the Company or any Subsidiary.

(cc) No General Solicitation. Assuming the accuracy of the statements set forth in the certificate of the Placement Agent referenced in Section 2.2(b), neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(dd) Foreign Corrupt Practices. Neither the Company, nor to the knowledge of the Company, any agent or other person acting on behalf of the Company, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(ee) Accountants. The Company's accounting firm is set forth on Schedule 3.1(ee) of the Disclosure Schedule. To the knowledge and belief of the Company, such accounting firm (i) is a registered public accounting firm as required by the Exchange Act and (ii) shall express its opinion with respect to the financial statements to be included in the Company's Annual Report on Form 10-K for the year ending March 31, 2008.

(ff) No Disagreements with Accountants and Lawyers. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company which could affect the Company's ability to perform any of its obligations under any of the Transaction Documents, the Company is current with respect to any fees owed to its accountants and lawyers.

(gg) Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(hh) Acknowledgement Regarding Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(f) and 4.14 hereof), it is understood and acknowledged by the Company (i) that none of the Purchasers have been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term; (ii) that past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities; (iii) that any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, presently may have a "short" position in the Common Stock, and (iv) that each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (a) one or more Purchasers may engage in hedging activities at various times during the period that the Securities are outstanding, including, without limitation, during the periods that the value of the Warrant Shares deliverable with respect to Securities are being determined and (b) such hedging activities (if any) could reduce the value of the existing stockholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents.

(ii) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or, paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Company's placement agent in connection with the placement of the Securities.

(jj) FDA. As to each product subject to the jurisdiction of the U.S. Food and Drug Administration ("FDA") under the Federal Food, Drug and Cosmetic Act, as amended, and the regulations thereunder ("FDCA") that is manufactured, packaged, labeled, tested, distributed, sold, and/or marketed by the Company or any of its Subsidiaries (each such product, a "Pharmaceutical Product"), such Pharmaceutical Product is being manufactured, packaged, labeled, tested, distributed, sold and/or marketed by the Company in compliance with all applicable requirements under FDCA and similar laws, rules and regulations relating to registration, investigational use, premarket clearance, licensure, or application approval, good manufacturing practices, good laboratory practices, good clinical practices, product listing, quotas, labeling, advertising, record keeping and filing of reports, except where the failure to be in compliance would not have a Material Adverse Effect. Except as set forth on Schedule 3.1(jj), there is no pending, completed or, to the Company's knowledge, threatened, action (including any lawsuit, arbitration, or legal or administrative or regulatory proceeding, charge, complaint, or investigation) against the Company or any of its Subsidiaries, and none of the Company or any of its Subsidiaries has received any notice, warning letter or other communication from the FDA or any other governmental entity, which (i) contests the premarket clearance, licensure, registration, or approval of, the uses of, the distribution of, the manufacturing or packaging of, the testing of, the sale of, or the labeling and promotion of any Pharmaceutical Product, (ii) withdraws its approval of, requests the recall, suspension, or seizure of, or withdraws or orders the withdrawal of advertising or sales promotional materials relating to, any Pharmaceutical Product, (iii) imposes a clinical hold on any clinical investigation by the Company or any of its Subsidiaries, (iv) enjoins production at any facility of the Company or any of its Subsidiaries, (v) enters or proposes to enter into a consent decree of permanent injunction with the Company or any of its Subsidiaries, or (vi) otherwise alleges any violation of any laws, rules or regulations by the Company or any of its Subsidiaries, and which, either individually or in the aggregate, would have a Material Adverse Effect. The properties, business and operations of the Company have been and are being conducted in all material respects in accordance with all applicable laws, rules and regulations of the FDA. The Company has not been informed by the FDA that the FDA will prohibit the marketing, sale, license or use in the United States of any product proposed to be developed, produced or marketed by the Company nor has the FDA expressed any concern as to approving or clearing for marketing any product being developed or proposed to be developed by the Company.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows:

(a) Organization; Authority. Such Purchaser is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with full right, corporate or partnership power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate or similar action on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, 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) Own Account. Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws) in violation of the Securities Act or any applicable state securities law. Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and at the date hereof it is, and on each date on which it exercises any Warrants, 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. Such Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act.

(d) Experience of Such Purchaser. Such Purchaser, 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 Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) General Solicitation. Such Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

(f) Short Sales and Confidentiality Prior To The Date Hereof. Other than consummating the transactions contemplated hereunder, such Purchaser has not, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, directly or indirectly executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing from the time that such Purchaser first received notice of the identity of the Company as the issuer in the transaction from the Company or any other Person representing the Company contemplated hereunder until the date hereof ("Discussion Time"). Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other Persons party to this Agreement, such Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction).

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights of a Purchaser under this Agreement and the Registration Rights Agreement.

(b) The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

THIS SECURITY HAS 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 OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and the Registration Rights Agreement and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities, including, if the Securities are subject to registration pursuant to the Registration Rights Agreement, the preparation and filing of any required prospectus supplement under Rule 424(b)(3) under the Securities Act or other applicable provision of the Securities Act to appropriately amend the list of Selling Stockholders thereunder.

(c) Certificates evidencing the Shares and Warrant Shares shall not contain any legend (including the legend set forth in Section 4.1(b)), (i) while a registration statement (including the Registration Statement) covering the resale of such security is effective under the Securities Act, or (ii) following any sale of such Shares or Warrant Shares pursuant to Rule 144, or (iii) if such Shares or Warrant Shares are eligible for sale under Rule 144(k), or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall cause its counsel to issue a legal opinion to the Transfer Agent promptly after the Effective Date if required by the Transfer Agent to effect the removal of the legend hereunder. If all or any portion of a Warrant is exercised at a time when there is an effective registration statement to cover the resale of the Warrant Shares, such Warrant Shares shall be issued free of all legends. The Company agrees that following the Effective Date or at such time as such legend is no longer required under this Section 4.1(c), it will, no later than three (3) Trading Days following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Shares or Warrant Shares, as the case may be, issued with a restrictive legend (such third Trading Day, the "Legend Removal Date"), deliver or cause to be delivered to such Purchaser a certificate representing such shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section. Certificates for Securities subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser.

(d) In addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, for each $1,000 of Shares or Warrant Shares (based on the VWAP of the Common Stock on the date such Securities are submitted to the Transfer Agent) delivered for removal of the restrictive legend and subject to Section 4.1(c), $10 per Trading Day (increasing to $20 per Trading Day five (5) Trading Days after such damages have begun to accrue) for each Trading Day commencing on the third Trading Day after the Legend Removal Date until such certificate is delivered without a legend. In addition to any other rights available to the Purchaser, if the Company fails to cause its transfer agent to transmit to the Purchaser an unlegended certificate or certificates representing the Shares or Warrant Shares, as applicable, on or before the Legend Removal Date, and if after such date the Purchaser is required by its broker to purchase (in an open market transaction or otherwise) or the Purchaser's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Purchaser of the Shares or Warrant Shares which the Purchaser anticipated receiving (a "Buy-In"), then the Company shall pay in cash to the Purchaser the amount by which (x) the Purchaser's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of Shares or Warrant Shares that the Company was required to deliver to the Purchaser times (B) the price at which the sell order giving rise to such purchase obligation was executed. For example, if the Purchaser purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted sale of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, the Company shall be required to pay the Purchaser $1,000. The Purchaser shall provide the Company written notice indicating the amounts payable to the Purchaser in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Company's failure to deliver certificates representing any Securities as required by the Transaction Documents, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

(e) Each Purchaser, severally and not jointly with the other Purchasers, agrees that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Furnishing of Information. Until the earliest of the time that (i) no Purchaser owns Securities or (ii) the Warrants have expired, the Company covenants to use reasonable efforts 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 pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act. As long as any Purchaser owns Securities, if the Company is not required to file reports pursuant to the Exchange Act, it will prepare and furnish to the Purchasers and make publicly available in accordance with Rule 144(c) such information as is required for the Purchasers to sell the Securities under Rule 144. The Company further covenants that it will take such further action as any holder of Securities may reasonably request, to the extent required from time to time to enable such Person to sell such Securities without registration under the Securities Act within the requirements of the exemption provided by Rule 144.

4.3 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 Securities in a manner that would require the registration under the Securities Act of the sale of the Securities to the Purchasers or that would be integrated with the offer or sale of the Securities to the Purchasers 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.

4.4 Securities Laws Disclosure; Publicity. The Company shall, by 8:30 a.m. (New York City time) on the Trading Day immediately following the date hereof, issue a Current Report on Form 8-K, disclosing the material terms of the transactions contemplated hereby, and filing the Transaction Documents as exhibits thereto. The Company and each Purchaser shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any such press release or otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, 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. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except (i) as required by federal securities law in connection with (A) any registration statement contemplated by the Registration Rights Agreement and (B) the filing of final Transaction Documents (including signature pages thereto) with the Commission and (ii) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this clause (ii).

4.5 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser 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 any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.6 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that it will not provide any Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information, unless prior thereto such Purchaser shall have executed a written agreement regarding the confidentiality and use of such information. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.7 Use of Proceeds. Except as set forth on Schedule 4.7 attached hereto, the Company shall use the net proceeds from the sale of the Securities hereunder for working capital purposes and shall not use such proceeds for (a) the satisfaction of any portion of the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (b) the redemption of any Common Stock or Common Stock Equivalents or (c) the settlement of any outstanding litigation.

4.8 Indemnification of Purchasers. Subject to the provisions of this Section 4.8, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against a Purchaser in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of such Purchaser's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser may have with any such stockholder or any violations by the Purchaser of state or federal securities laws or any conduct by such Purchaser which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of such separate counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (i) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (ii) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents.

4.9 Reservation of Common Stock. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to issue Shares pursuant to this Agreement and Warrant Shares pursuant to any exercise of the Warrants.

4.10 Listing of Common Stock.(a) The Company hereby agrees to maintain the listing of the Common Stock on a Trading Market, and as soon as reasonably practicable following the Closing (but not later than the earlier of the Effective Date and the first anniversary of the Closing Date) to list all of the Shares and Warrant Shares on such Trading Market. The Company further agrees, if the Company applies to have the Common Stock traded on any other Trading Market, it will include in such application all of the Shares and Warrant Shares, and will take such other action as is necessary to cause all of the Shares and Warrant Shares to be listed on such other Trading Market as promptly as possible. The Company will take all action reasonably necessary to continue the listing and trading of its Common Stock on a Trading Market and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Trading Market.

4.11 Equal Treatment of Purchasers. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of the Transaction Documents unless the same consideration is also offered to all of the parties to the Transaction Documents. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise. The provisions of this section 4.11 notwithstanding, nothing in this agreement shall prohibit the Company from negotiating and entering into separate settlements with any Purchaser in the event of litigation arising out of the transactions contemplated by the Transaction Documents without triggering the obligation to make a similar payment to any other Purchaser.

4.12 Participation in Future Financing.

(a) From the date hereof until the date that is the 24 month anniversary of the Effective Date, upon any issuance by the Company or any of its Subsidiaries of Common Stock or Common Stock Equivalents for cash consideration (a "Subsequent Financing"), each Purchaser shall have the right to participate in the Subsequent Financing up to an amount equal to 25% of the Subsequent Financing (the "Participation Maximum") on the same terms, conditions and price provided for in the Subsequent Financing.

(b) At least 5 Trading Days prior to the closing of the Subsequent Financing, the Company shall deliver to each Purchaser a written notice of its intention to effect a Subsequent Financing ("Pre-Notice"), which Pre-Notice shall ask such Purchaser if it wants to review the details of such financing (such additional notice, a "Subsequent Financing Notice"). Upon the request of a Purchaser, and only upon a request by such Purchaser, for a Subsequent Financing Notice, the Company shall promptly, but no later than 1 Trading Day after such request, deliver a Subsequent Financing Notice to such Purchaser. The Subsequent Financing Notice shall describe in reasonable detail the proposed terms of such Subsequent Financing, the amount of proceeds intended to be raised thereunder and the Person or Persons through or with whom such Subsequent Financing is proposed to be effected and shall include a term sheet or similar document relating thereto as an attachment.

(c) Any Purchaser desiring to participate in such Subsequent Financing must provide written notice to the Company by not later than 5:30 p.m. (New York City time) on the 5th Trading Day after all of the Purchasers have received the Pre-Notice that the Purchaser is willing to participate in the Subsequent Financing, the amount of the Purchaser's participation, and that the Purchaser has such funds ready, willing, and available for investment on the terms set forth in the Subsequent Financing Notice. If the Company receives no notice from a Purchaser as of such 5th Trading Day, such Purchaser shall be deemed to have notified the Company that it does not elect to participate.

(d) If by 5:30 p.m. (New York City time) on the 5th Trading Day after all of the Purchasers have received the Pre-Notice, notifications by the Purchasers of their willingness to participate in the Subsequent Financing is, in the aggregate, less than the total amount of the Subsequent Financing, then the Company may effect the remaining portion of such Subsequent Financing on the terms and with the Persons set forth in the Subsequent Financing Notice.

(e) If by 5:30 p.m. (New York City time) on the 5th Trading Day after all of the Purchasers have received the Pre-Notice, the Company receives responses to a Subsequent Financing Notice from Purchasers seeking to purchase more than the aggregate amount of the Participation Maximum, each such Purchaser shall have the right to purchase its Pro Rata Portion (as defined below) of the Participation Maximum. "Pro Rata Portion" means the ratio of (x) the Subscription Amount of Securities purchased on the Closing Date by a Purchaser participating under this Section 4.12 and (y) the sum of the aggregate Subscription Amounts of Securities purchased on the Closing Date by all Purchasers participating under this Section 4.12.

(f) The Company must provide the Purchasers with a second Subsequent Financing Notice, and the Purchasers will again have the right of participation set forth above in this Section 4.12, if the Subsequent Financing subject to the initial Subsequent Financing Notice is not consummated for any reason on the terms set forth in such Subsequent Financing Notice within 60 Trading Days after the date of the initial Subsequent Financing Notice.

(g) Notwithstanding the foregoing, this Section 4.12 shall not apply in respect of (i) an Exempt Issuance or (ii) an underwritten public offering of Common Stock.

4.13 Subsequent Equity Sales.

(a) From the date hereof until 90 days after the Effective Date, neither the Company nor any Subsidiary shall issue shares of Common Stock or Common Stock Equivalents other than Exempt Issuances; provided, however, the 90 day period set forth in this Section 4.13 shall be extended for the number of Trading Days during such period in which (i) trading in the Common Stock is suspended by any Trading Market, or (ii) following the Effective Date, the Registration Statement is not effective or the prospectus included in the Registration Statement may not be used by the Purchasers for the resale of the Shares and Warrant Shares.

(b) From the date hereof until such time as no Purchaser holds any of the Securities, the Company shall be prohibited from effecting or entering into an agreement to effect any Subsequent Financing involving a Variable Rate Transaction. "Variable Rate Transaction" means a transaction in which the Company issues or sells (i) any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive additional shares of Common Stock either (A) at a conversion, exercise or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities, or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock or (ii) enters into any agreement, including, but not limited to, an equity line of credit, whereby the Company may sell securities at a future determined price. Any Purchaser shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

(c) Unless Shareholder Approval has been obtained and deemed effective, neither the Company nor any Subsidiary shall make any issuance whatsoever of Common Stock or Common Stock Equivalents which would cause any adjustment of the Exercise Price to the extent the holders of Warrants would not be permitted, pursuant to Section 2(d) of the Warrants, to exercise their respective Warrants in full, ignoring for such purposes the exercise limitations therein. Any Purchaser shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages

(d) Notwithstanding the foregoing, this Section 4.13 shall not apply in respect of an Exempt Issuance, except that no Variable Rate Transaction shall be an Exempt Issuance.

4.14 Short Sales and Confidentiality After The Date Hereof. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any Short Sales during the period commencing at the Discussion Time and ending at the time that the transactions contemplated by this Agreement are first publicly announced as described in Section 4.4. Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company as described in Section 4.4, such Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in the Disclosure Schedules. Each Purchaser severally and not jointly with any other Purchaser, understands and acknowledges, and agrees, to act in a manner that will not violate the positions of the Commission as set forth in Item 65, Section A, of the Manual of Publicly Available Telephone Interpretations, dated July 1997, compiled by the Office of Chief Counsel, Division of Corporation Finance. Notwithstanding the foregoing, no Purchaser makes any representation, warranty or covenant hereby that it will not engage in Short Sales in the securities of the Company after the time that the transactions contemplated by this Agreement are first publicly announced as described in Section 4.4. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement.

4.15 Delivery of Securities After Closing. The Company shall deliver, or cause to be delivered, the respective Securities purchased by each Purchaser to such Purchaser within 3 Trading Days of the Closing Date.

4.16 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

4.17 Capital Changes. [Until the one year anniversary of the Effective Date, the Company shall not undertake a reverse or forward stock split or reclassification of the Common Stock without the prior written consent of the Purchasers holding a majority in interest of the Shares.

ARTICLE V.
MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by any Purchaser, as to such Purchaser's obligations hereunder only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before August 8, 2007; provided, however, that no such termination will affect the right of any party to sue for any breach by the other party (or parties).

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. The Company shall pay all Transfer Agent fees, stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the 2nd Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.5 Amendments; Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchasers of at least 67% of the Shares still held by the Purchasers or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.6 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.

5.7 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 each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.8.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action or proceeding to enforce any provisions of the Transaction Documents, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Shares and Warrant Shares.

5.11 Execution. 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 the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, in the case of a rescission of an exercise of a Warrant, the Purchaser shall be required to return any shares of Common Stock delivered in connection with any such rescinded exercise notice.

5.14 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.15 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agrees to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.16 Payment Set Aside. To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.17 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in their review and negotiation of the Transaction Documents. For reasons of administrative convenience only, Purchasers and their respective counsel have chosen to communicate with the Company through FWS. FWS does not represent the Purchasers but only the Placement Agent. The Company has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by the Purchasers.

5.18 Liquidated Damages. The Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.19 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.

5.20 Construction. The parties agree that each of them and/or their respective counsel has 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 hereto.

5.21 Waiver of Jury Trial. In any action, suit or proceeding in any jurisdiction brought by any party against any other party, the parties each knowingly and intentionally, to the greatest extent permitted by applicable law, hereby absolutely, unconditionally, irrevocably and expressly waives forever trial by jury.

(Signature Pages Follow)

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

OCULUS INNOVATIVE SCIENCES, INC.

By: /s/ Jim Schutz

Name: Jim Schutz
Title: General Counsel

Address for Notice:

Fax:

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASER FOLLOWS]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Aristeia International Limited

Signature of Authorized Signatory of Purchaser: /s/Chong Park

Name of Authorized Signatory: Chong Park

Title of Authorized Signatory: Portfolio Manager

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Aristeia International Limited
136 Madison Avenue
3rd Floor
New York, NY 10016

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $676,600

Shares: 84,575

Warrant Shares: 27,909

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

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

Name of Purchaser: Aristeia Partners, L.P.

