As filed with the Securities and Exchange Commission on May 19, 2011

Registration No. 333-171998

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1
to
FORM S-1
REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

INVIVO THERAPEUTICS HOLDINGS CORP.

(Exact Name of Registrant as Specified in Its Charter)

Nevada	3841	36-4528166
(State or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

One Broadway, 14th Floor Cambridge, MA 02142 (617) 475-1520
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Frank M. Reynolds Chief Executive Officer One Broadway, 14th Floor Cambridge, MA 02142 (617) 475-1520
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:
Thomas B. Rosedale, Esq. BRL Law Group LLC 425 Boylston Street 3rd Floor Boston, MA 02116 (617) 399-6931

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $.00001 par value per Share(1)	26,047,200	$0.83(2)	$21,619,176	$2,510*

(1) Pursuant to Rule 416 under the Securities Act, this registration statement also covers such indeterminate number of additional shares of common stock as may be issuable with respect to the shares being registered hereunder as a result of any stock splits, stock dividends or similar transactions.

(2) Estimated solely for the purpose of calculating the registration fee, and based on the average of the high and low prices of the Common Stock on May 17, 2011 as reported on the Over-the-Counter Bulletin Board operated by the National Association of Securities Dealers Inc. in accordance with Rules 457(c) and 457(h) under the Securities Act of 1933.

* Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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The information contained in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated May 19, 2011

26,047,200 Shares of Common Stock

INVIVO THERAPEUTICS HOLDINGS CORP.

This prospectus relates to the following offerings by certain of our stockholders and warrantholders, which we refer to as "Selling Securityholders":

- the resale of up to 12,848,600 shares of common stock purchased in a private placement;
- the resale of up to 12,848,600 shares of common stock that are issuable on exercise of the investor warrants that were acquired in a private placement; and
- the resale of up to 350,000 shares of common stock that are issuable on exercise of the new bridge warrants that were issued to warrantholders in connection with our recent merger.

Holders of the investor warrants and new bridge warrants may currently purchase one share of common stock for each warrant exercised. The exercise price and number of shares of common stock issuable upon exercise of the warrants is subject to further adjustment in certain circumstances.

We will not receive any proceeds from the sale of these securities, although we will receive the exercise price for any warrants that are exercised. We are registering securities for resale by the Selling Securityholders, but that does not necessarily mean that they will sell any of the securities. Any securities sold by the Selling Securityholders will be offered at market or privately negotiated prices.

The investor warrants and the new bridge warrants are exercisable at $1.40 per warrant and $1.00 per warrant, respectively, at any time on or before the fifth anniversary of the date of issuance.

Our common stock is currently available for trading in the over-the-counter market and is quoted on the OTC Bulletin Board under the symbol "NVIV". The last sale price of our common stock on May 17, 2011 was $0.79.

These are speculative securities. Investing in our securities involves significant risks. You should purchase these securities only if you can afford a complete loss of your investment. See "Risk Factors" beginning on page 6.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is , 2011.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information contained in this document may only be accurate on the date of this document.

PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. This summary does not contain all the information that may be important to you. You should read the more detailed information contained in this prospectus, including but not limited to, the risk factors beginning on page 6. References to "we," "us," "our," or the "Company" refer to InVivo Therapeutics Holdings Corp., together, with its consolidated subsidiaries where applicable. The term "ITHC" refers to InVivo Therapeutics Holdings Corp. (f/k/a Design Source, Inc.), the Nevada corporation, before giving effect to the Merger, and the term "InVivo" refers to InVivo Therapeutics Corporation, the Delaware corporation, before giving effect to the Merger. All share amounts relating to our Common Stock contained in this prospectus give effect to a 2.02898 for 1 forward split of our shares of Common Stock, which was effected on October 22, 2010.

As the result of the Transactions (as defined below) and the change in business and operations of the Company from a shell company to a biotechnology company, a discussion of the past financial results of ITHC is not pertinent, and the financial results of InVivo, the acquirer, are considered the financial results of the Company on a historical and going-forward basis.

The Merger and Related Transactions

On October 4, 2010, we merged into our newly formed, wholly owned subsidiary, InVivo Therapeutics Holdings Corp. ("ITHC"). The sole purpose of this merger was to effect a change of our name from Design Source, Inc. to InVivo Therapeutics Holdings Corp. in anticipation of a business acquisition. Our common stock par value $0.00001 per share (the "Common Stock") was forward-split on a 2.02898 for 1 basis effective October 22, 2010.

On October 26, 2010, InVivo Therapeutics Acquisition Corp., our wholly-owned subsidiary, merged (the "Merger") with and into InVivo Therapeutics Corporation, a Delaware corporation ("InVivo"). InVivo was the surviving corporation of that Merger. As a result of the Merger, we acquired the business of InVivo, and will continue the existing business operations of InVivo, as a wholly-owned subsidiary.