Signature of Authorized Signatory of Purchaser: /s/Chong Park

Name of Authorized Signatory: Chong Park

Title of Authorized Signatory: Portfolio Manager

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Aristeia Partners, L.P.
136 Madison Avenue
3rd Floor
New York, NY 10016

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $84,096

Shares: 10,512

Warrant Shares: 3,468

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Aristeia Special Investments Master, L.P.

Signature of Authorized Signatory of Purchaser: /s/Chong Park

Name of Authorized Signatory: Chong Park

Title of Authorized Signatory: Portfolio Manager

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Aristeia Special Investments Master, L.P.
136 Madison Avenue
3rd Floor
New York, NY 10016

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $239,304

Shares: 29,913

Warrant Shares: 9,871

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Avendis Absolute Alternative 1 Trading Ltd

Signature of Authorized Signatory of Purchaser: /s/Yannis Bilquez

Name of Authorized Signatory: Yannis Bilquez

Title of Authorized Signatory: Director

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Lehman Brothers International Europe
25 Bank Street
London E14 5LE

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $280,000

Shares: 35,000

Warrant Shares: 11,550

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Cranshire Capital, L.P.

Signature of Authorized Signatory of Purchaser: /s/Lawrence A. Prosser

Name of Authorized Signatory: Lawrence A. Prosser

Title of Authorized Signatory: CFO - Downsview Capital, Inc. The General Partner

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Cranshire Capital, L.P.
3100 Dundee Road, Suite 703
Northbrook, IL 60062

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $500,000

Shares: 62,500

Warrant Shares: 20,625

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Crescent International, Ltd.

Signature of Authorized Signatory of Purchaser: /s/Maxi Brezzi

Name of Authorized Signatory: Maxi Brezzi

Title of Authorized Signatory:

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Crescent International, Ltd.
c/o Cantara (Switzerland) SA
84, Avenue Louis-Casai
CH-1216 Cointrin/Geneva, Switzerland

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $308,000

Shares: 38,500

Warrant Shares: 12,705

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Diamond Opportunity Fund, LLC

Signature of Authorized Signatory of Purchaser: /s/Richard Marks

Name of Authorized Signatory: Richard Marks

Title of Authorized Signatory: Managing Director

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Diamond Opportunity Fund, LLC
500 Skokie Boulevard, Suite 300
Northbrook, IL 60062

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $350,000

Shares: 43,750

Warrant Shares: 14,437

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Double U Master Fund LP

Signature of Authorized Signatory of Purchaser: /s/Sheldon Traube

Name of Authorized Signatory: Sheldon Traube

Title of Authorized Signatory:

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Double U Master Fund LP
2nd Floor, Harbour House, Waterfront Drive
Road Town, Tortola
British Virgin Islands

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $100,000

Shares: 12,500

Warrant Shares: 4,125

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Egatniv, LLC

Signature of Authorized Signatory of Purchaser: /s/Seth Farbman

Name of Authorized Signatory: Seth Farbman

Title of Authorized Signatory: Member

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Egatniv, LLC
150 West 46th St., 6th floor
New York, NY 10036
Attn: Josh Greenberg

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $100,000

Shares: 12,500

Warrant Shares: 4,125

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Graham Anderson

Signature of Authorized Signatory of Purchaser: /a/Graham Anderson

Name of Authorized Signatory: Graham Anderson

Title of Authorized Signatory:

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: 71 Hickory Lane
Bedford, NY 10506

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $100,000

Shares: 12,500

Warrant Shares: 4,125

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Franklin Biotechnology Discovery Fund

Signature of Authorized Signatory of Purchaser: /s/Evan McCulloch

Name of Authorized Signatory: Evan McCulloch

Title of Authorized Signatory: Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: One Franklin Parkway
San Mateo, CA 94403

Address Attn: Arnold Mussela
Bank of New York
One Wall Street, 3rd Floor
New York, NY 10268

Subscription Amount: $2,000,000

Shares: 250,000

Warrant Shares: 82,500

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

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

Name of Purchaser: Highbridge International, LLC

Signature of Authorized Signatory of Purchaser: /s/Scott Wallace

Name of Authorized Signatory: Scott Wallace

Title of Authorized Signatory: Senior Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Highbridge Capital Management, LLC
9 West 57th Street, 27th Floor
New York, NY 10019
Attn: Ari J Storch / Adam J Chill

Address for Delivery of Securities for Purchaser (if not same as address for notice): Bear Stearns
1 Metrotech Center, 20th Floor
Brooklyn, NY 11201
Attn: Elanna Bradley

Subscription Amount: $500,000

Shares: 62,500

Warrant Shares: 20,625

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Iroquois Master Fund, Ltd.

Signature of Authorized Signatory of Purchaser: /s/Joshua Silverman

Name of Authorized Signatory: Joshua Silverman

Title of Authorized Signatory:

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: 641 Lexington Ave., 26th Fl.
New York, NY 10022

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $300,000

Shares: 37,500

Warrant Shares: 12,375

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Lincoln Biotech Ventures II, L.P.

Signature of Authorized Signatory of Purchaser: /s/Robert Carver

Name of Authorized Signatory: Robert Carver

Title of Authorized Signatory: Secretary, Lincoln Funds International

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Lincoln Biotech Ventures, L.P.
695 Town Center Dr.
8th Floor
Costa Mesa, CA 92626

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $100,000

Shares: 12,500

Warrant Shares: 4,125

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Otago Partners, LLC

Signature of Authorized Signatory of Purchaser: /s/Lindsay A. Rosenwald, MD

Name of Authorized Signatory: Lindsay A. Rosenwald, MD

Title of Authorized Signatory: Managing Member

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Otago Partners, LLC
787 7th Ave, 48th Fl.
New York, NY 10019

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $100,000

Shares: 12,500

Warrant Shares: 4,125

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

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

Name of Purchaser: Perceptive Life Sciences Master Fund LTD

Signature of Authorized Signatory of Purchaser: /s/Joe Edelman

Name of Authorized Signatory: Joe Edelman

Title of Authorized Signatory: Managing Member

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Perceptive Advisors
499 Park Avenue
25th Floor
New York, NY 10022

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $1,400,000

Shares: 175,000

Warrant Shares: 57,750

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Catalytix LDC Life Science Hedge AC

Signature of Authorized Signatory of Purchaser: /s/Ted Kalem

Name of Authorized Signatory: Ted Kalem

Title of Authorized Signatory: Partner

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Catalytix LOC Life Science Hedge AC
CIBe Bank and Trust Company (Cayman) Limited
GIBC Financial Centre, 11 Dr. Roy's Drive
P.O. Box 694 GT
Grand Cayman
Cayman Islands
B.W.I.
Attn: Martin Laidlaw

Address for Delivery of Securities for Purchaser (if not same as address for notice): Theodore E Kalem
Array Capital Management, LLC
425 Fifth Avenue, Suite 28D
New York, NY 10016

Subscription Amount: $100,000

Shares: 12,500

Warrant Shares: 4,125

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Rockmore Investment Master Fund, Ltd

Signature of Authorized Signatory of Purchaser: /s/Brian Daly

Name of Authorized Signatory: Brian Daly

Title of Authorized Signatory: Director

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: c/o Rockmore Capital LLC
150 E. 58th St., 28th Fl.
New York, NY 10155

Address for Delivery of Securities for Purchaser (if not same as address for notice): Rockmore Investment Master Fund, LLC
Meridian Fund Services Limited

P.O. Box HM528
73 Front Street
Hamilton HM CX
Bermuda

Subscription Amount: $350,000

Shares: 43,750

Warrant Shares: 14,437

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

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

Name of Purchaser: RRC Biofund, LP

Signature of Authorized Signatory of Purchaser: /s/Jim Silverman

Name of Authorized Signatory: Jim Silverman

Title of Authorized Signatory: Managing Director

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: 124 Mr. Auburn St., Suite 200N
Cambridge, MA 02138

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $840,000

Shares: 105,000

Warrant Shares: 34,650

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Whalehaven Capital Fund Limited

Signature of Authorized Signatory of Purchaser: /s/Brian Mazzella

Name of Authorized Signatory: Brian Mazzella

Title of Authorized Signatory: CFO

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Whalehaven Capital Fund Limited
160 Summit Avenue
Montvale, NJ 07645

Address for Delivery of Securities for Purchaser (if not same as address for notice):

Subscription Amount: $500,000

Shares: 62,500

Warrant Shares: 20,625

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Daniel B. and Linda O. Ahlberg Trustees FBO Ahlberg Joint Revocable Trust u/a dtd 8/27/06

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Daniel B. Ahlberg
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $36,000

Shares: 4,500

Warrant Shares: 1,485

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Alice Ann Corporation

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Alice Ann Corporation
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $56,000

Shares: 7,000

Warrant Shares: 2,310

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Robert G. Allison

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Robert G. Allison
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $80,000

Shares: 10,000

Warrant Shares: 3,300

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

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

Name of Purchaser: William H. Baxter Trustee FBO William H. Baxter Revokable Trust u/a dtd 7/3/96

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: William H. Baxter
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $32,000

Shares: 4,000

Warrant Shares: 1,320

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Piper Jaffray as Custodian FBO William H. Baxter IRA

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: William H. Baxter
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $28,000

Shares: 3,500

Warrant Shares: 1,155

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

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

Name of Purchaser: David & Carole Brown Trustees FBO David & Carole Brown Revocable Trust u/a dtd 10/23/97

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: David & Carole Brown
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $40,000

Shares: 5,000

Warrant Shares: 1,650

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Piper Jaffray as Custodian FBO Robert H. Clayburgh IRA

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Robert H. Clayburgh
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $52,000

Shares: 6,500

Warrant Shares: 2,145

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Gary & Leslie Clipper JTWROS

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Gary & Leslie Clipper
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $24,000

Shares: 3,000

Warrant Shares: 990

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Piper Jaffray as Custodian FBO Mark Donahoe IRA

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Mark Donahoe
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $64,000

Shares: 8,000

Warrant Shares: 2,640

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Dennis D. Gonyea

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Dennis D. Gonyea
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $40,000

Shares: 5,000

Warrant Shares: 1,650

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Richard A. Hoel

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Richard A. Hoel
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $24,000

Shares: 3,000

Warrant Shares: 990

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Elizabeth J. Kuehne

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Elizabeth J. Kuehne
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $40,000

Shares: 5,000

Warrant Shares: 1,650

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Piper Jaffray as Custodian FBO Elizabeth J. Kuehne IRA

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Elizabeth J. Kuehne
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $28,000

Shares: 3,500

Warrant Shares: 1,155

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Piper Jaffray as Custodian FBO Michael E. McElligott SPN/PRO

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Michael E. McElligott
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $28,000

Shares: 3,500

Warrant Shares: 1,155

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Piper Jaffray as Custodian FBO Charles W. Pappas IRA

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Charles W. Pappas
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $36,000

Shares: 4,500

Warrant Shares: 1,485

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

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

Name of Purchaser: John T. Potter

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: John T. Potter
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $48,000

Shares: 6,000

Warrant Shares: 1,980

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Carolyn Salon

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Carolyn Salon
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $32,000

Shares: 4,000

Warrant Shares: 1,320

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Joel A. Salon

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Joel A. Salon
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $28,000

Shares: 3,500

Warrant Shares: 1,155

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

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

Name of Purchaser: Paul C. Seel & Nancy S. Seel JTWROS

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Paul C. Seel & Nancy S. Seel
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $40,000

Shares: 5,000

Warrant Shares: 1,650

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

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

Name of Purchaser: E. Terry Skone, TTE FBO E. Terry Skone Revocable Trust U/A dtd 11/30/05

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: E. Terry Skone
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $48,000

Shares: 6,000

Warrant Shares: 1,980

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Donald O. & Janet M. Voight TTEE's FBO Janet M. Voight Trust U/A dtd 9/29/96

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Janet M. Voight
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $40,000

Shares: 5,000

Warrant Shares: 1,650

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

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

Name of Purchaser: Piper Jaffray as Custodian FBO James B. Wallace SPN/PRO

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: James B. Wallace
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $48,000

Shares: 6,000

Warrant Shares: 1,980

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: David M. Wertrum TTEE, FBO David M. Westrum Revocable Living Trust u/a dtd 6/1/97

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: David M. Westrum
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $40,000

Shares: 5,000

Warrant Shares: 1,650

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Piper Jaffray as Custodian FBO Michael R. Wilcox IRA

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Michael R. Wilcox
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $40,000

Shares: 5,000

Warrant Shares: 1,650

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

[SIGNATURE PAGES CONTINUE]

[PURCHASER SIGNATURE PAGES TO OCLS SECURITIES PURCHASE AGREEMENT]

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

Name of Purchaser: Pyramid Partners, L.P.

Signature of Authorized Signatory of Purchaser: /s/Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Email Address of Purchaser:

Fax Number of Purchaser:

Address for Notice of Purchaser: Richard W. Perkins
Pyramid Partners, L.P.
c/o Perkins Capital Management, Inc.
730 East Lake Street
Wayzata, MN 55391

Address for Delivery of Securities for Purchaser (if not same as address for notice): Piper Jaffray
Corp & Venture Services
Ms. Kristi Kling
800 Nicollet Mall, J12S06
Minneapolis, MN 55402

Subscription Amount: $200,000

Shares: 25,000

Warrant Shares: 8,250

EIN Number: **[PROVIDE THIS UNDER SEPARATE COVER]**

Exhibit 10.27

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of August 7, 2007, between Oculus Innovative Sciences, Inc., a Delaware corporation (the "Company") and each of the several purchasers signatory hereto (each such purchaser, a "Purchaser" and, collectively, the "Purchasers").

This Agreement is made pursuant to the Securities Purchase Agreement, dated as of the date hereof, between the Company and each Purchaser (the "Purchase Agreement").

The Company and each Purchaser hereby agrees as follows:

1. Definitions

Capitalized terms used and not otherwise defined herein that are defined in the Purchase Agreement shall have the meanings given such terms in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Advice" shall have the meaning set forth in Section 6(d).

"Effectiveness Date" means, with respect to the Initial Registration Statement required to be filed hereunder, the 90th calendar day following the date hereof (or, in the event of a "full review" by the Commission, the 120th calendar day following the date hereof) and with respect to any additional Registration Statements which may be required pursuant to Section 3(c), the 90th calendar day following the date on which an additional Registration Statement is required to be filed hereunder; provided, however, that in the event the Company is notified by the Commission that one or more of the above Registration Statements will not be reviewed or is no longer subject to further review and comments, the Effectiveness Date as to such Registration Statement shall be the fifth Trading Day following the date on which the Company is so notified if such date precedes the dates otherwise required above.

"Effectiveness Period" shall have the meaning set forth in Section 2(a).

"Event" shall have the meaning set forth in Section 2(b).

"Event Date" shall have the meaning set forth in Section 2(b).

"Filing Date" means, with respect to the Initial Registration Statement required hereunder, the 30th calendar day following the date hereof and, with respect to any additional Registration Statements which may be required pursuant to Section 3(c), the earliest practical date on which the Company is permitted by SEC Guidance to file such additional Registration Statement related to the Registrable Securities.

"Holder" or "Holders" means the holder or holders, as the case may be, from time to time of Registrable Securities.

"Indemnified Party" shall have the meaning set forth in Section 5(c).

"Indemnifying Party" shall have the meaning set forth in Section 5(c).

"Initial Registration Statement" means the initial Registration Statement filed pursuant to this Agreement.

"Initial Shares" means a number of Registrable Securities equal to the lesser of (i) the total number of Registrable Securities and (ii) one-third of the number of issued and outstanding shares of Common Stock that are held by non-affiliates of the Company on the day immediately prior to the filing date of the Initial Registration Statement.

"Losses" shall have the meaning set forth in Section 5(a).

"Plan of Distribution" shall have the meaning set forth in Section 2(a).

"Prospectus" means the prospectus included in a Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated by the Commission pursuant to the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Registrable Securities" means (i) all Shares; (ii) all Warrant Shares (assuming on the date of determination the Warrants are exercised in full without regard to any exercise limitations therein), and (iii) any securities issued or issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect to the foregoing.

"Registration Statement" means the registration statement required to be filed hereunder and any additional registration statements contemplated by Section 3(c), including (in each case) the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

"Rule 415" means Rule 415 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.

"Rule 424" means Rule 424 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.

"Selling Shareholder Questionnaire" shall have the meaning set forth in Section 3(a).

"SEC Guidance" means (i) any publicly-available written or oral guidance, comments, requirements or requests of the Commission staff and (ii) the Securities Act.

2. Shelf Registration

(a) On or prior to each Filing Date, the Company shall prepare and file with the Commission a Registration Statement covering the resale of all or such maximum portion of the Registrable Securities as permitted by SEC Guidance (provided that the Company shall use commercially reasonable efforts to advocate with the Commission for the registration of all of the Registrable Securities in accordance with the SEC Guidance, including without limitation, the Manual of Publicly Available Telephone Interpretations D.29) that are not then registered on an effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415. The Registration Statement shall be on Form S-3 (except if the Company is not then eligible to register for resale the Registrable Securities on Form S-3, in which case such registration shall be on another appropriate form in accordance herewith) and shall contain (unless otherwise directed by at least a 67% majority in interest of the Holders) substantially the "Plan of Distribution" attached hereto as Annex A. Subject to the terms of this Agreement, the Company shall use commercially reasonable efforts to cause a Registration Statement to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any event prior to the applicable Effectiveness Date, and shall use commercially reasonable efforts to keep such Registration Statement continuously effective under the Securities Act until all Registrable Securities covered by such Registration Statement have been sold, or may be sold without volume limitations pursuant to Rule 144(k), as determined by the counsel to the Company pursuant to a written opinion letter to such effect, addressed and acceptable to the Transfer Agent and the affected Holders (the "Effectiveness Period"). The Company shall telephonically request effectiveness of a Registration Statement as of 5:00 p.m. New York City time on a Trading Day. The Company shall immediately notify the Holders via facsimile or by e-mail of the effectiveness of a Registration Statement on the same Trading Day that the Company telephonically confirms effectiveness with the Commission, which shall be the date requested for effectiveness of such Registration Statement. The Company shall, by 9:30 a.m. New York City time on the Trading Day after the effective date of such Registration Statement, file a final Prospectus with the Commission as required by Rule 424. Failure to so notify the Holder within 2 Trading Days of such notification of effectiveness or failure to file a final Prospectus as foresaid shall be deemed an Event under Section 2(b). Notwithstanding any other provision of this Agreement and subject to the payment of liquidated damages pursuant to Section 2(b), if any SEC Guidance sets forth a limitation on the number of Registrable Securities permitted to be registered on a particular Registration Statement (and notwithstanding that the Company used commercially reasonable efforts to advocate with the Commission for the registration of all or a greater portion of Registrable Securities), unless otherwise directed in writing by a Holder as to its Registrable Securities, the number of Registrable Securities to be registered on such Registration Statement will first be reduced by Registrable Securities represented by Warrant Shares (applied, in the case that some Warrant Shares may be registered, to the Holders on a pro rata basis based on the total number of unregistered Warrant Shares held by such Holders).