Simultaneously with the Merger, all of the issued and outstanding shares of InVivo common stock converted, on a 13.7706 for 1 basis, into shares of our Common Stock. All of the issued and outstanding options to purchase shares of InVivo common stock, and the issued and outstanding Bridge Warrants (as defined below) to purchase shares of InVivo common stock, converted, respectively, into options (the "New Options") and new bridge warrants (the "New Bridge Warrants") to purchase shares of our Common Stock. The number of shares of Common Stock issuable under, and the price per share upon exercise of, the New Options and the New Bridge Warrants were calculated based on the terms of the original options and warrants of InVivo, as adjusted by the conversion ratio in the Merger, which is described in the Merger Agreement. The New Options will be administered under InVivo's 2007 Stock Incentive Plan, which the Company assumed and adopted in connection with the Merger.

An aggregate of 31,647,190 shares of Common Stock were issued to former InVivo stockholders and options for the purchase of 5,915,557 shares of Common Stock and New Bridge Warrants for the purchase of 600,000 shares of Common Stock were issued to holders of outstanding InVivo options and warrants. Our stockholders before the Merger, without giving effect to the Offering (as defined below), retained 6,999,981 shares of Common Stock.

The Merger was a "reverse merger," and InVivo is deemed to be the acquirer and ongoing operating company. The Merger was recorded as a recapitalization of InVivo, equivalent to the issuance of common stock by InVivo for the net monetary assets of ITHC accompanied by a recapitalization. At the date of the Merger, the 6,999,981 outstanding ITHC shares are reflected as an issuance of InVivo common stock to the prior shareholders of ITHC. ITHC had no net monetary assets as of the Merger so this issuance was recorded as a reclassification between additional paid-in capital and par value of Common Stock. In connection with the Merger, we adopted the fiscal year end of InVivo, thereby changing our fiscal year end from March 31 to December 31.

In connection with the Merger, on October 26, November 10 and December 3, 2010, we completed a private offering (the “Offering”) of 13,000,000 units of our securities (“Units”), at a price of $1.00 per Unit. Each Unit consists of one share of Common Stock and a warrant to purchase one share of Common Stock. The warrants (the “Investor Warrants”) are exercisable for a period of five years at a purchase price of $1.40 per share of Common Stock. The Offering was made only to accredited investors, as defined under Regulation D, Rule 501(a). The investors in the Offering collectively purchased 13,000,000 Units for total cash consideration of $13,000,000, which includes the conversion of $504,597 of principal of, and accrued interest on, Bridge Notes (as defined below) and we received net proceeds after expenses of $10,914,044.

We paid Spencer Trask Ventures, Inc., our placement agent in the Offering (the “Placement Agent”), a commission of 10% of the funds raised from investors in the Offering. In addition, the Placement Agent received a non-accountable expense allowance equal to 3% of the proceeds raised in the Offering as well as warrants to purchase a number of shares of Common Stock equal to 20% of the Common Stock and 20% of the Common Stock underlying the Investor Warrants sold to investors in the Offering. As a result of the foregoing arrangement, the Placement Agent was paid commissions and expenses of $1,690,000 and was issued warrants to purchase (i) 2,600,000 shares of Common Stock at an exercise price of $1.00 per share and (ii) 2,600,000 shares of Common Stock at an exercise price of $1.40 per share. Neither the warrants nor the shares issuable upon exercise of the warrants issued to the Placement Agent have registration rights and such securities are not being registered on this registration statement. The warrants contain weighted average anti-dilution and immediate cashless exercise provisions. In September 2010, several related parties to the Placement Agent purchased an aggregate of 3,895,643 shares of our Common Stock from various shareholders of the Company at an aggregate cost of $49,000.

Prior to the Merger, InVivo completed a Bridge Financing, wherein it sold $500,000 in principal amount of its bridge notes (the “Bridge Notes”) and 36,310 bridge warrants (the “Bridge Warrants”) to accredited investors (the “Bridge Financing”). The Bridge Notes converted into 504,597 Units in the Offering. The 36,310 Bridge Warrants converted into 500,000 New Bridge Warrants, each exercisable at a price of $1.00 per share of Common Stock, upon the closing of the Merger. As consideration for identifying investors to participate in the Bridge Financing, the Placement Agent received Warrants from InVivo that were exchanged on the closing of the Merger for Warrants to purchase 100,000 shares of our Common Stock at a price of $1.00 per share. The Placement Agent also received, upon conversion of the Bridge Notes, compensation in the same amount as it received for other Units sold in the Offering. The Merger, the Offering, the Bridge Financing and the related transactions are collectively referred to in this prospectus as the “Transactions.”

Simultaneously with the closing of the Merger on October 26, 2010, ITHC transferred all of its operating assets and liabilities to its wholly-owned subsidiary, D Source Split Corp., a company organized under the laws of Nevada (“DSSC”). DSSC was then split-off from ITHC through the sale of all outstanding shares of DSSC (the “Split-Off”). In connection with the Split-Off, 14,747,554 shares of our Common Stock held by Peter Reichard, Lawrence Reichard and Peter Coker (the “Split-Off Shareholders”) were surrendered and cancelled without further consideration, other than the shares of DSSC. An additional 1,014,490 shares of our Common Stock were cancelled by a shareholder for no additional consideration. The assets and liabilities of ITHC were transferred to the Split-Off Shareholders in the Split-Off. ITHC executed a split off agreement with the Split-Off Shareholders which obligates the Split-Off Shareholders to assume all prior liabilities associated with ITHC before the Merger.