(b) If: (i) the Initial Registration Statement is not filed on or prior to its Filing Date (if the Company files the Initial Registration Statement without affording the Holders the opportunity to review and comment on the same as required by Section 3(a) herein, the Company shall be deemed to have not satisfied this clause (i)), or (ii) the Company fails to file with the Commission a request for acceleration of a Registration Statement in accordance with Rule 461 promulgated by the Commission pursuant to the Securities Act, within five Trading Days of the date that the Company is notified (orally or in writing, whichever is earlier) by the Commission that such Registration Statement will not be "reviewed" or will not be subject to further review, or (iii) prior to the effective date of a Registration Statement, the Company fails to file a pre-effective amendment and otherwise respond in writing to comments made by the Commission in respect of such Registration Statement within 15 Trading Days after the receipt of comments by or notice from the Commission that such amendment is required in order for such Registration Statement to be declared effective, or (iv) as to, in the aggregate among all Holders on a pro-rata basis based on their purchase of the Securities pursuant to the Purchase Agreement, a Registration Statement registering for resale all of the Initial Shares is not declared effective by the Commission by the Effectiveness Date of the Initial Registration Statement, or (v) all of the Registrable Securities are not registered for resale pursuant to one or more effective Registration Statements on or before August 31, 2008, or (vi) after the effective date of a Registration Statement, such Registration Statement ceases for any reason to remain continuously effective as to all Registrable Securities included in such Registration Statement, or the Holders are otherwise not permitted to utilize the Prospectus therein to resell such Registrable Securities, for more than 10 consecutive calendar days or more than an aggregate of 15 calendar days (which need not be consecutive calendar days) during any 12-month period (any such failure or breach being referred to as an "Event", and for purposes of clause (i), (iv) and (v) the date on which such Event occurs, and for purposes of clause (ii) the date on which such five Trading Day period is exceeded, and for purposes of clause (iii) the date which such 10 calendar day period is exceeded, and for purposes of clause (vi) the date on which such 10 or 15 calendar day period, as applicable, is exceeded being referred to as "Event Date"), then, in addition to any other rights the Holders may have hereunder or under applicable law, on each such Event Date and on each monthly anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured, the Company shall pay to each Holder an amount in cash, as partial liquidated damages and not as a penalty, equal to 1% of the aggregate purchase price paid by such Holder pursuant to the Purchase Agreement for any unregistered Registrable Securities then held by such Holder. The parties agree that (1) to the extent an Event is caused by the occurrence of a prior Event, for purposes of calculation of liquidated damages hereunder, only one Event shall be deemed to have occurred; (2) the Company shall not be liable for liquidated damages under this Agreement with respect to any Warrants or Warrant Shares and (3) the maximum aggregate liquidated damages payable to a Holder under this Agreement shall be 15% of the aggregate Subscription Amount paid by such Holder pursuant to the Purchase Agreement. If the Company fails to pay any partial liquidated damages pursuant to this Section in full within seven days after the date payable, the Company will pay interest thereon at a rate of 18% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to the Holder, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full. The partial liquidated damages pursuant to the terms hereof shall apply on a daily pro rata basis for any portion of a month prior to the cure of an Event.

3. Registration Procedures.

In connection with the Company's registration obligations hereunder, the Company shall:

(a) Not less than 5 Trading Days prior to the filing of each Registration Statement and not less than one Trading Day prior to the filing of any related Prospectus or any amendment or supplement thereto (including any document that would be incorporated or deemed to be incorporated therein by reference), the Company shall (i) furnish to each Holder copies of all such documents substantially in the form proposed to be filed, which documents (other than those incorporated or deemed to be incorporated by reference) will be subject to the review of such Holders and (ii) cause its officers and directors, counsel and independent certified public accountants to respond to such inquiries as shall be necessary, in the reasonable opinion of respective counsel to each Holder, to conduct a reasonable investigation within the meaning of the Securities Act. The Company shall not file a Registration Statement or any such Prospectus or any amendments or supplements thereto relating to the Registrable Securities to which the Holders of a majority of the Registrable Securities shall reasonably object in good faith, provided that the Company is notified of such objection in writing no later than 5 Trading Days after the Holders have been so furnished copies of a Registration Statement or 1 Trading Day after the Holders have been so furnished copies of any related Prospectus or amendments or supplements thereto. Each Holder agrees to furnish to the Company a completed questionnaire in the form attached to this Agreement as Annex B (a "Selling Shareholder Questionnaire") not less than three Trading Days prior to the Filing Date or by the end of the fourth Trading Day following the date on which such Holder receives draft materials in accordance with this Section.

(b) (i) Prepare and file with the Commission such amendments, including post-effective amendments, to a Registration Statement and the Prospectus used in connection therewith as may be necessary to keep a Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities; (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement (subject to the terms of this Agreement), and, as so supplemented or amended, to be filed pursuant to Rule 424; (iii) respond as promptly as reasonably possible to any comments received from the Commission with respect to a Registration Statement or any amendment thereto and provide as promptly as reasonably possible to the Holders true and complete copies of all correspondence from and to the Commission relating to a Registration Statement (provided that the Company may excise any information contained therein which would constitute material non-public information as to any Holder which has not executed a confidentiality agreement with the Company); and (iv) comply in all material respects with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by a Registration Statement during the applicable period in accordance (subject to the terms of this Agreement) with the intended methods of disposition by the Holders thereof set forth in such Registration Statement as so amended or in such Prospectus as so supplemented.

(c) If during the Effectiveness Period, the number of Registrable Securities at any time exceeds 100% of the number of shares of Common Stock then registered in a Registration Statement, then the Company shall file as soon as reasonably practicable, but in any case prior to the applicable Filing Date, an additional Registration Statement covering the resale by the Holders of not less than the number of such Registrable Securities.

(d) Notify the Holders of Registrable Securities to be sold (which notice shall, pursuant to clauses (iii) through (vi) hereof, be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made) as promptly as reasonably possible (and, in the case of (i)(A) below, not less than two Trading Days prior to such filing) and (if requested by any such Person) confirm such notice in writing no later than two Trading Days following the day (i)(A) when a Prospectus or any Prospectus supplement or post-effective amendment to a Registration Statement is proposed to be filed; (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement; and (C) with respect to a Registration Statement or any post-effective amendment, when the same has become effective; (ii) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to a Registration Statement or Prospectus or for additional information; (iii) of the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose; (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose; (v) of the occurrence of any event or passage of time that makes the financial statements included in a Registration Statement ineligible for inclusion therein or any statement made in a Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to a Registration Statement, Prospectus or other documents so that, in the case of a Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (vi) of the occurrence or existence of any pending corporate development with respect to the Company that the Company believes may be material and that, in the determination of the Company, makes it not in the best interest of the Company to allow continued availability of a Registration Statement or Prospectus, provided that any and all of such information shall remain confidential to each Holder until such information otherwise becomes public, unless disclosure by a Holder is required by law; provided, further, that notwithstanding each Holder's agreement to keep such information confidential, each such Holder makes no acknowledgement that any such information is material, non-public information.

(e) Use commercially reasonable efforts to avoid the issuance of, or, if issued, obtain the withdrawal of (i) any order stopping or suspending the effectiveness of a Registration Statement, or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment.

(f) Furnish to each Holder, without charge, at least one conformed copy of each such Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference to the extent requested by such Person, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission; provided, that any such item which is available on the EDGAR system need not be furnished in physical form.

(g) Subject to the terms of this Agreement, the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto, except after the giving of any notice pursuant to Section 3(d).

(h) The Company shall cooperate with any broker-dealer effecting resales of Registrable Securities in making any required filing with the National Association of Securities Dealers, Inc. ("NASD") Corporate Financing Department pursuant to NASD Rule 2710 and pay the filing fee required by such filing.

(i) Prior to any resale of Registrable Securities by a Holder, use its commercially reasonable efforts to register or qualify or cooperate with the selling Holders in connection with the registration or qualification (or exemption from the Registration or qualification) of such Registrable Securities for the resale by the Holder under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder reasonably requests in writing, to keep each registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things reasonably necessary to enable the disposition in such jurisdictions of the Registrable Securities covered by each Registration Statement; provided, that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified, subject the Company to any material tax in any such jurisdiction where it is not then so subject or file a general consent to service of process in any such jurisdiction.

(j) If requested by a Holder, cooperate with such Holders to facilitate the timely preparation and delivery of certificates representing Registrable Securities, other than Warrants, to be delivered to a transferee pursuant to a Registration Statement, which certificates shall be free, to the extent permitted by the Purchase Agreement, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any such Holder may request.

(k) Upon the occurrence of any event contemplated by Section 3(d), as promptly as reasonably possible under the circumstances taking into account the Company's good faith assessment of any adverse consequences to the Company and its stockholders of the premature disclosure of such event, prepare a supplement or amendment, including a post-effective amendment, to a Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither a Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders in accordance with clauses (iii) through (vi) of Section 3(d) above to suspend the use of any Prospectus until the requisite changes to such Prospectus have been made, then the Holders shall suspend use of such Prospectus. The Company will use commercially reasonable efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. The Company shall be entitled to exercise its right under this Section 3(k) to suspend the availability of a Registration Statement and Prospectus, subject to the payment of partial liquidated damages otherwise required pursuant to Section 2(b), for a period not to exceed 60 calendar days (which need not be consecutive days) in any 12 month period.

(l) Comply with all applicable rules and regulations of the Commission.

(m) The Company may require each selling Holder to furnish to the Company a certified statement as to the number of shares of Common Stock beneficially owned by such Holder and, if required by the Commission, the natural persons thereof that have voting and dispositive control over the shares. If the Company is unable to meet its obligations hereunder with respect to the registration of the Registrable Securities solely because any Holder fails to furnish such information within three Trading Days of the Company's request, the Company may exclude such Holder's Registrable Securities from the Registrable Securities being registered, until such Holder shall have provided all such required information (provided there is sufficient time to include such Registrable Shares), and such non-responsive Holder shall have no recourse against the Company therefor.

4. Registration Expenses. All fees and expenses incident to the performance of or compliance with this Agreement by the Company shall be borne by the Company whether or not any Registrable Securities are sold pursuant to a Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses of the Company's counsel and auditors) (A) with respect to filings made with the Commission, (B) with respect to filings required to be made with any Trading Market on which the Common Stock is then listed for trading, (C) in compliance with applicable state securities or Blue Sky laws reasonably agreed to by the Company in writing (including, without limitation, fees and disbursements of counsel for the Company in connection with Blue Sky qualifications or exemptions of the Registrable Securities) and (D) if not previously paid by the Company in connection with an Issuer Filing, with respect to any filing that may be required to be made by any broker through which a Holder intends to make sales of Registrable Securities with the NASD pursuant to NASD Rule 2710, so long as the broker is receiving no more than a customary brokerage commission in connection with such sale, (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) Securities Act liability insurance, if the Company so desires such insurance, and (vi) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. In no event shall the Company be responsible for any broker or similar commissions of any Holder or, except to the extent provided for in the Transaction Documents, any legal fees or other costs of the Holders.

5. Indemnification.

(a) Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, members, partners, agents, brokers (including brokers who offer and sell Registrable Securities as principal as a result of a pledge or any failure to perform under a margin call of Common Stock), investment advisors and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, members, shareholders, partners, agents and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or relating to (1) any untrue or alleged untrue statement of a material fact contained in a Registration Statement, any Prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading or (2) any violation or alleged violation by the Company of the Securities Act, the Exchange Act or any state securities law, or any rule or regulation thereunder, in connection with the performance of its obligations under this Agreement, except to the extent, but only to the extent, that (i) such untrue statements or omissions are based solely upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement, such Prospectus or in any amendment or supplement thereto (it being understood that the Holder has approved Annex A hereto for this purpose) or (ii) in the case of an occurrence of an event of the type specified in Section 3(d)(iii)-(vi), the use by such Holder of an outdated or defective Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated or defective and prior to the receipt by such Holder of the Advice contemplated in Section 6(d). The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding arising from or in connection with the transactions contemplated by this Agreement of which the Company is aware.

(b) Indemnification by Holders. Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, its directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, to the extent arising out of or based solely upon: (x) such Holder's failure to comply with the prospectus delivery requirements of the Securities Act or (y) any untrue or alleged untrue statement of a material fact contained in any Registration Statement, any Prospectus, or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading (i) to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such Holder to the Company specifically for inclusion in such Registration Statement or such Prospectus or (ii) to the extent that such information relates to such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement (it being understood that the Holder has approved Annex A hereto for this purpose), such Prospectus or in any amendment or supplement thereto or (ii) in the case of an occurrence of an event of the type specified in Section 3(d)(iii)-(vi), the use by such Holder of an outdated or defective Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated or defective and prior to the receipt by such Holder of the Advice contemplated in Section 6(d). In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the net proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the "Indemnifying Party") in writing, and the Indemnifying Party shall have the right to assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses; (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and counsel to the Indemnified Party shall reasonably believe that a material conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and the reasonable fees and expenses of no more than one separate counsel shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld or delayed. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

Subject to the terms of this Agreement, all reasonable fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten Trading Days of written notice thereof to the Indemnifying Party; provided, that the Indemnified Party shall promptly reimburse the Indemnifying Party for that portion of such fees and expenses applicable to such actions for which such Indemnified Party is judicially determined to be not entitled to indemnification hereunder.

(d) Contribution. If the indemnification under Section 5(a) or 5(b) is unavailable to an Indemnified Party or insufficient to hold an Indemnified Party harmless for any Losses, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in this Agreement, any reasonable attorneys' or other fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 5(d), no Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the net proceeds actually received by such Holder from the sale of the Registrable Securities subject to the Proceeding exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

6. Miscellaneous.

(a) Remedies. In the event of a breach by the Company or by a Holder of any of their respective obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, shall be entitled to specific performance of its rights under this Agreement. The Company and each Holder agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall not assert or shall waive the defense that a remedy at law would be adequate.

(b) Compliance. Each Holder covenants and agrees that it will comply with the prospectus delivery requirements of the Securities Act as applicable to it in connection with sales of Registrable Securities pursuant to a Registration Statement.

(c) Discontinued Disposition. By its acquisition of Registrable Securities, each Holder agrees that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(d)(iii) through (vi), such Holder will forthwith discontinue disposition of such Registrable Securities under a Registration Statement until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus (as it may have been supplemented or amended) may be resumed. The Company will use commercially reasonable efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. The Company agrees and acknowledges that any periods during which the Holder is required to discontinue the disposition of the Registrable Securities hereunder shall be subject to the provisions of Section 2(b).

(d) Piggy-Back Registrations. If, at any time during the Effectiveness Period, there is not an effective Registration Statement covering all of the Registrable Securities and the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with the Company's stock option or other employee benefit plans, then the Company shall deliver to each Holder a written notice of such determination and, if within fifteen days after the date of the delivery of such notice, any such Holder shall so request in writing, the Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered; provided, however, that the Company shall not be required to register any Registrable Securities pursuant to this Section 6(d) that are eligible for resale pursuant to Rule 144(k) promulgated by the Commission pursuant to the Securities Act or that are the subject of a then effective Registration Statement.

(e) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders of a majority of the then outstanding Registrable Securities (including, for this purpose any Registrable Securities issuable upon exercise or conversion of any Security). If a Registration Statement does not register all of the Registrable Securities pursuant to a waiver or amendment done in compliance with the previous sentence, then the number of Registrable Securities to be registered for each Holder shall be reduced pro rata among all Holders and each Holder shall have the right to designate which of its Registrable Securities shall be omitted from such Registration Statement. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of a Holder or some Holders and that does not directly or indirectly affect the rights of other Holders may be given by such Holder or Holders of all of the Registrable Securities to which such waiver or consent relates; provided, however, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the first sentence of this Section 6(f).

(f) Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be delivered as set forth in the Purchase Agreement.

(g) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall inure to the benefit of each Holder. The Company may not assign (except by merger) its rights or obligations hereunder without the prior written consent of all of the Holders of the then outstanding Registrable Securities. Each Holder may assign their respective rights hereunder in the manner and to the Persons as permitted under the Purchase Agreement.

(h) No Inconsistent Agreements. Neither the Company nor any of its Subsidiaries has entered, as of the date hereof, nor shall the Company or any of its Subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities, that would conflict with the provisions hereof. Except as set forth on Schedule 6(i), neither the Company nor any of its Subsidiaries has previously entered into any agreement granting any registration rights with respect to any of its securities to any Person that have not been satisfied in full.

(i) Execution and 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 the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

(j) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be determined in accordance with the provisions of the Purchase Agreement.

(k) Cumulative Remedies. Except as otherwise provided herein, the remedies provided herein are cumulative and not exclusive of any other remedies provided by law.

(l) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

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

(n) Independent Nature of Holders' Obligations and Rights. The obligations of each Holder hereunder are several and not joint with the obligations of any other Holder hereunder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder hereunder. Nothing contained herein or in any other agreement or document delivered at any closing, and no action taken by any Holder pursuant hereto or thereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Holders are in any way acting in concert with respect to such obligations or the transactions contemplated by this Agreement. Each Holder shall be entitled to protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose.

****

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

OCULUS INNOVATIVE SCIENCES, INC.

By: /s/ Jim Schutz

Name: Jim Schutz
Title: General Counsel

[SIGNATURE PAGE OF HOLDERS FOLLOWS]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Aristeia International Limited

Signature of Authorized Signatory of Holder: /s/ Chong Park

Name of Authorized Signatory: Chong Park

Title of Authorized Signatory: Portfolio Manager

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Aristeia Partners L.P.

Signature of Authorized Signatory of Holder: /s/ Chong Park

Name of Authorized Signatory: Chong Park

Title of Authorized Signatory: Portfolio Manager

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Aristeia Special Investments Master, L.P.

Signature of Authorized Signatory of Holder: /s/ Chong Park

Name of Authorized Signatory: Chong Park

Title of Authorized Signatory: Portfolio Manager

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Avendis Absolute Alternative 1 Trading Ltd

Signature of Authorized Signatory of Holder: /s/ Yannis Bilquez

Name of Authorized Signatory: Yannis Bilquez

Title of Authorized Signatory: Director

[SIGNATURE PAGES CONTINUE]

Name of Holder: Cranshire Capital, L.P.

Signature of Authorized Signatory of Holder: /s/ Lawrence Prosser

Name of Authorized Signatory: Lawrence Prosser

Title of Authorized Signatory: CFO – Downsview Capital, Inc., the General Partner

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Crescent International Ltd

Signature of Authorized Signatory of Holder: /s/ Maxi Brezzi

Name of Authorized Signatory: Maxi Brezzi

Title of Authorized Signatory:

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Diamond Opportunity Fund, LLC

Signature of Authorized Signatory of Holder: /s/ Richard Marks

Name of Authorized Signatory: Richard Marks

Title of Authorized Signatory: Managing Director

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Double U Master Fund, LLC

Signature of Authorized Signatory of Holder: /s/ Sheldon Traube

Name of Authorized Signatory: Sheldon Traube

Title of Authorized Signatory:

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Egatniv, LLC

Signature of Authorized Signatory of Holder: /s/ Seth Farbman

Name of Authorized Signatory: Seth Farbman

Title of Authorized Signatory: Member

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Graham Anderson

Signature of Authorized Signatory of Holder: /s/ Graham Anderson

Name of Authorized Signatory: Graham Anderson

Title of Authorized Signatory:

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Franklin Biotechnology Discovery Fund

Signature of Authorized Signatory of Holder: /s/ Evan McCulloch

Name of Authorized Signatory: Evan McCulloch

Title of Authorized Signatory: Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Highbridge International, LLC

Signature of Authorized Signatory of Holder: /s/ Scott Wallace

Name of Authorized Signatory: Scott Wallace

Title of Authorized Signatory: Senior Vice President

[SIGNATURE PAGES CONTINUE]

Name of Holder: Iroquois Master Fund, Ltd.

Signature of Authorized Signatory of Holder: /s/ Joshua Silverman

Name of Authorized Signatory: Joshua Silverman

Title of Authorized Signatory:

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Lincoln Biotech Ventures II, L.P.

Signature of Authorized Signatory of Holder: /s/ Robert Carver

Name of Authorized Signatory: Robert Carver

Title of Authorized Signatory: Secretary, Lincoln Funds International

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Otago Partners, LLC

Signature of Authorized Signatory of Holder: /s/ Lindsay A. Rosenwald, MD

Name of Authorized Signatory: Lindsay A. Rosenwald, MD

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Perceptive Life Sciences Master Fund LTD

Signature of Authorized Signatory of Holder: /s/ Joe Edelman

Name of Authorized Signatory: Joe Edelman

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Catalytix LDC Life Science Hedge AC

Signature of Authorized Signatory of Holder: /s/ Ted Kalem

Name of Authorized Signatory: Ted Kalem

Title of Authorized Signatory: Partner

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Rockmore Investment Master Fund, Ltd

Signature of Authorized Signatory of Holder: /s/ Brian Daly

Name of Authorized Signatory: Brian Daly

Title of Authorized Signatory: Director

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: RRC Biofund, LP

Signature of Authorized Signatory of Holder: /s/ Jim Silverman

Name of Authorized Signatory: Jim Silverman

Title of Authorized Signatory: Managing Director

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Whalehaven Capital Fund Limited

Signature of Authorized Signatory of Holder: /s/ Brian Mazzella

Name of Authorized Signatory: Brian Mazzella

Title of Authorized Signatory: CFO

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Daniel B. and Linda O. Ahlberg Trustees FBO Ahlberg Joint Revocable Trust u/a dtd 8/27/06

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

Name of Holder: Alice Ann Corporation

Signature of Authorized Signatory of Holder: /s/ Dick Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Robert G. Allison

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: William H. Baxter Trustee FBO William H. Baxter Revocable Trust u/a dtd 7/3/96

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Piper Jaffray as Custodian FBO William H. Baxter IRA

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Dick Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: David & Carol Brown Trustees FBO David & Carol Brown Revocable Trust u/a dtd 10/23/97

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Piper Jaffray as Custodian FBO Robert H. Clayburgh IRA

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Gary & Leslie Clipper JTWROS

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Piper Jaffray as Custodian FBO Mark Donahoe IRA

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Dennis D. Gonyea

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Richard A. Hoel

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

Name of Holder: Elizabeth J. Kuehne

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Piper Jaffray as Custodian FBO Elizabeth J. Kuehne IRA

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Piper Jaffray as Custodian FBO Michael E. McElligott SPN/PRO

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Piper Jaffray as Custodian FBO Charles W. Pappas IRA

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: John T. Potter

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Carolyn Salon

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Joel A. Salon

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Paul C. Seel & Nancy S. Seel JTWROS

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: E. Terry Skone, TTEE FBO E. Terry Skone Revocable Trust U/A dtd 11/30/05

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Donald O. & Janet M. Voight TTEE's FBO Janet M. Voight Trust U/A dtd 8/29/96

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

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[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Piper Jaffray as Custodian FBO James B. Wallace SPN/PRO

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: David M. Wertrum, TTEE FBO David M. Westrum Revocable Living Trust u/a dtd 6/1/97

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

[SIGNATURE PAGE OF HOLDERS TO OCLS RRA]

Name of Holder: Piper Jaffray as Custodian FBO Michael R. Wilcox IRA

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

[SIGNATURE PAGES CONTINUE]

Name of Holder: Pyramid Partners, L.P.

Signature of Authorized Signatory of Holder: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President

Annex A

Plan of Distribution

Each Selling Stockholder (the "Selling Stockholders") of the common stock and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock on the NASDAQ Global Market or any other stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Stockholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- broker-dealers may agree with the Selling Stockholders to sell a specified number of such shares at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with NASDR Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with NASDR IM-2440.

In connection with the sale of the common stock or interests therein, the Selling Stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The Selling Stockholders may also sell shares of the common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The Selling Stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Stockholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the Common Stock. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the shares. The Company has agreed to indemnify the Selling Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because Selling Stockholders may be deemed to be "underwriters" within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the Selling Stockholders.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the shares may be resold by the Selling Stockholders without registration and without regard to any volume limitations by reason of Rule 144(k) under the Securities Act or any other rule of similar effect or (ii) all of the shares have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of the common stock by the Selling Stockholders or any other person. We will make copies of this prospectus available to the Selling Stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

Annex B

OCULUS INNOVATIVE SCIENCES, INC.

Selling Securityholder Notice and Questionnaire

The undersigned beneficial owner of common stock (the "Registrable Securities") of Oculus Innovative Sciences, Inc., a Delaware corporation (the "Company"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities, in accordance with the terms of the Registration Rights Agreement (the "Registration Rights Agreement") to which this document is annexed. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Certain legal consequences arise from being named as a selling securityholder in the Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Securityholder") of Registrable Securities hereby elects to include the Registrable Securities owned by it in the Registration Statement.

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate:

QUESTIONNAIRE

1. Name.

(a) Full Legal Name of Selling Securityholder

(b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Securities are held:

(c) Full Legal Name of Natural Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by this Questionnaire):

2. Address for Notices to Selling Securityholder:

Telephone: _____

Fax: _____

Contact Person: _____

3. Broker-Dealer Status:

(a) Are you a broker-dealer?

Yes ☐ No ☐

(b) If "yes" to Section 3(a), did you receive your Registrable Securities as compensation for investment banking services to the Company?

Yes ☐ No ☐

Note: If "no" to Section 3(b), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

(c) Are you an affiliate of a broker-dealer?

Yes ☐ No ☐

(d) If you are an affiliate of a broker-dealer, do you certify that you purchased the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable Securities to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Securities?

Yes ☐ No ☐

Note: If "no" to Section 3(d), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

4. Beneficial Ownership of Securities of the Company Owned by the Selling Securityholder.

Except as set forth below in this Item 4, the undersigned is not the beneficial or registered owner of any securities of the Company other than the securities issuable pursuant to the Purchase Agreement.

(a) Type and Amount of other securities beneficially owned by the Selling Securityholder:

5. Relationships with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (owners of 5% of more of the equity securities of the undersigned) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

The undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Registration Statement remains effective.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 5 and the inclusion of such information in the Registration Statement and the related prospectus and any amendments or supplements thereto . The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Registration Statement and the related prospectus.

IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Date: _____

Beneficial Owner: _____

By: _____
Name:
Title:

PLEASE FAX A COPY OF THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE TO 650-233-4545, ATTENTION: SEBASTIEN NICOLAS, AND RETURN THE ORIGINAL BY OVERNIGHT MAIL, TO: SEBASTIEN NICOLAS, 2475 HANOVER STREET, PALO ALTO, CA 94304.

Exhibit 10.32

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT ("Agreement") is made as of the 6th day of February, 2009 by and among Oculus Innovative Sciences, Inc., a Delaware corporation (the "Company"), and the Investors listed on Schedule A (each, an "Investor").

Recitals

WHEREAS, the Company and the Investor are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the provisions of Regulation D ("Regulation D"), as promulgated by the U.S. Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended; and

WHEREAS, the Investor wishes to purchase from the Company, and the Company wishes to sell and issue to the Investor, upon the terms and conditions stated in this Agreement, (i) up to 2,500,000 shares of the Company's Common Stock, par value $0.0001 per share (the "Common Stock"), and warrants as further described below (collectively, the "Units") at a purchase price of $1.169 per Unit;

NOW THEREFORE, In consideration of the mutual promises made herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. In addition to those terms defined above and elsewhere in this Agreement, for the purposes of this Agreement, the following terms shall have the meanings set forth below:

"Affiliate" means, with respect to any Person, any other Person which directly or indirectly through one or more intermediaries Controls, is controlled by, or is under common control with, such Person.

"Business Day" means a day, other than a Saturday or Sunday, on which banks in New York City are open for the general transaction of business.

"Control" (including the terms "controlling", "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Material Adverse Effect" means a material adverse effect on (i) the assets, liabilities, results of operations, condition (financial or otherwise), business, or prospects of the Company, or (ii) the ability of the Company to perform its obligations under the Transaction Documents.

"Person" means an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

"Securities" means the Common Stock, the Warrants and the Warrant Shares.

"Warrant Shares" means the shares of Common Stock issuable upon the exercise of the Warrants.

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

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

2. Purchase and Sale of the Common Stock and Warrants. Subject to the terms and conditions of this Agreement, the Investor shall purchase, and the Company shall sell and issue to the Investor, the Units. If there is more than one Investor, such Investors will participate as described on Schedule A and, in such case, each reference to "Investor" should be interpreted to mean the Investors listed on Schedule A.

Each 100 Units will be comprised of:

(i) One hundred (100) shares of Common Stock.

(ii) A Series A Warrant to purchase fifty-eight (58) shares of Common Stock, in substantially the same form as Exhibit A, at an exercise price of $1.87 per share. The Series A Warrants shall be exercisable after six months and will have a five year term. The Series A Warrants will also have a cashless feature.

(iii) A Series B Warrants, in substantially the same form as Exhibit B, to purchase seventy-eight (78) shares of Common Stock at an exercise price of $1.13 per share. The Series B Warrants shall be exercisable after six months and will have a three year term.

(iv) For every two shares of Common Stock the Investor purchases upon exercise of a Series B Warrant, the Investor will receive an additional Series C Warrant, in substantially the same form as Exhibit C, to purchase one share of Common Stock. The Series C Warrant shall be exercisable after six months and will have an exercise price of $1.94 and a five year term.

Each warrant will have a prohibition on exercise in the event that the holder of such warrant would beneficially own over 9.99% of the Company's issued and outstanding stock. Additionally, each warrant will contain a provision that prohibits exercise in the event that exercise will permit a "change of control" as that term is interpreted by the applicable rules and interpretations of any market on which the Company's securities trade.

3. Closing. On the date of the investment, as described in Section 2 (a "Closing") once the Company receives the designated payment in full in available funds and confirms that the other conditions to closing specified herein have been satisfied or duly waived by the Investor, the Company shall deliver to the Investor, a certificate or certificates, and such Warrants, registered in such name or names as the Investor may designate, representing the Units. The Closing of the purchase and sale of the Units shall take place at the Company's headquarters, 1129 North McDowell Blvd., Petaluma, California 94954, or at such other location and on such other date as the Company and the Investor shall mutually agree.

4. Representations and Warranties of the Company. The Company hereby represents and warrants to the Investor the following:

4.1 Organization, Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to carry on its business as now conducted and to own its properties. The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property makes such qualification or leasing necessary unless the failure to so qualify has not had and could not reasonably be expected to have a Material Adverse Effect.

4.2 Authorization. The Company has full power and authority and has taken all requisite action on the part of the Company, its officers, directors and stockholders necessary for (i) the authorization, execution and delivery of the Transaction Documents, (ii) the authorization of the performance of all obligations of the Company hereunder or thereunder, and (iii) the authorization, issuance (or reservation for issuance) and delivery of the Securities. The Transaction Documents constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally.

4.3 Valid Issuance. The Common Stock has been duly and validly authorized and, when issued and paid for pursuant to this Agreement, will be validly issued, fully paid and nonassessable, and shall be free and clear of all encumbrances and restrictions, except for restrictions on transfer imposed by applicable securities laws. The Warrants have been or will be duly and validly authorized. Upon the due exercise of the Warrants, the Warrant Shares will be validly issued, fully paid and non-assessable free and clear of all encumbrances and restrictions, except for restrictions on transfer imposed by applicable securities laws. The Company has reserved a sufficient number of shares of Common Stock for issuance upon the exercise of the Warrants, free and clear of all encumbrances and restrictions, except for restrictions on transfer imposed by applicable securities laws.

4.4 Delivery of SEC Filings; Business. The Company has made available to the Investor true and complete copies of the Company's most recent Annual Report on Form 10-K for the fiscal year ended March 31, 2008 (the "10-K"), and all other reports filed by the Company pursuant to the 1934 Act since the filing of the 10-K and prior to the date hereof (collectively, the "SEC Filings"). The SEC Filings are the only filings required of the Company pursuant to the 1934 Act for such period. The Company is engaged in all material respects only in the business described in the SEC Filings and the SEC Filings contain a complete and accurate description in all material respects of the business of the Company and its Subsidiaries, taken as a whole.

4.5 Use of Proceeds. The net proceeds of the sale of the Units hereunder shall be used by the Company for working capital and general corporate purposes.

4.6 No Directed Selling Efforts or General Solicitation. Neither the Company nor any Person acting on its behalf has conducted any general solicitation or general advertising (as those terms are used in Regulation D) in connection with the offer or sale of any of the Securities.

4.7 Private Placement. The offer and sale of the Securities to the Investors as contemplated hereby is exempt from the registration requirements of the 1933 Act.

5. Representations and Warranties of the Investor. The Investor hereby represents and warrants to the Company that:

5.1 Organization and Existence. The Investor is a validly existing corporation and has all requisite corporate power and authority to invest in the Securities pursuant to this Agreement.

5.2 Authorization. The execution, delivery and performance by the Investor of the Transaction Documents to which the Investor is a party have been duly authorized and will constitute the valid and legally binding obligation of the Investor, enforceable against the Investor in accordance with their respective terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally.

5.3 Purchase Entirely for Own Account. The Securities to be received by the Investor hereunder will be acquired for the Investor's own account, not as nominee or agent, and not with a view to the resale or distribution of any part thereof in violation of the 1933 Act, and the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same in violation of the 1933 Act without prejudice, however, to the Investor's right at all times to sell or otherwise dispose of all or any part of such Securities in compliance with applicable federal and state securities laws**.** Nothing contained herein shall be deemed a representation or warranty by the Investor to hold the Securities for any period of time. The Investor is not a broker-dealer registered with the SEC under the 1934 Act or an entity engaged in a business that would require it to be so registered.

5.4 Investment Experience. The Investor acknowledges that it can bear the economic risk and complete loss of its investment in the Securities and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment contemplated hereby.

5.5 Disclosure of Information. The Investor has had an opportunity to receive all information related to the Company requested by it and to ask questions of and receive answers from the Company regarding the Company, its business and the terms and conditions of the offering of the Securities. The Investor acknowledges that true and complete copies of the Company's SEC Filings have been made available to the Investor through the EDGAR system. Neither such inquiries nor any other due diligence investigation conducted by the Investor shall modify, limit or otherwise affect the Investor's right to rely on the Company's representations and warranties contained in this Agreement.

5.6 Restricted Securities. The Investor understands that the Securities 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 1933 Act only in certain limited circumstances.

5.7 Legends. It is understood that, except as provided below, certificates evidencing the Securities may bear the following or any similar legend:

(a) "THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SHARES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY. THAT SUCH REGISTRATION IS NOT REQUIRED."

(b) If required by the authorities of any state in connection with the issuance of sale of the Securities, the legend required by such state authority.

5.8 Accredited Investor. The Investor is an accredited investor as defined in Rule 501(a) of Regulation D, as amended, under the 1933 Act.

5.9 No General Solicitation. The Investor did not learn of the investment in the Securities as a result of any general solicitation or general advertising.

5.10 Reliance on Exemptions. The Investor understands that the Securities are being offered and sold to in reliance upon specific exemptions from the registration requirements of the 1933 Act, the rules and regulations promulgated thereunder and state securities laws and that the Company is relying upon the truth and accuracy of, and the Investor's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Investor set forth herein in order to determine the availability of such exemptions and the eligibility of the Investor to acquire the Securities.

5.11 Investment Decision. The Investor understands that nothing in the Agreement or any other materials presented to the Investor in connection with the purchase and sale of the Securities constitutes legal, tax or investment advice. The Investor has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of the Securities.

5.12 Risk of Loss. The Investor understands that its investment in the Securities involves a significant degree of risk, including a risk of total loss of the Investor's investment, and the Investor has full cognizance of and understands all of the risk factors related to the Investor's purchase of the Securities, including, but not limited to, those set forth under or incorporated by reference under the caption "Risk Factors" in the SEC Filings. The Investor understands that the market price of the Common Stock can fluctuate and that no representation is being made as to the future value of the Common Stock.

5.13 No Government Review. The Investor understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

5.14 Residency. The Investor's principal executive office is in the jurisdiction set forth immediately below the Investor's name on the signature page attached hereto.

6. Conditions to Closing.

6.1 Conditions to the Investors' Obligations. The obligation of the Investor to purchase the Units at the Closing is subject to the fulfillment to the Investor's satisfaction, on or prior to the Closing Date, of the following conditions, any of which may be waived by the Investor:

(a) The Company shall have delivered a Certificate or Certificates representing the number of shares of Common Stock to be issued.

(b) The Company shall have delivered the Series A and Series B warrants.

(c) The Company shall have delivered a legal opinion in substantially the same form as the legal opinion in Schedule B.

6.2 Conditions to Obligations of the Company. The Company's obligation to sell the Units at the Closing is subject to the fulfillment to the satisfaction of the Company on or prior to the Closing Date of the following conditions, any of which may be waived by the Company:

(a) The Investor shall have delivered the investment amount described in Section 2 to the Company.

(b) The Investor shall have designated the number of shares of Common Stock to be represented on each Certificate and provided the tax identification number, delivery address and any other information the Company may reasonably request to issue the Certificates.

7. Covenants and Agreements of the Company.

7.1 Reservation of Common Stock. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of providing for the exercise of the Warrants, such number of shares of Common Stock as shall from time to time equal the number of shares sufficient to permit the exercise of the Warrants issued pursuant to this Agreement in accordance with their respective terms.

7.2 No Conflicting Agreements. The Company will not take any action, enter into any agreement or make any commitment that would conflict or interfere in any material respect with the Company's obligations to the Investor under the Transaction Documents.

7.3 Compliance with Laws. The Company will comply in all material respects with all applicable laws, rules, regulations, orders and decrees of all governmental authorities.

8. Registration.

8.1 Within 30 calendar days following the Closing Date, the Company shall cause a registration statement on Form S-1 (or such other Form appropriate for such purpose) (the "Registration Statement") to be filed with the U.S. Securities and Exchange Commission (the "Commission") under the Securities Act, for an offering to be made on a continuous basis pursuant to Rule 415 of the Securities Act with respect to (i) the Common Stock issued pursuant to this Agreement and (ii) the Warrant Shares (together, the "Registrable Securities"). The Company shall cause such Registration Statement to be declared effective by the Commission as soon as possible, but in any event, no later than 90 calendar days following the Closing Date if the Company receives a "No Review" from the Commission or 120 days following the Closing Date if the Company receives a review, and shall use its reasonable best efforts to keep the Registration Statement continuously effective for three years following such date the Commission declares the Registration Statement effective (the "Effectiveness Period"). Each Investor agrees to provide the Company with any information reasonably requested by the Company for purposes of including such Investor's securities in the Registration Statement within ten business days following such request. If the Investor does not provide such information, the Company may exclude the Investor's Registrable Securities from the Registration Statement if the Company reasonably believes such information is necessary to comply with federal securities laws. Such exclusion shall not be consider default or breach of this Agreement by the Company and the Company shall not be subject to any damages including liquidated damages. The Company may include shares of Common Stock other than the Registrable Securities on the Registration Statement as long as the total number of shares of Common Stock (including the Registrable Securities) to be registered in the aggregate on such registration statement does not then exceed 33% of the Company's public float. The Company may not include any other shares of Common Stock on the Registration Statement until all of the Registrable Securities have been so included or the Investor has agreed in writing to have its Registrable Securities excluded from such Registration Statement.

8.2 Notwithstanding anything to the contrary contained in this Agreement, if the staff of the Commission (the "Staff"), seeks to characterize any offering pursuant to a registration statement filed in accordance with this Agreement as constituting a primary offering of securities by or on behalf of the Company, or in any other manner, such that the Staff or the Commission does not permit such Registration Statement to become effective and used for resales in a continuous at the market offering pursuant to Rule 415 under the Securities Act by the Investors without being named therein as "underwriters" (a "Resale Registration Statement"), then the Company shall have the right to reduce the number of Registrable Securities to be included in such registration statement by all Investors, to the extent that the Staff or the Commission shall permit such registration statement to become effective as a Resale Registration Statement. In making such reduction, the Company shall reduce the number of Registrable Securities by decreasing the Common Stock first pro rata by Investor based on dollar amount invested pursuant to this Agreement. If such reductions are not sufficient, the Company may reduce the Warrant Shares issuable upon exercise of the Series A warrants, then the Series C warrants and then the Series B warrants.

8.3 In the event that the inclusion of Registrable Securities by a particular Investor or a particular type of Investor is the cause of the refusal by the Staff or the Commission to allow such registration statement to become effective as a Resale Registration Statement, the Registrable Securities held by such Investor or type of Investors shall be the only Registrable Securities subject to reduction (and if by a set of Investors on a pro rata basis with respect to such Investors or on such other basis as would result in the exclusion of the least number of shares by all such Investors). In addition, if the Staff or the Commission requires any Investor seeking to sell under a Registration Statement filed pursuant to this Agreement to be identified as an "underwriter" in order to permit such Registration Statement to become effective, and such Investor does not consent to being so named as an underwriter in such Registration Statement, then, in each such case, the Company shall be entitled, following good faith discussions with the Staff and/or the Commission and the affected Investor, to reduce the total number of Registrable Securities to be registered on behalf of such Investor, until such time as the Staff or the Commission does not require such identification.

8.4 Subject to Section 8.5 below, in the event of any reduction in Registrable Securities to be included in the Registration Statement, an affected Investor shall have the right, solely following such time as the Company is able to effect the registration of any such Registrable Securities in accordance with any restrictions which were imposed on it by the Commission, upon delivery of a written request to the Company signed by such Investor, to require the Company to file an additional registration statement on Form S-1 (or such other Form appropriate for such purpose) with the Commission under the Securities Act for an offering to be made on a continuous basis pursuant to Rule 415 of the Securities Act within 120 calendar days after the Company's receipt of any such request (the "Additional Filing Date") for resale by such Investor, in a manner reasonably acceptable to such Investor, of any Registrable Securities which are not then covered by an existing and effective registration statement (including the Registration Statement) and the Company shall, following such request, use its reasonable best efforts to cause such additional registration statement(s) to be declared effective under the Securities Act as soon as possible but, in any event, no later than 120 calendar days following the applicable Additional Filing Date (the "Additional Outside Date"), and kept continuously effective for two years after the effective date of any such registration statement (in each such case, the "Additional Effectiveness Period").

8.5 No Investor will be entitled to require the Company to file a registration statement during any time period that the Investor can sell its Registrable Securities pursuant to Rule 144 of the Securities Act without volume restrictions, in each case as determined by counsel to the Company pursuant to a written opinion letter to such effect, addressed and acceptable to the Company's transfer agent and the affected Investors**.** The Investor agrees to provide such information as is reasonably necessary for the counsel to the Company to make such determination. The Company agrees to provide each Investor up to three legal opinions at Company expense within five years following the date of this Agreement to facilitate such sales. Such obligation is dependent on the Investor complying with Rule 144 and providing such information as reasonably requested by the Company or its counsel to write such opinion.

8.6 If for any reason or for no reason whatsoever, either (a) the Registration Statement is not filed on or prior to 30 calendar days following the Closing Date or any additional registration statement is not filed on or prior to the Additional Filing Date, in each case covering the Registrable Securities required under this Agreement to be included therein, or (b) a Registration Statement is not declared effective by the Commission within 90 calendar days following the Closing Date if the Company receives a "No Review" from the Commission or 120 days following the Closing Date if the Company receives a review , or any additional registration statement is not declared effective by the Commission on or prior to the Additional Outside Date or (c) after the effective date of a Registration Statement or any additional registration statement, without regard for the reason thereunder or efforts therefore, such Registration Statement (or additional registration statement) ceases for any reason to remain continuously effective as to all Registrable Securities included in such Registration Statement or additional registration statement, or the Investors are otherwise not permitted to utilize the Prospectus therein to resell such Registrable Securities, for more than an aggregate of 30 Trading Days during any 12-month period within the Effectiveness Period (any such failure or breach being referred to as an "Event", and for purposes of clauses (a) or (b) the date on which such Event occurs, or for purposes of clause (iii) the date which such 30 Trading Day-period is exceeded, being referred to as "Event Date")), then, in addition to any other rights the Investors may have hereunder or under applicable law, on each such Event Date and on each monthly anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured, the Company shall pay to each Investor an amount in cash, as partial liquidated damages and not as a penalty, equal to 0.5% of the aggregate purchase price paid by such Investor for the Unit(s); provided that the aggregate payments pursuant to this Section to any Investor do not exceed 2.0% of the aggregate purchase price paid by such Investor for the Unit(s). The parties agree that the Company shall not be liable for liquidated damages under this Agreement with respect to any Warrants or Warrant Shares.

9. Miscellaneous.

9.1 Successors and Assigns. This Agreement may not be assigned by a party hereto without the prior written consent of the Company or the Investor, as applicable. The provisions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

9.2 Counterparts; Faxes. This Agreement 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. This Agreement may also be executed and transmitted via facsimile or by .pdf (portable document format) via electronic mail, each of which shall be deemed an original.

9.3 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

9.4 Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given as hereinafter described (i) if given by personal delivery, then such notice shall be deemed given upon such delivery, (ii) if given by email, telex or telecopier, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (iii) if given by mail, then such notice shall be deemed given upon the earlier of (A) receipt of such notice by the recipient or (B) three days after such notice is deposited in first class mail, postage prepaid, and (iv) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one Business Day after delivery to such carrier. All notices shall be addressed to the party to be notified at the address as follows, or at such other address as such party may designate by ten days' advance written notice to the other party:

If to the Company:

Oculus Innovative Sciences, Inc.
1129 North McDowell Blvd.
Petaluma, California 94954
Attention: Jim Schutz, Vice President Corporate Development and General Counsel
Fax: (707) 283-0551

With a copy to:

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

If to the Investor:

To the Address listed on Schedule A

9.5 Expenses. Each of the parties hereto shall pay its own costs and expenses in connection with this Agreement and the transactions contemplated hereby, including the fees and expenses of its counsel and other experts. In the event that legal proceedings are commenced by any party to this Agreement against another party to this Agreement in connection with this Agreement or the other Transaction Documents, the party or parties which do not prevail in such proceedings shall severally, but not jointly, pay their pro rata share of the reasonable attorneys' fees and other reasonable out-of-pocket costs and expenses incurred by the prevailing party in such proceedings.

9.6 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Investor. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Securities purchased under this Agreement at the time outstanding, each future holder of all such Securities, and the Company.

9.7 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof but shall be interpreted as if it were written so as to be enforceable to the maximum extent permitted by applicable law, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

9.8 Entire Agreement. This Agreement, including the Schedules and Exhibits, and the other Transaction Documents constitute the entire agreement among the parties hereof with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter hereof and thereof.

9.9 Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

9.10 Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of California without regard to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of California for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement or caused their duly authorized officers to execute this Agreement as of the date first above written.

OCULUS INNOVATIVE SCIENCES, INC.

By: /s/ Hojabr Alimi
Hojabr Alimi
President, Chief Executive Officer and
Chairman of the Board

SCHEDULE A

Register Certificate As	Send Certificate To:	Send Correspondence, Legal Notices, and Proxies To:	Units @ 1.169	Total $$
Cranshare Capital, LP	Cranshare Capital, LP 3100 Dundee Road, Ste 703 Northbrook, IL 60052	Cranshare Capital, LP 3100 Dundee Road, Ste 703 Northbrook, IL 60052	100,000	$116,900.00
Rockmore Investment Master Fund	Rockmore Capital, LLC 150 East 58th Street, 28th Flr New York, NY 10155	Rockmore Capital, LLC 150 East 58th Street, 28th Flr New York, NY 10155	85,554	$100,000.94
BAM Opportunity Fund, LP	BAM Opportunity Fund, LP 44 Wall St., Suite 1603 New York, NY 10005	BAM Opportunity Fund, LP 44 Wall St., Suite 1603 New York, NY 10005	1,000,000	$1,169,000.00
Iroquois Master Fund, Ltd.	Iroquois Master Fund Ltd. 641 Lexington Ave., 26th Fl. New York, NY 10022	Iroquois Master Fund Ltd. 641 Lexington Ave., 26th Fl. New York, NY 10022	100,000	$116,900.00
Robert G. Allison	Piper Jaffray Corp & Venture Services Mr. Ryan Carlson 800 Nicollet Mall, J12S06 Minneapolis, MN 55402	Robert G. Allison c/o Perkins Capital Management, Inc. 730 East Lake Street Wayzata, MN 55391	51,326	$60,000.09
William H. Baxter Trustee FBO William H Baxter Revocable Trust u/a dtd 7/3/96	Piper Jaffray Corp & Venture Services Mr. Ryan Carlson 800 Nicollet Mall, J12S06 Minneapolis, MN 55402	William H. Baxter c/o Perkins Capital Management, Inc. 730 East Lake Street Wayzata, MN 55391	21,386	$25,000.24
David & Carole Brown Trustees FBO David & Carole Brown Revocable Trust u/a dtd 10/23/97	Piper Jaffray Corp & Venture Services Mr. Ryan Carlson 800 Nicollet Mall, J12S06 Minneapolis, MN 55402	David & Carole Brown c/o Perkins Capital Management, Inc. 730 East Lake Street Wayzata, MN 55391	21,386	$25,000.24
Dennis D. Gonyea	Piper Jaffray Corp & Venture Services Mr. Ryan Carlson 800 Nicollet Mall, J12S06 Minneapolis, MN 55402	Dennis D. Gonyea c/o Perkins Capital Management, Inc. 730 East Lake Street Wayzata, MN 55391	21,386	$25,000.24
Paul C. & Nancy S. Seel JTWROS	Piper Jaffray Corp & Venture Services Mr. Ryan Carlson 800 Nicollet Mall, J12S06 Minneapolis, MN 55402	Paul C. & Sancy S. Seel c/o Perkins Capital Management, Inc. 730 East Lake Street Wayzata, MN 55391	21,386	$25,000.24
Donald O & Janet M. Voight TTEE's FBO Janet M. Voight Trust U/A dtd 8/29/96	Piper Jaffray Corp & Venture Services Mr. Ryan Carlson 800 Nicollet Mall, J12S06 Minneapolis, MN 55402	Janet M. Voight c/o Perkins Capital Management, Inc. 730 East Lake Street Wayzata, MN 55391	21,386	$25,000.24
Pyramid Partners, L.P.	Piper Jaffray Corp & Venture Services Mr. Ryan Carlson 800 Nicollet Mall, J12S06 Minneapolis, MN 55402	Richard W. Perkins c/o Perkins Capital Management, Inc. 730 East Lake Street Wayzata, MN 55391	21,386	$25,000.24
Dorothy J. Hoel	Piper Jaffray Corp & Venture Services Mr. Ryan Carlson 800 Nicollet Mall, J12S06 Minneapolis, MN 55402	Dorothy J. Hoel c/o Perkins Capital Management, Inc. 730 East Lake Street Wayzata, MN 55391	17,109	20,000.42
Elizabeth J. Kuehne	Piper Jaffray Corp & Venture Services Mr. Ryan Carlson 800 Nicollet Mall, J12S06 Minneapolis, MN 55402	Piper Jaffray Corp & Venture Services Mr. Ryan Carlson 800 Nicollet Mall, J12S06 Minneapolis, MN 55402	17,109	20,000.42

SCHEDULE B

February _____, 2009

TO: The Investors listed on Schedule A:

I have acted as counsel to Oculus Innovative Sciences, Inc., a Delaware corporation (the "Company") in connection with the offer and sale by the Company of ___Units, each Unit comprised of:

(i) One hundred (100) shares of Common Stock;

(ii) A Series A Warrant to purchase fifty-eight (58) shares of Common Stock, in substantially the same form as Exhibit A, at an exercise price of $1.87 per share;

(iii) A Series B Warrants, in substantially the same form as Exhibit B, to purchase seventy-eight (78) shares of Common Stock at an exercise price of $1.13 per share; and

(iv) For every two shares of Common Stock the Investor purchases upon exercise of a Series B Warrant, the Investor will receive an additional Series C Warrant, in substantially the same form as Exhibit C, at an exercise price of $1.94.

The Units are issued pursuant to the exemption from registration under the Securities Act of 1933, as amended (the "Act"), as set forth in Regulation D promulgated thereunder.

In connection with the opinions expressed herein, I have made such examination of law as I considered appropriate or advisable for purposes hereof. As to matters of fact material to the opinions expressed herein, I have relied, with your permission, upon the representations and warranties as to factual matters contained in and made by the Company and the Investors pursuant to the Purchase Agreement dated February ___, 2009 and upon such other documents that I deemed necessary.

In rendering this opinion, I have, with your permission, assumed: (a) the authenticity of all documents submitted to me as originals; (b) the conformity to the originals of all documents submitted to me as copies; (c) the genuineness of all signatures; (d) the legal capacity of natural persons; (e) the truth, accuracy and completeness of the information, factual matters, representations and warranties contained in all of such documents; (f) the due authorization, execution and delivery of all such documents by the Investors, and the legal, valid and binding effect thereof on the Investors; and (g) that the Company and the Investors will act in accordance with their respective representations and warranties as set forth in the Purchase Agreement.

I am a member of the bar of the Commonwealth of Massachusetts. I express no opinion as to the laws of any jurisdiction other than corporate laws of the State of Delaware and the Federal laws of the United States of America. I express no opinion with respect to the effect or application of any other laws.

The issuance of the Units has been (a) duly authorized by the Board of Directors of the Company, and (b) all such Units, when issued pursuant to the Purchase Agreement, and upon delivery, shall be validly issued and outstanding, fully paid and non-assessable. Assuming the accuracy of the representations and warranties of the Company set forth in the Purchase Agreement and of the Investors set forth in the Purchase Agreement, the offer, issuance and sale of the Units to the Investors pursuant to the Purchase Agreement are exempt from the registration requirements of the Securities Act.

My opinion expressed above is specifically subject to the following limitations, exceptions, qualifications and assumptions:

A. The effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the relief of debtors or the rights and remedies of creditors generally, including without limitation the effect of statutory or other law regarding fraudulent conveyances and preferential transfers.

B. Limitations imposed by state law, Federal law or general equitable principles upon the specific enforceability of any of the remedies, covenants or other provisions of any applicable agreement and upon the availability of injunctive relief or other equitable remedies, regardless of whether enforcement of any such agreement is considered in a proceeding in equity or at law.

C. This opinion letter is governed by, and shall be interpreted in accordance with, the Legal Opinion Accord (the "Accord") of the ABA Section of Business Law (1991). As a consequence, it is subject to a number of qualifications, exceptions, definitions, limitations on coverage and other limitations, all as more particularly described in the Accord, including the General Qualifications and the Equitable Principles Limitation, and this opinion letter should be read in conjunction therewith.

This opinion is rendered as of the date first written above, is solely for your benefit in connection with the Purchase Agreement and may not be relied upon or used by, circulated, quoted, or referred to nor may any copies hereof be delivered to any other person without my prior written consent. I disclaim any obligation to update this opinion letter or to advise you of facts, circumstances, events or developments which hereafter may be brought to my attention and which may alter, affect or modify the opinions expressed herein.

Very truly yours,

Amy Trombly, Esq.

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 116,900 Number of Units purchased: 100,000

Name of Investor: Cranshire Capital, L.P.

Signature of Authorized Signatory of Investor: /s/ Lawrence A. Prosser

Name of Authorized Signatory: Lawrence A. Prosser

Title of Authorized Signatory: CFO, Downsview Capital, Inc.

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: Cranshire Capital, L.P., 3100 Dundee Road, Ste. 703, Northbrook, IL 60062

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 100,000.94 Number of Units purchased: 85,544

Name of Investor: Rockmore Investment Master Fund Ltd.

Signature of Authorized Signatory of Investor: /s/ Brian Daly

Name of Authorized Signatory: Brian Daly

Title of Authorized Signatory: Director

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: c/o Rockmore Capital, LLC, 150 East 58th Street, 28th Floor, New York, NY 10155

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 1,169,000 Number of Units purchased: 100,000

Name of Investor: BAM Opportunity Fund LP

Signature of Authorized Signatory of Investor: /s/ Seth Morris

Name of Authorized Signatory: Seth Morris

Title of Authorized Signatory: Chief Operating Officer

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: 44 Wall Street, Suite 1603, New York, NY 10005

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 116,900 Number of Units purchased: 100,000

Name of Investor: Iroquois Master Fund Ltd.

Signature of Authorized Signatory of Investor: /s/ Joshua Silverman

Name of Authorized Signatory: Joshua Silverman

Title of Authorized Signatory: Director

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: 641 Lexington Ave., 26th Floor, New York, NY 10022

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 60,000.09 Number of Units purchased: 51,326

Name of Investor: Robert G. Allison

Signature of Authorized Signatory of Investor: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President, Perkins Capital Management Inc.

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: c/o Perkins Capital Management, Inc., 730 East Lake Street, Wayzata MN 55391

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 25,000.24 Number of Units purchased: 21,386

Name of Investor: William H. Baxter Trustee FBO, William H. Baxter Revocable Trust u/a dtd 7/3/96

Signature of Authorized Signatory of Investor: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President, Perkins Capital Management Inc.

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: c/o Perkins Capital Management, Inc., 730 East Lake Street, Wayzata MN 55391

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 25,000.24 Number of Units purchased: 21,386

Name of Investor: David & Carol Brown Trustees FBO, David & Carol Brown Revocable Trust u/a dtd 10/23/97

Signature of Authorized Signatory of Investor: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President, Perkins Capital Management Inc.

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: c/o Perkins Capital Management, Inc., 730 East Lake Street, Wayzata MN 55391

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 25,000.24 Number of Units purchased: 21,386

Name of Investor: Dennis D. Gonyea

Signature of Authorized Signatory of Investor: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President, Perkins Capital Management Inc.

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: c/o Perkins Capital Management, Inc., 730 East Lake Street, Wayzata MN 55391

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 25,000.24 Number of Units purchased: 21,386

Name of Investor: Paul C. & Nancy S. Seel JTWROS

Signature of Authorized Signatory of Investor: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President, Perkins Capital Management Inc.

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: c/o Perkins Capital Management, Inc., 730 East Lake Street, Wayzata MN 55391

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 25,000.24 Number of Units purchased: 21,386

Name of Investor: Donald O. & Janet M. Voight TTEE's FBO, Janet M. Voight Trust U/A dtd 8/29/96

Signature of Authorized Signatory of Investor: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President, Perkins Capital Management Inc.

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: c/o Perkins Capital Management, Inc., 730 East Lake Street, Wayzata MN 55391

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 25,000.24 Number of Units purchased: 21,386

Name of Investor: Pyramid Partners, L.P.

Signature of Authorized Signatory of Investor: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President, Perkins Capital Management Inc.

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: c/o Perkins Capital Management, Inc., 730 East Lake Street, Wayzata MN 55391

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 20,000.42 Number of Units purchased: 17,109

Name of Investor: Dorothy J. Hoel

Signature of Authorized Signatory of Investor: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President, Perkins Capital Management Inc.

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: c/o Perkins Capital Management, Inc., 730 East Lake Street, Wayzata MN 55391

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

[SIGNATURE PAGES CONTINUE]

INVESTOR SIGNATURE PAGE TO THE OCULUS INNOVATIVE SCIENCES, INC.
PURCHASE AGREEMENT

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

Dollar Value of Investment: 20,000.42 Number of Units purchased: 17,109

Name of Investor: Elizabeth J. Kuehne

Signature of Authorized Signatory of Investor: /s/ Richard C. Perkins

Name of Authorized Signatory: Richard C. Perkins

Title of Authorized Signatory: Executive Vice President, Perkins Capital Management Inc.

Email Address of Authorized Signatory:

Fax Number of Authorized Signatory:

Address and Phone Number for Notice of Investor: c/o Perkins Capital Management, Inc., 730 East Lake Street, Wayzata MN 55391

Address for Delivery of Securities for Investor (if not same as above):

Social Security Number or Tax I.D. Number of Investor

EXHIBIT A TO THE PURCHASE AGREEMENT

NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) THE COMPANY RECEIVES AN OPINION OF COMPANY COUNSEL THAT THIS WARRANT OR SUCH SECURITIES, AS APPLICABLE, MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS.

OCULUS INNOVATIVE SCIENCES, INC.

Form of Series A Warrants for the Purchase
of
Shares of Common Stock, Par Value $0.0001 per Share

No._____
Issue Date:_____

THIS CERTIFIES that, for consideration, the receipt and sufficiency of which are hereby acknowledged, and other value received, _____ (the "*Holder*") is entitled to subscribe for, and purchase from, **OCULUS INNOVATIVE SCIENCES, INC.,**a Delaware corporation (the "*Company*"), upon the terms and conditions set forth herein, at any time or from time to time six months after the date this warrant is issued (the "*Initial Exercise Date*") until five years after the Issue Date (the "*Exercise Period*"), up to an aggregate of _____ shares of common stock, par value $0.0001 per share (the "*Common Stock*"), of the Company. This Warrant is initially exercisable at a price of $1.87 per share, subject to adjustment as described in this Warrant. The term "*Exercise Price*" shall mean, depending on the context, the initial exercise price (as set forth above) or the adjusted exercise price per share. The Company may, in its sole discretion, reduce the then current Exercise Price to any amount or extend the Exercise Period, at any time. Such modifications to the Exercise Price or Exercise Period may be temporary or permanent.

As used herein, the term "*this Warrant*" shall mean and include this Warrant and any Warrant or Warrants hereafter issued as a consequence of the exercise or transfer of this Warrant in whole or in part. Each share of Common Stock issuable upon the exercise hereof shall be hereinafter referred to as a "*Warrant Share.*"

1. (a) Subject to the terms of this Warrant, this Warrant may be exercised at any time in whole and from time to time in part, at the option of the Holder, on or after the Initial Exercise Date and on or prior to the end of the Exercise Period. This Warrant shall initially be exercisable in whole or in part for that number of fully paid and nonassessable shares of Common Stock as indicated on the first page of this Warrant, for an exercise price per share equal to the Exercise Price, by delivery to the Company at its office at 1129 North McDowell Blvd., Petaluma, California 94954, or at such other place as is designated in writing by the Company, of:

(i) a completed Election to Purchase, in the form set forth in Exhibit A, executed by the Holder exercising all or part of the purchase rights represented by this Warrant;

(ii) this Warrant; and

(iii) subject to Section 1(c) below, payment of an amount equal to the product of the Exercise Price multiplied by the number of shares of Common Stock being purchased upon such exercise in the form of, at the Holder's option, (A) a certified or bank cashier's check payable to the Company, or (B) a wire transfer of funds to an account designated by the Company.

(b) As used herein:

(i) "*Fair Market Value*" of a security shall mean, on any given day, the average of the closing prices of such security's sales on all securities exchanges on which such security may at the time be listed on such day, or, if there has been no sales on any such exchange on such day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on such day such security is not so listed, the average of the representative bid and asked prices quoted on the over-the-counter bulletin board (the "*OTCBB*") as of 4:00 P.M., New York time, or, if on such day such security is not quoted on the OTCBB, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the Pink Sheet, LLC, or any similar successor organization. If at any time such security is not listed on any securities exchange or quoted on the OTCBB or the over-the-counter market, the "Fair Market Value" shall be as determined by the Board of Directors of the Company in good faith, absent manifest error.

(c) Cashless Exercise. If at any time six months after the date of the issuance of this Warrant there is no effective registration statement registering, or no current prospectus available for, the resale of the Warrant Shares by the Holder, then this Warrant may also be exercised only at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive, without the payment by the Holder of any additional consideration, a certificate for the number of Warrant Shares equal to the number as is computed using the following formula:

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

where

X = the number of Warrant Shares to be issued to the Holder pursuant to this Warrant.

Y = the number of Warrant Shares covered by this Warrant with respect to which the cashless exercise election is made pursuant to this Section 1(c).

A = the Fair Market Value (as defined above) of one Warrant Share.

B = the Exercise Price in effect at the time the cashless exercise election is made pursuant to this Section 1(c).

(d) Upon the exercise of this Warrant, the Company shall issue and cause promptly to be delivered upon such exercise to, or upon the written order of, the Holder a certificate or certificates for the number of full Warrant Shares to which such Holder shall be entitled, together with cash in lieu of any fraction of a Warrant Share otherwise issuable upon such exercise.

(e) If this Warrant is exercised in respect of less than all of the Warrant Shares evidenced by this Warrant at any time prior to the end of the Exercise Period, a new Warrant evidencing the remaining Warrant Shares shall be issued to the Holder, or its nominee(s), without charge therefor.

(f) In the event that this Warrant is not exercised in full on the last business day of the Exercise Period, the remaining portion of the Warrant will automatically be exercised as described in Section 1(c) above.

2**.** The Exercise Price for the Warrants in effect from time to time shall be subject to adjustment as follows:

(a) If the Company, at any time while this Warrant is outstanding: (i) subdivides outstanding shares of Common Stock into a larger number of shares, (ii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iii) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section 2(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(b) If the Company, at any time while this Warrant is outstanding, shall distribute to all or substantially all holders of Common Stock (and not to the Holder) evidence of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock, then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which (i) the denominator shall be the Fair Market Value per share of Common Stock determined as of the record date mentioned above and (ii) the numerator shall be such Fair Market Value per share of Common Stock on such record date *less* the then per share fair market value at such record date of the portion of such evidence of indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock so distributed applicable to one outstanding share of the Common Stock, which fair market value shall be reduced by the fair market value of consideration, if any, paid to the Company by holders of Common Stock in exchange for such evidence of indebtedness or assets or rights or warrants so distributed, in each case as such Fair Market Value is determined by the Board of Directors of the Company in good faith. In either case, the adjustments shall be described in a statement provided to the Holder of the portion of evidences of indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(c) All calculations under this Section 2 shall be made to the nearest cent.

(d) The Company shall not be required upon the exercise of this Warrant to issue any fractional shares, but may pay the value thereof to the Holder in cash on the basis of the Fair Market Value per Warrant Share.

3. Unless registered, the Warrant Shares issued on exercise of the Warrants shall be subject to a stop transfer order and the certificate or certificates representing the Warrant Shares shall bear the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) THE COMPANY RECEIVES AN OPINION OF COUNSEL WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT THE SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS.

4. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate, without charge, of like date, tenor and denomination, in lieu of such Warrant or stock certificate.

5. The Company shall not be obligated to issue any shares of Common Stock upon exercise of this Warrant if the issuance of such shares of Common Stock would cause a breach or violation of the Company's obligations under any applicable rules or regulations of any market on which the Company's securities trade.

6. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, to the extent that after giving effect to such issuance after exercise, such Holder (together with such Holder's affiliates, and any other person or entity acting as a group together with such Holder or any of such Holder's affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by such Holder or any of its affiliates and (B) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by such Holder or any of its Affiliates. Except as set forth in the preceding sentence, beneficial ownership shall be calculated in accordance with Section 13(d) of the The Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Beneficial Ownership Limitation provisions of this section may be waived by such Holder, at the election of such Holder, upon not less than 61 days' prior notice to the Company to change the Beneficial Ownership Limitation to 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant, and the provisions of this section shall continue to apply. Upon such a change by a Holder of the Beneficial Ownership Limitation from such 4.99% limitation to such 9.99% limitation, the Beneficial Ownership Limitation may not be further waived by such Holder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this section to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

7. (a) The Holder shall not have, solely on account of its status as a holder of a Warrant, any rights of a stockholder of the Company, either at law or in equity, or to any notice of meetings of stockholders or of any other proceedings of the Company, except as provided in this Warrant.

(b) No provision hereof, in the absence of affirmative action by the Holder to receive Warrant Shares, and no enumeration herein of the rights or privileges of the Holder hereof, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of Company, whether such liability is asserted by Company or by creditors of Company.

8. All notices that are required or permitted hereunder shall be in writing and shall be sufficient if personally delivered, sent by facsimile, or sent by registered or certified mail or Federal Express or other nationally recognized overnight delivery service. Any notices shall be deemed given upon the earlier of the date when received at, the day when delivered via facsimile or the third day after the date when sent by registered or certified mail or the day after the date when sent by Federal Express to, the address set forth below, unless such address is changed by notice to the other party hereto:

if to the Company:

Oculus Innovative Sciences, Inc.
1129 North McDowell Blvd.
Petaluma, California 94954
Attention: Jim Schutz, Vice President Corporate Development and
General Counsel
Fax: (707) 283-0551

if to the Holder: As set forth in the Warrant Register of the Company.

The Company or the Holder by notice to the other party may designate additional or different addresses as shall be furnished in writing by such party.

9. The provisions of this Warrant may not be amended, modified or changed except by an instrument in writing signed by each of the Company and the Holder.

10. All the covenants and provisions of this Warrant by or for the benefit of the Company or the Holder shall be binding upon and shall inure to the benefit of their respective permitted successors and assigns hereunder.

11. The validity, interpretation and performance of this Warrant shall be governed by the laws of the State of California, as applied to contracts made and performed within such State, without regard to principles of conflicts of law.

12. The provisions hereof have been and are made solely for the benefit of the Company and the Holder, and their respective successors and assigns, and no other person shall acquire or have any right hereunder or by virtue hereof.

13. The headings in this Warrant are for convenience only and shall not limit or otherwise affect the meaning hereof.

14. If any term, provision, covenant or restriction of this Warrant is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, illegal, void or unenforceable.

15. This Warrant is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Warrant supersedes all prior agreements and understandings between the parties with respect to such subject matter.

16. The Company agrees to take such further action and to deliver or cause to be delivered to each other after the date hereof such additional agreements or instruments as any of them may reasonably request for the purpose of carrying out this Warrant and the agreements and transactions contemplated hereby and thereby.

17. Each party hereto acknowledges and agrees that irreparable harm, for which there may be no adequate remedy at law and for which the ascertainment of damages would be difficult, would occur in the event any of the provisions of this Warrant were not performed in accordance with its specific terms or were otherwise breached. Each party hereto accordingly agrees that each other party hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Warrant, or any agreement contemplated hereunder, and to enforce specifically the terms and provisions hereof or thereof in any court of the United States or any state thereof having jurisdiction, in each instance without being required to post bond or other security and in addition to, and without having to prove the inadequacy of, other remedies at law.

[signature page follows]

Dated as of:

OCULUS INNOVATIVE SCIENCES, INC.

By: _____
Name:
Title:

[Seal]

_____
Secretary

EXHIBIT A

ELECTION TO PURCHASE

The undersigned hereby irrevocably elects to exercise Warrants represented by this Warrant and to purchase the shares of Common Stock or other securities issuable upon the exercise of said Warrants, and requests that Certificates for such shares be issued and delivered as follows:

PORTION OF WARRANT BEING EXERCISED: (check applicable box or fill in number of Warrant Shares):

Entire Warrant ☐

Warrant Shares

ISSUE TO:

(Name)

(Address, Including Zip Code)

(Social Security or Tax Identification Number)

DELIVER TO:

(Name)

(Address, Including Zip Code)

In payment of the purchase price with respect to this Warrant exercised, the undersigned hereby either (A) tenders payment of $ by (i) certified or bank cashiers check payable to the order of the Company ☐; or (ii) a wire transfer of such funds to an account designated by the Company ☐ (*check applicable box*) or (B) hereby provides notice to the Company that the undersigned is exercising this Warrant pursuant to the Cashless Exercise set forth in Section 1(c) of the Warrant. If the number of Warrant Shares hereby exercised is fewer than all the Warrant Shares represented by this Warrant, the undersigned requests that a new Warrant representing the number of full Warrant Shares not exercised to be issued and delivered as set forth below:

Name of Holder or
Assignee:

_____
(Please Print)

Address:

_____

_____

Signature: DATED: , 20___

(Signature must conform in all respects to name of holder as specified on the fact of this Warrant)

Signature Guaranteed:

EXHIBIT B TO THE PURCHASE AGREEMENT

NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) THE COMPANY RECEIVES AN OPINION OF COMPANY COUNSEL THAT THIS WARRANT OR SUCH SECURITIES, AS APPLICABLE, MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS.

OCULUS INNOVATIVE SCIENCES, INC.

Form of Series B Warrants for the Purchase

of

Shares of Common Stock, Par Value $0.0001 per Share

No. _____
Issue Date: _____

THIS CERTIFIES that, for consideration, the receipt and sufficiency of which are hereby acknowledged, and other value received, _____ (the "*Holder*") is entitled to subscribe for, and purchase from, **OCULUS INNOVATIVE SCIENCES, INC.,**a Delaware corporation (the "*Company*"), upon the terms and conditions set forth herein, at any time or from time to time six months after the date this warrant is issued (the "*Initial Exercise Date*") until three years after the Issue Date (the "*Exercise Period*"), up to an aggregate of _____ shares of common stock, par value $0.0001 per share (the "*Common Stock*"), of the Company. This Warrant is initially exercisable at a price of $1.13 per share, subject to adjustment as described in this Warrant. The term "*Exercise Price*" shall mean, depending on the context, the initial exercise price (as set forth above) or the adjusted exercise price per share. The Company may, in its sole discretion, reduce the then current Exercise Price to any amount or extend the Exercise Period, at any time. Such modifications to the Exercise Price or Exercise Period may be temporary or permanent.

As used herein, the term "*this Warrant*" shall mean and include this Warrant and any Warrant or Warrants hereafter issued as a consequence of the exercise or transfer of this Warrant in whole or in part. Each share of Common Stock issuable upon the exercise hereof shall be hereinafter referred to as a "*Warrant Share.*"

1. (a) Subject to the terms of this Warrant, this Warrant may be exercised at any time in whole and from time to time in part, at the option of the Holder, on or after the Initial Exercise Date and on or prior to the end of the Exercise Period. This Warrant shall initially be exercisable in whole or in part for that number of fully paid and nonassessable shares of Common Stock as indicated on the first page of this Warrant, for an exercise price per share equal to the Exercise Price, by delivery to the Company at its office at 1129 North McDowell Blvd., Petaluma, California 94954, or at such other place as is designated in writing by the Company, of:

(i) a completed Election to Purchase, in the form set forth in Exhibit A, executed by the Holder exercising all or part of the purchase rights represented by this Warrant;

(ii) this Warrant; and

(iii) payment of an amount equal to the product of the Exercise Price multiplied by the number of shares of Common Stock being purchased upon such exercise in the form of, at the Holder's option, (A) a certified or bank cashier's check payable to the Company, or (B) a wire transfer of funds to an account designated by the Company.

(b) Upon the exercise of this Warrant, the Company shall issue and cause promptly to be delivered upon such exercise to, or upon the written order of, the Holder a certificate or certificates for the number of full Warrant Shares to which such Holder shall be entitled, together with cash in lieu of any fraction of a Warrant Share otherwise issuable upon such exercise.

(c) If this Warrant is exercised in respect of less than all of the Warrant Shares evidenced by this Warrant at any time prior to the end of the Exercise Period, a new Warrant evidencing the remaining Warrant Shares shall be issued to the Holder, or its nominee(s), without charge therefor.

2. The Exercise Price for the Warrants in effect from time to time shall be subject to adjustment as follows:

(a) If the Company, at any time while this Warrant is outstanding: (i) subdivides outstanding shares of Common Stock into a larger number of shares, (ii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iii) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section 2(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(b) If the Company, at any time while this Warrant is outstanding, shall distribute to all or substantially all holders of Common Stock (and not to the Holder) evidence of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock, then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which (i) the denominator shall be the Fair Market Value per share of Common Stock determined as of the record date mentioned above and (ii) the numerator shall be such Fair Market Value per share of Common Stock on such record date *less* the then per share fair market value at such record date of the portion of such evidence of indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock so distributed applicable to one outstanding share of the Common Stock, which fair market value shall be reduced by the fair market value of consideration, if any, paid to the Company by holders of Common Stock in exchange for such evidence of indebtedness or assets or rights or warrants so distributed, in each case as such Fair Market Value is determined by the Board of Directors of the Company in good faith. In either case, the adjustments shall be described in a statement provided to the Holder of the portion of evidences of indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(c) All calculations under this Section 2 shall be made to the nearest cent.

(d) The Company shall not be required upon the exercise of this Warrant to issue any fractional shares, but may pay the value thereof to the Holder in cash on the basis of the Fair Market Value per Warrant Share.

3. Unless registered, the Warrant Shares issued on exercise of the Warrants shall be subject to a stop transfer order and the certificate or certificates representing the Warrant Shares shall bear the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) THE COMPANY RECEIVES AN OPINION OF COUNSEL WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT THE SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS.

4. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate, without charge, of like date, tenor and denomination, in lieu of such Warrant or stock certificate.

5. The Company shall not be obligated to issue any shares of Common Stock upon exercise of this Warrant if the issuance of such shares of Common Stock would cause a breach or violation of the Company's obligations under any applicable rules or regulations of any market on which the Company's securities trade.

6. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, to the extent that after giving effect to such issuance after exercise, such Holder (together with such Holder's affiliates, and any other person or entity acting as a group together with such Holder or any of such Holder's affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by such Holder or any of its affiliates and (B) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by such Holder or any of its Affiliates. Except as set forth in the preceding sentence, beneficial ownership shall be calculated in accordance with Section 13(d) of the The Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Beneficial Ownership Limitation provisions of this section may be waived by such Holder, at the election of such Holder, upon not less than 61 days' prior notice to the Company to change the Beneficial Ownership Limitation to 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant, and the provisions of this section shall continue to apply. Upon such a change by a Holder of the Beneficial Ownership Limitation from such 4.99% limitation to such 9.99% limitation, the Beneficial Ownership Limitation may not be further waived by such Holder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this section to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

7. (a) The Holder shall not have, solely on account of its status as a holder of a Warrant, any rights of a stockholder of the Company, either at law or in equity, or to any notice of meetings of stockholders or of any other proceedings of the Company, except as provided in this Warrant.

(b) No provision hereof, in the absence of affirmative action by the Holder to receive Warrant Shares, and no enumeration herein of the rights or privileges of the Holder hereof, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of Company, whether such liability is asserted by Company or by creditors of Company.

8. All notices that are required or permitted hereunder shall be in writing and shall be sufficient if personally delivered, sent by facsimile, or sent by registered or certified mail or Federal Express or other nationally recognized overnight delivery service. Any notices shall be deemed given upon the earlier of the date when received at, the day when delivered via facsimile or the third day after the date when sent by registered or certified mail or the day after the date when sent by Federal Express to, the address set forth below, unless such address is changed by notice to the other party hereto:

if to the Company:

Oculus Innovative Sciences, Inc.
1129 North McDowell Blvd.
Petaluma, California 94954
Attention: Jim Schutz, Vice President Corporate Development and
General Counsel
Fax: (707) 283-0551

if to the Holder: As set forth in the Warrant Register of the Company.

The Company or the Holder by notice to the other party may designate additional or different addresses as shall be furnished in writing by such party.

9. The provisions of this Warrant may not be amended, modified or changed except by an instrument in writing signed by each of the Company and the Holder.

10. All the covenants and provisions of this Warrant by or for the benefit of the Company or the Holder shall be binding upon and shall inure to the benefit of their respective permitted successors and assigns hereunder.

11. The validity, interpretation and performance of this Warrant shall be governed by the laws of the State of California, as applied to contracts made and performed within such State, without regard to principles of conflicts of law.

12. The provisions hereof have been and are made solely for the benefit of the Company and the Holder, and their respective successors and assigns, and no other person shall acquire or have any right hereunder or by virtue hereof.

13. The headings in this Warrant are for convenience only and shall not limit or otherwise affect the meaning hereof.

14. If any term, provision, covenant or restriction of this Warrant is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, illegal, void or unenforceable.

15. This Warrant is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Warrant supersedes all prior agreements and understandings between the parties with respect to such subject matter.

16. The Company agrees to take such further action and to deliver or cause to be delivered to each other after the date hereof such additional agreements or instruments as any of them may reasonably request for the purpose of carrying out this Warrant and the agreements and transactions contemplated hereby and thereby.

17. Each party hereto acknowledges and agrees that irreparable harm, for which there may be no adequate remedy at law and for which the ascertainment of damages would be difficult, would occur in the event any of the provisions of this Warrant were not performed in accordance with its specific terms or were otherwise breached. Each party hereto accordingly agrees that each other party hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Warrant, or any agreement contemplated hereunder, and to enforce specifically the terms and provisions hereof or thereof in any court of the United States or any state thereof having jurisdiction, in each instance without being required to post bond or other security and in addition to, and without having to prove the inadequacy of, other remedies at law.

[signature page follows]

Dated as of:

OCULUS INNOVATIVE SCIENCES, INC.

By: _____
Name:
Title:

[Seal]

_____
Secretary

EXHIBIT A

ELECTION TO PURCHASE

The undersigned hereby irrevocably elects to exercise Warrants represented by this Warrant and to purchase the shares of Common Stock or other securities issuable upon the exercise of said Warrants, and requests that Certificates for such shares be issued and delivered as follows:

PORTION OF WARRANT BEING EXERCISED: (check applicable box or fill in number of Warrant Shares):

Entire Warrant ☐

Warrant Shares

ISSUE TO:

(Name)

(Address, Including Zip Code)

(Social Security or Tax Identification Number)

DELIVER TO:

(Name)

(Address, Including Zip Code)

In payment of the purchase price with respect to this Warrant exercised, the undersigned hereby tenders payment of $ by (i) certified or bank cashiers check payable to the order of the Company ☐; or (ii) a wire transfer of such funds to an account designated by the Company ☐ (*check applicable box*). If the number of Warrant Shares hereby exercised is fewer than all the Warrant Shares represented by this Warrant, the undersigned requests that a new Warrant representing the number of full Warrant Shares not exercised to be issued and delivered as set forth below:

Name of Holder or
Assignee:

(Please Print)

Address:

Signature: DATED: , 20___

(Signature must conform in all respects to name of holder as specified on the fact of this Warrant)

Signature Guaranteed:

EXHIBIT C TO THE PURCHASE AGREEMENT

NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) THE COMPANY RECEIVES AN OPINION OF COMPANY COUNSEL THAT THIS WARRANT OR SUCH SECURITIES, AS APPLICABLE, MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS.

OCULUS INNOVATIVE SCIENCES, INC.

Form of Series C Warrants for the Purchase

of

Shares of Common Stock, Par Value $0.0001 per Share

No. _____
Issue Date: _____

THIS CERTIFIES that, for consideration, the receipt and sufficiency of which are hereby acknowledged, and other value received, _____ (the "*Holder*") is entitled to subscribe for, and purchase from, **OCULUS INNOVATIVE SCIENCES, INC.,**a Delaware corporation (the "*Company*"), upon the terms and conditions set forth herein, at any time or from time to time six months after the date this warrant is issued (the "*Initial Exercise Date*") until five years after the Issue Date (the "*Exercise Period*"), up to an aggregate of _____ shares of common stock, par value $0.0001 per share (the "*Common Stock*"), of the Company. This Warrant is initially exercisable at a price of $1.94 per share, subject to adjustment as described in this Warrant. The term "*Exercise Price*" shall mean, depending on the context, the initial exercise price (as set forth above) or the adjusted exercise price per share. The Company may, in its sole discretion, reduce the then current Exercise Price to any amount or extend the Exercise Period, at any time. Such modifications to the Exercise Price or Exercise Period may be temporary or permanent.

As used herein, the term "*this Warrant*" shall mean and include this Warrant and any Warrant or Warrants hereafter issued as a consequence of the exercise or transfer of this Warrant in whole or in part. Each share of Common Stock issuable upon the exercise hereof shall be hereinafter referred to as a "*Warrant Share.*"

1. (a) Subject to the terms of this Warrant, this Warrant may be exercised at any time in whole and from time to time in part, at the option of the Holder, on or after the Initial Exercise Date and on or prior to the end of the Exercise Period. This Warrant shall initially be exercisable in whole or in part for that number of fully paid and nonassessable shares of Common Stock as indicated on the first page of this Warrant, for an exercise price per share equal to the Exercise Price, by delivery to the Company at its office at 1129 North McDowell Blvd., Petaluma, California 94954, or at such other place as is designated in writing by the Company, of:

(i) a completed Election to Purchase, in the form set forth in Exhibit A, executed by the Holder exercising all or part of the purchase rights represented by this Warrant;

(ii) this Warrant; and

(iii) subject to Section 1(c) below, payment of an amount equal to the product of the Exercise Price multiplied by the number of shares of Common Stock being purchased upon such exercise in the form of, at the Holder's option, (A) a certified or bank cashier's check payable to the Company, or (B) a wire transfer of funds to an account designated by the Company.

(b) As used herein:

(i) "*Fair Market Value*" of a security shall mean, on any given day, the average of the closing prices of such security's sales on all securities exchanges on which such security may at the time be listed on such day, or, if there has been no sales on any such exchange on such day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on such day such security is not so listed, the average of the representative bid and asked prices quoted on the over-the-counter bulletin board (the "*OTCBB*") as of 4:00 P.M., New York time, or, if on such day such security is not quoted on the OTCBB, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the Pink Sheet, LLC, or any similar successor organization. If at any time such security is not listed on any securities exchange or quoted on the OTCBB or the over-the-counter market, the "Fair Market Value" shall be as determined by the Board of Directors of the Company in good faith, absent manifest error.

(c) Cashless Exercise. If at any time six months after the date of the issuance of this Warrant there is no effective registration statement registering, or no current prospectus available for, the resale of the Warrant Shares by the Holder, then this Warrant may also be exercised only at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive, without the payment by the Holder of any additional consideration, a certificate for the number of Warrant Shares equal to the number as is computed using the following formula:

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

where

X = the number of Warrant Shares to be issued to the Holder pursuant to this Warrant.

Y = the number of Warrant Shares covered by this Warrant with respect to which the cashless exercise election is made pursuant to this Section 1(c).

A = the Fair Market Value (as defined above) of one Warrant Share.

B = the Exercise Price in effect at the time the cashless exercise election is made pursuant to this Section 1(c).

(d) Upon the exercise of this Warrant, the Company shall issue and cause promptly to be delivered upon such exercise to, or upon the written order of, the Holder a certificate or certificates for the number of full Warrant Shares to which such Holder shall be entitled, together with cash in lieu of any fraction of a Warrant Share otherwise issuable upon such exercise.

(e) If this Warrant is exercised in respect of less than all of the Warrant Shares evidenced by this Warrant at any time prior to the end of the Exercise Period, a new Warrant evidencing the remaining Warrant Shares shall be issued to the Holder, or its nominee(s), without charge therefor.

(f) In the event that this Warrant is not exercised in full on the last business day of the Exercise Period, the remaining portion of the Warrant will automatically be exercised as described in Section 1(c) above.

2. The Exercise Price for the Warrants in effect from time to time shall be subject to adjustment as follows:

(a) If the Company, at any time while this Warrant is outstanding: (i) subdivides outstanding shares of Common Stock into a larger number of shares, (ii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iii) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section 2(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(b) If the Company, at any time while this Warrant is outstanding, shall distribute to all or substantially all holders of Common Stock (and not to the Holder) evidence of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock, then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which (i) the denominator shall be the Fair Market Value per share of Common Stock determined as of the record date mentioned above and (ii) the numerator shall be such Fair Market Value per share of Common Stock on such record date *less* the then per share fair market value at such record date of the portion of such evidence of indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock so distributed applicable to one outstanding share of the Common Stock, which fair market value shall be reduced by the fair market value of consideration, if any, paid to the Company by holders of Common Stock in exchange for such evidence of indebtedness or assets or rights or warrants so distributed, in each case as such Fair Market Value is determined by the Board of Directors of the Company in good faith. In either case, the adjustments shall be described in a statement provided to the Holder of the portion of evidences of indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(c) All calculations under this Section 2 shall be made to the nearest cent.

(d) The Company shall not be required upon the exercise of this Warrant to issue any fractional shares, but may pay the value thereof to the Holder in cash on the basis of the Fair Market Value per Warrant Share.

3. Unless registered, the Warrant Shares issued on exercise of the Warrants shall be subject to a stop transfer order and the certificate or certificates representing the Warrant Shares shall bear the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) THE COMPANY RECEIVES AN OPINION OF COUNSEL WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT THE SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS.

4. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate, without charge, of like date, tenor and denomination, in lieu of such Warrant or stock certificate.

5. The Company shall not be obligated to issue any shares of Common Stock upon exercise of this Warrant if the issuance of such shares of Common Stock would cause a breach or violation of the Company's obligations under any applicable rules or regulations of any market on which the Company's securities trade.

6. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, to the extent that after giving effect to such issuance after exercise, such Holder (together with such Holder's affiliates, and any other person or entity acting as a group together with such Holder or any of such Holder's affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by such Holder or any of its affiliates and (B) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by such Holder or any of its Affiliates. Except as set forth in the preceding sentence, beneficial ownership shall be calculated in accordance with Section 13(d) of the The Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Beneficial Ownership Limitation provisions of this section may be waived by such Holder, at the election of such Holder, upon not less than 61 days' prior notice to the Company to change the Beneficial Ownership Limitation to 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant, and the provisions of this section shall continue to apply. Upon such a change by a Holder of the Beneficial Ownership Limitation from such 4.99% limitation to such 9.99% limitation, the Beneficial Ownership Limitation may not be further waived by such Holder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this section to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

7. (a) The Holder shall not have, solely on account of its status as a holder of a Warrant, any rights of a stockholder of the Company, either at law or in equity, or to any notice of meetings of stockholders or of any other proceedings of the Company, except as provided in this Warrant.

(b) No provision hereof, in the absence of affirmative action by the Holder to receive Warrant Shares, and no enumeration herein of the rights or privileges of the Holder hereof, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of Company, whether such liability is asserted by Company or by creditors of Company.

8. All notices that are required or permitted hereunder shall be in writing and shall be sufficient if personally delivered, sent by facsimile, or sent by registered or certified mail or Federal Express or other nationally recognized overnight delivery service. Any notices shall be deemed given upon the earlier of the date when received at, the day when delivered via facsimile or the third day after the date when sent by registered or certified mail or the day after the date when sent by Federal Express to, the address set forth below, unless such address is changed by notice to the other party hereto:

if to the Company:

Oculus Innovative Sciences, Inc.
1129 North McDowell Blvd.
Petaluma, California 94954
Attention: Jim Schutz, Vice President Corporate Development and
General Counsel
Fax: (707) 283-0551

if to the Holder: As set forth in the Warrant Register of the Company.

The Company or the Holder by notice to the other party may designate additional or different addresses as shall be furnished in writing by such party.

9. The provisions of this Warrant may not be amended, modified or changed except by an instrument in writing signed by each of the Company and the Holder.

10. All the covenants and provisions of this Warrant by or for the benefit of the Company or the Holder shall be binding upon and shall inure to the benefit of their respective permitted successors and assigns hereunder.

11. The validity, interpretation and performance of this Warrant shall be governed by the laws of the State of California, as applied to contracts made and performed within such State, without regard to principles of conflicts of law.

12. The provisions hereof have been and are made solely for the benefit of the Company and the Holder, and their respective successors and assigns, and no other person shall acquire or have any right hereunder or by virtue hereof.

13. The headings in this Warrant are for convenience only and shall not limit or otherwise affect the meaning hereof.

14. If any term, provision, covenant or restriction of this Warrant is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, illegal, void or unenforceable.

15. This Warrant is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Warrant supersedes all prior agreements and understandings between the parties with respect to such subject matter.

16. The Company agrees to take such further action and to deliver or cause to be delivered to each other after the date hereof such additional agreements or instruments as any of them may reasonably request for the purpose of carrying out this Warrant and the agreements and transactions contemplated hereby and thereby.

17. Each party hereto acknowledges and agrees that irreparable harm, for which there may be no adequate remedy at law and for which the ascertainment of damages would be difficult, would occur in the event any of the provisions of this Warrant were not performed in accordance with its specific terms or were otherwise breached. Each party hereto accordingly agrees that each other party hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Warrant, or any agreement contemplated hereunder, and to enforce specifically the terms and provisions hereof or thereof in any court of the United States or any state thereof having jurisdiction, in each instance without being required to post bond or other security and in addition to, and without having to prove the inadequacy of, other remedies at law.

[signature page follows]

Dated as of:

OCULUS INNOVATIVE SCIENCES, INC.

By: _____
Name:
Title:

[Seal]

_____
Secretary

EXHIBIT A

ELECTION TO PURCHASE

The undersigned hereby irrevocably elects to exercise Warrants represented by this Warrant and to purchase the shares of Common Stock or other securities issuable upon the exercise of said Warrants, and requests that Certificates for such shares be issued and delivered as follows:

PORTION OF WARRANT BEING EXERCISED: (check applicable box or fill in number of Warrant Shares):

Entire Warrant ☐

Warrant Shares

ISSUE TO:

(Name)

(Address, Including Zip Code)

(Social Security or Tax Identification Number)

DELIVER TO:

(Name)

(Address, Including Zip Code)

In payment of the purchase price with respect to this Warrant exercised, the undersigned hereby either (A) tenders payment of $ by (i) certified or bank cashiers check payable to the order of the Company ☐; or (ii) a wire transfer of such funds to an account designated by the Company ☐ (*check applicable box*) or (B) hereby provides notice to the Company that the undersigned is exercising this Warrant pursuant to the Cashless Exercise set forth in Section 1(c) of the Warrant. If the number of Warrant Shares hereby exercised is fewer than all the Warrant Shares represented by this Warrant, the undersigned requests that a new Warrant representing the number of full Warrant Shares not exercised to be issued and delivered as set forth below:

Name of Holder or
Assignee:

_____
(Please Print)

Address:

_____

_____

Signature: DATED: , 20___

(Signature must conform in all respects to name of holder as specified on the fact of this Warrant)

Signature Guaranteed:

Exhibit 10.44

AMENDMENT NO. 2
TO
REVENUE SHARING, PARTNERSHIP AND DISTRIBUTION AGREEMENT

This Amendment No. 2 ("Amendment No. 2") to the Revenue Sharing, Partnership and Distribution Agreement ("RSPDA") is entered into by and among Oculus Innovative Sciences, Inc., a Delaware corporation ("Oculus"), and Vetericyn, Inc. ("Vetericyn", and together with Oculus, the "Parties"), a California corporation, as of July 24, 2009, by and among the Parties.

RECITALS

A. Oculus and Vetericyn previously entered into that certain Revenue Sharing Distribution Agreement effective January 26, 2009, as amended by Amendment No. 1 dated February 24, 2009.

B. The Parties wish to modify certain terms of the Agreement on the terms and subject to the conditions set forth in this Amendment No. 2.

NOW, THEREFORE, in consideration of the mutual covenants, agreements and representations contained in this Amendment No. 2 and the RSPDA, as previously amended, the Parties hereto agree as follows:

1. Section 10.3 Change of Control shall be amended in its entirety to read as follows:

10.3 Change of Control. Within sixty (60) days of a Change in Control at the Company, and notwithstanding any provision of this Agreement to the contrary, including without limitation Section 3.3, Distributor may elect at its own expense, to immediately transfer (by way of a non-exclusive license) one or more of the Company's manufacturing lines that produce the Vetericyn formula for the Solutions. Upon the election to transfer, Distributor would have the exclusive right to manufacture and Package Vetericyn or any derivative thereof, in the Market during the Term. Upon such election by Distributor, the Revenue Sharing feature of this Agreement shall be terminated, and in consideration, the Company, or its successors, would receive a one-time, nonrefundable payment for the manufacturing lines(s) on a mutually agreed upon price, in any event not to exceed the Company's original cost for such manufacturing lines(s) and a perpetual ten (10%) royalty on net sales related to the sales of Vetericyn or any derivative product thereof, for the Term. Upon receipt of payment by Company from Distributor, Company shall issue a bill of sale to Distributor transferring title of the manufacturing line(s) to Distributor. The Company, or its successors, would agree to provide, at Distributor's expense, commercially reasonable technical assistance to Distributor to facilitate the transfer process.

2. Exhibit A. Exhibit A to the RSPDA is amended in its entirety by Exhibit A – Revised 7/24/09 attached hereto.

3. Conflict. In the event of any conflict between the provisions of this Amendment No. 2 and the provisions of the RSPDA, as previously amended, the provisions of this Amendment No. 2 shall prevail and the provisions of the RSPDA, as previously amended, shall be deemed modified by this Amendment No. 2 as necessary to resolve such conflict.

4. Effect of Amendment. Except as expressly amended by this Amendment No. 2 and/or by the preceding sentence, the terms and provisions of the RSPDA, as previously amended, shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 3 to be effective as of July 24, 2009.

OCULUS INNOVATIVE SCIENCES, INC.		**VETERICYN, INC.**	
By:	/s/Jim Schutz	By:	/s/Robert Burlingame
Name:	Jim Schutz	Name:	Robert Burlingame
Title:	General Counsel	Title:	Chief Executive Officer

EXHIBIT A

PRODUCTION VOLUME QUANTITY AND PRICING SCHEDULE

AS AMENDED JULY 24, 2009

Available Vetericyn bottle sizes:

240 ml, 500 ml, 1 gallon, 5 liters

New Products:

From time to time, the Parties may introduce new products and packaging, as described in Section 1.8. Any such new products and/or packaging shall be subject to a similar revenue sharing mechanism as described below.

Revenue Sharing & Pricing (in $USD):

Definitions:

Oculus Base Price ("OBP") is [ ]* per Bottles Sold, regardless of bottle Size. (OBP is paid regardless of Vetericyn's operating results.)

Vetericyn Base Price ("VBP") is [ ]* per Bottles Sold.

Net Revenue is gross revenue less (1) discounts, (2) allowances, (3) shipping costs, and (4) incentive markups to independent representatives, dealers and distributors.

Net Average Sales Price ("ASP") is Net Revenue divided by the number of Bottles Sold plus the number of sample/promotional bottles distributed. It is calculated on all sales.

Bottles Sold is the number of bottles sold to customers, excluding the Number of sample/promotional bottles distributed.

Cost of Manufacturing is expenses directly related to the manufacturing of Vetericyn products, which includes cost of materials such as bottles, labels and solution, direct labor and benefits, shipping, laboratory and expendable supplies, depreciation, repairs and maintenance, rent and utilities directly related to the manufacturing.

Selling Expenses are costs directly related to the sale and distribution of the Vetericyn products only, which includes salaries and related benefits, commissions not included as a deduction of the ASP, supplies, postage, telephone, conferences, advertising, travel and marketing material.

* Confidential material redacted and separately filed with the Commission

General and Administrative Expenses are costs directly related to the sales and administration of the Vetericyn products, which includes salaries and benefits, legal fees, supplies, consulting, postage, insurance and bank charges.

Allocations of expenses will be mutually agreed upon.

Calculations and Definitions:

Net Profit (Loss) Before OBP and Revenue Sharing ("NPBOR") is Net Revenue minus Cost of Manufacturing, Selling Expenses and General and Administrative Expenses.

Net Profit (Loss) Before Revenue Sharing ("NPBR") is NPBOR minus OBP.

Cumulative Net Profit (Loss) Before Revenue Sharing ("CNPBR") is the monthly NPBR added together from January 1, 2009 to the latest month end.

Revenue Sharing ("RS") to each party is [ ]* of ASP – (OBP+VBP), but does not begin until CNPBR is positive and it applies only in months where NPBR is positive.

Oculus Shared Revenue ("OSR") is [ ]* of ASP – (OBP+VBP), except that:

1. If CNPBR is zero or negative, then OSR is zero, or
2. If NPBR is zero or negative, then OSR is zero, or
3. f OSR is greater than CNPBR for the month, then OSR shall be equal to CNPBR.

Minimum Order:

Minimum ordering quantity per purchase order to be placed with Oculus under this Agreement shall not be less than one full pallet per shipment and may be comprised of any combination of the product sizes noted above. For purposes of clarity and in an effort to maximize shipping efficiency, no partial pallet orders will be acceptable unless pursuant to replacement orders for warranty replacements.

The Parties agree to meet at least once per year to review this Exhibit A, as amended, and any new product offerings in the veterinary market. The Parties further agree to work in good faith to study best locations for bottling and final finished manufacturing.

Above prices are DDP, Delivered Duty Paid, from Oculus' manufacturing plant in Zapopan, Mexico, to Vetericyn's warehouse in Rialto, California.

* Confidential material redacted and separately filed with the Commission

VETERICYN, INC		**CONFIDENTIAL**
Operating Projection	Oculus Base Price (OBP) = $[ ]* / Bottle (Paid regardless of Vetericyn operating results.)	
2009-2010	Vetericyn Base Price (VBP) = $[ ]* / Bottle	
Exhibit A Attachment - 7/24/09	Net Average Sales Price (ASP) = Average Selling Price less discounts and allowances, shipping (Calculated on all sales, including sales to/through Independent Reps, Dealers, Distributors and Internet sales. Net ASP is after deduction of incentive markups on sales to/through Independent Reps, Dealers and Distributors.) Revenue Sharing at [ ]*% to each party calculated on Net ASP - (OBP + VBP) (Revenue Sharing begins only after Vetericyn is operating profitably on a cumulative basis and applies only in months where Vetericyn operated profitably.)	

		2009												
		Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Actual May-09	Forecast Jun-09	Forecast Jul-09	Forecast Aug-09	Forecast Sep-09	Forecast Oct-09	Forecast Nov-09	Forecast Dec-09	Total 2009
Bottles Sold: Net ASP / Bottle	[ ]*					[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Revenue:														0
Sales		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Less: Returns & Allowances	[ ]*%						[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Less: Cash Discounts	[ ]*%						[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Net Revenue		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
														0
Cost of Manufacturing:														0
Vetericyn Base Cost / Bottle	[ ]*			[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Materials - Bottling & Packaging	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Shipping (UPS Ground - netted from ASP above)	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Lab Supplies							[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Freight-In							[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Direct Labor (#6)	[ ]*						[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Employee Benefits (included above)							[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Depreciation Expense	[ ]*					[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Repairs & Maintenance							[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Expendable Supplies							[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Rent	[ ]*			[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Utilities						[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Total Cost of Sales		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Selling Expense:														
Salaries – Sales		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Employee Benefits (included in Wages)		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Other Temporary Labor					[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Commission (in-house sales reps)	[ ]*						[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Marketing Expense		[ ]*		[ ]*	[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Samples			[ ]*	[ ]*			[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Office Supplies		[ ]*					[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Postage			[ ]*		[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Dues & Subscriptions		[ ]*					[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Telephone			[ ]*				[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Conference & Seminars		[ ]*	[ ]*		[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Advertising - Print		[ ]*	[ ]*				[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Advertising - TV							[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Travel		[ ]*	[ ]*	[ ]*	[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Auto			[ ]*	[ ]*	[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Meals & Entertainment					[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Trade Shows		[ ]*	[ ]*	[ ]*	[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Credit Card Fees				[ ]*	[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Brochures & Printing			[ ]*	[ ]*	[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Total Selling Expense		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Gen'l & Admin Expense:														0
Salaries - Administration				[ ]*	[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Legal Fees			[ ]*	[ ]*	[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Sales Tax							[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Office Supplies			[ ]*	[ ]*	[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Rent							[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Permits & Licenses				[ ]*	[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Consulting					[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Postage				[ ]*	[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Telephone					[ ]*		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Donations							[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Bank Charges							[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Business Insurance			[ ]*				[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Office														

Machines							[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Misc				[ ]*			[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Total G & A Expense		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Net Profit (Loss) Before OBP and Revenue Sharing		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
OBP (Oculus Base Price)	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Net Profit (Loss) Before Revenue Sharing		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Cumulative Net Profit (Loss) Before Revenue Sharing		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	
Revenue Sharing														
VBP (Vetericyn Base Price)	[ ]*													
Oculus Shared Revenue = [ ]*% x (ESP-(OBP+VBP))												[ ]*	[ ]*	
Limited to Net Profit Before Revenue Sharing												[ ]*	[ ]*	[ ]*
Net Profit - Vetericyn		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Net Cash Flow - Oculus						[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*

* Confidential material redacted and separately filed with the Commission

VETERICYN, INC
Operating Projection
2009-2010
Exhibit A Attachment - 7/24/09

		2010												
		Forecast Jan-10	Forecast Feb-10	Forecast Mar-10	Forecast Apr-10	Forecast May-10	Forecast Jun-10	Forecast Jul-10	Forecast Aug-10	Forecast Sep-10	Forecast Oct-10	Forecast Nov-10	Forecast Dec-10	Total 2010
Bottles Sold:	Net ASP / Bottle	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Revenue:														0
Sales			[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Less: Returns & Allowances	[ ]*%	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Less: Cash Discounts	[ ]*%	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Net Revenue		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
														0
Cost of Manufacturing:														0
Vetericyn Base Cost / Bottle	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Materials - Bottling & Packaging	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Shipping (UPS Ground - netted from ASP above)	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Lab Supplies		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Freight-In		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Direct Labor (#6)	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Employee Benefits (included above)		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Depreciation Expense	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Repairs & Maintenance		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Expendable Supplies		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Rent	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Utilities		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Total Cost of Sales		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Selling Expense:														
Salaries - Sales		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Employee Benefits (included in Wages)		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Other Temporary Labor		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Commission (in-house sales reps)	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Marketing Expense		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Samples		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Office Supplies		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Postage		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Dues & Subscriptions		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Telephone		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Conference & Seminars		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Advertising - Print		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Advertising - TV		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Travel		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Auto		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Meals & Entertainment		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Trade Shows		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Credit Card Fees		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Brochures & Printing		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Total Selling Expense		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Gen'l & Admin Expense:														0
Salaries - Administration		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Legal Fees		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Sales Tax		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Office Supplies		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Rent		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Permits & Licenses		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Consulting		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Postage		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Telephone		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Donations		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Bank Charges		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Business Insurance		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Office Machines		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Misc		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Total G & A Expense		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Net Profit (Loss) Before OBP and Revenue Sharing		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
OBP (Oculus Base Price)	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Net Profit (Loss) Before Revenue Sharing		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Cumulative Net Profit (Loss) Before Revenue Sharing		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	
Revenue Sharing														
VBP (Vetericyn Base Price)	[ ]*													
Oculus Shared Revenue = [ ]*% x (ESP-(OBP+VBP))		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	
Limited to Net Profit Before Revenue Sharing		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Net Profit - Vetericyn		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*
Net Cash Flow - Oculus		[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*	[ ]*

* Confidential material redacted and separately filed with the Commission

Exhibit 10.46

AMENDMENT NO. 1
TO
EXHIBIT A
TO
REVENUE SHARING DISTRIBUTION AGREEMENT
AND TO
REVENUE SHARING, PARTNERSHIP AND DISTRIBUTION AGREEMENT
AS
REVISED AND AMENDED JUNE 1, 2010

This Amendment No. 1 ("Amendment No. 1") to Exhibit A to the Revenue Sharing Distribution Agreement ("RSDA") and to the Revenue Sharing, Partnership and Distribution Agreement ("RSPDA"), as Revised and Amended June 1, 2010, is entered into by and among Oculus Innovative Sciences, Inc., a Delaware corporation ("Oculus"), Innovacyn, Inc., a California corporation ("Innovacyn") and Vetericyn, Inc., a California corporation ("Vetericyn", and collectively, the "Parties"), as of September 1, 2010, by and among the Parties.

RECITALS

A. Oculus, Innovacyn and Vetericyn previously executed that certain Exhibit A to the RSDA and to the RSPDA, as revised and amended, effective June 1, 2010.

B. The Parties wish to modify certain terms of said Exhibit A on the terms and subject to the conditions set forth in this Amendment No. 1.

NOW, THEREFORE, in consideration of the mutual covenants, agreements and representations contained in this Amendment No. 1, the Parties hereto agree as follows:

1. Defined Terms For Calculations: The definition for the term Vetericyn Base Price ("VBP") shall be amended in its entirety to read as follows:

Vetericyn Base Price ("VBP") is [ ]* per Units Sold. Commencing April 1, 2013, and annually thereafter during the Term, VBP shall be increased by the percentage increase, if any, in the Consumer Price Index – All Urban Consumers (West) over the preceding twelve month period.

2. Defined Terms For Calculations: The definition for the term Puracyn Base Price ("PBP") shall be amended in its entirety to read as follows:

Puracyn Base Price ("PBP") is [ ]* per Units Sold. Commencing April 1, 2013, and annually thereafter during the Term, PBP shall be increased by the percentage increase, if any, in the Consumer Price Index – All Urban Consumers (West) over the preceding twelve month period.

3. Defined Terms For Calculations: The definition for the term Net Revenue – Vetericyn ("NRV") shall be amended in its entirety to read as follows:

* Confidential material redacted and separately filed with the Commission

Net Revenue – Vetericyn ("NRV") is gross revenue less (1) discounts, (2) allowances, (3) shipping costs (including order fulfillment costs) and (4) a deduction in the amount of [ ]* of gross revenue to compensate for sales and marketing representative costs.

4. Defined Terms For Calculations: The definition for the term Net Revenue – Puracyn ("NRP") shall be amended in its entirety to read as follows:

Net Revenue – Puracyn ("NRP") is gross revenue less (1) discounts, (2) allowances, (3) shipping costs (including order fulfillment costs) and (4) a deduction in the amount of [ ]* of gross revenue to compensate for sales and marketing representative costs.

5 . Conflict. In the event of any conflict between the provisions of this Amendment No. 1 and the provisions of the RSDA or the RSPDA, the provisions of this Amendment No. 1 shall prevail and the provisions of the respective RSDA or RSPDA shall be deemed modified by this Amendment No. 1 as necessary to resolve such conflict.

6 . Effect of Amendment. Except as expressly amended by this Amendment No. 1 and/or by the preceding sentence, the terms and provisions of the RSDA and the RSPDA shall continue in full force and effect.

OCULUS INNOVATIVE SCIENCES, INC.

By: /s/ Jim Schutz
Name: Jim Schutz
Title: COO
Date: November 1, 2010

INNOVACYN, INC.

By: /s/ Richard E. Jones
Name: Richard E. Jones
Title: CFO
Date: October 21, 2010

VETERICYN, INC.

By: /s/ Richard E. Jones
Name: Richard E. Jones
Title: CFO
Date: October 21, 2010

* Confidential material redacted and separately filed with the Commission

Exhibit 21.1

Subsidiaries of Registrant

1. Aquamed Technologies, Inc., a corporation organized under the laws of California.

2. Oculus Technologies of Mexico, S.A. de C.V., a corporation organized under the laws of Mexico.

3. Oculus Innovative Sciences Netherlands B.V., a corporation organized under the laws of the Netherlands.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

I, Hojabr Alimi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oculus Innovative Sciences, Inc. for the quarter ended September 30, 2010;

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

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

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

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

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

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

By: /s/ Hojabr Alimi

Date: November 4, 2010

Hojabr Alimi
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)

I, Robert Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oculus Innovative Sciences, Inc. for the quarter ended September 30, 2010;

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

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

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

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

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

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

By: /s/ Robert Miller
Robert Miller
Chief Financial Officer

Date: November 4, 2010

Exhibit 32.1

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

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officers of Oculus Innovative Sciences, Inc., a Delaware corporation (the "Company"), do hereby certify, to such officers' knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2010

By: /s/ Hojabr Alimi
Hojabr Alimi
Chief Executive Officer

Date: November 4, 2010

By: /s/ Robert Miller
Robert Miller
Chief Financial Officer