Please see “Description of Capital Stock” on page 59 for a reconciliation of the outstanding shares of InVivo and ITHC common stock on a pre and post Merger basis.

Business Overview

InVivo was founded in 2005 to develop and commercialize new technologies for the treatment of spinal cord injuries. InVivo's proprietary technology was co-invented by Robert S. Langer, ScD, Professor at Massachusetts Institute of Technology and Joseph P. Vacanti, MD, affiliated with Massachusetts General Hospital. The intellectual property rights that are the basis for our products are licensed under an exclusive, world-wide license from Children's Medical Center Corporation ("CMCC") and Massachusetts Institute of Technology ("MIT").

We intend to create new treatments for spinal cord injury. Current treatments consist of a collection of approaches that only focus on symptoms of spinal cord injury. To date, we are not aware of any product on the market that addresses the underlying pathology of spinal cord injury.

Currently, there are no successful spinal cord injury treatment options for spinal cord injury patients. We take a different approach to spinal cord injury and focus on protection of the spinal cord and prevention of secondary injury rather than regeneration. Our platform technologies focus on minimizing tissue damage sustained following acute injury and promoting neural plasticity of the spared healthy tissue, which may result in full or partial functional recovery. The technologies encompass multiple strategies involving biomaterials, U.S. Food & Drug Administration ("FDA") approved drugs, growth factors, and human neural stem cells. We believe our approach could become a standard treatment for both acute and chronic spinal cord injuries.

We intend to leverage our primary platform technology to develop and commercialize three products as follows:

1. A biocompatible polymer scaffolding device to treat acute spinal cord injuries.
2. A biocompatible hydrogel for local controlled release of methylprednisolone to treat acute spinal cord injuries.
3. A biocompatible polymer scaffolding device seeded with autologous human neural stem cells to treat acute and chronic spinal cord injuries.

Our biopolymer-based devices are surgically implanted or injected into the lesion created during traumatic injury, or the "primary injury". This biopolymer scaffolding protects the damaged spinal cord by mitigating the progression of "secondary injury" resulting from the body's inflammatory and immune response to injury, and promotes neuroplasticity, a process where functional recovery (the recovery of motor movement or sensation) may occur through the rerouting of signaling pathways to the spared healthy tissue. Achieving these results is essential to the recovery process, as secondary injury can significantly worsen the immediate damage sustained during trauma. The additional damage dramatically reduces patient quality of life post-injury.

Additional applications of our platform technologies include the potential treatment for, spinal cord injury following tumor removal, peripheral nerve damage, and postsurgical treatment of any transected nerve. Our first product, the biocompatible scaffolding device for the treatment of acute spinal cord injury, is regulated as a Class III medical device by the FDA. The product has been evaluated in animal studies and the Company intends to submit an Investigational Device Exemption with the FDA during 2011 that if approved by the FDA will permit the commencement of human clinical studies.

The biocompatible hydrogel for the local release of methylprednisolone to treat acute spinal cord injuries and the biocompatible polymer scaffolding device seeded with autologous human neural stem cells to treat acute and chronic spinal cord injuries are likely to be regulated as combination drug/devices and as such will require significantly longer regulatory approval times than the biopolymer scaffolding device.

At December 31, 2010, the Company had total assets of $9,379,000 and total liabilities of $11,232,000, resulting in a stockholders' deficit of $1,853,000. At March 31, 2011, the Company had total assets of approximately $7,984,000 and total liabilities of approximately $11,005,000, resulting in a stockholders' deficit of $3,021,000.

Offering by Selling Securityholders

All references herein to our shares of Common Stock give effect to a 2.02898 for 1 forward split of our shares of Common Stock, which we completed on October 22, 2010.

We are registering the following securities issued in connection with the Offering and Bridge Financing:

- For resale by the selling securityholders, 12,848,600 shares of Common Stock purchased in the Offering;
- For resale by the selling securityholders, 12,848,600 shares of Common Stock issuable upon exercise of the Investor Warrants that were acquired in the Offering; and
- For resale by the selling securityholders, 350,000 shares of Common Stock issuable upon exercise of the New Bridge Warrants.

As of the date of this prospectus, each Investor Warrant and New Bridge Warrant is exercisable to purchase one share of Common Stock. The exercise price and number of shares of Common Stock issuable upon exercise of the Investor Warrants and the New Bridge Warrants are subject to further adjustment in certain circumstances.

The exercise price of each Investor Warrant is $1.40. The Investor Warrants expire on varying dates up to December 3, 2015. There is a possibility that the warrants will never be exercised when in-the-money or otherwise, and that warrant holders will never receive shares or payment of cash in settlement of the warrants.

The Investor Warrants may be redeemed by us at any time our Common Stock trades above $2.80 for twenty consecutive days following the effectiveness of the registration statement covering the resale of the underlying Investor Warrant shares. The Investor Warrants can only be redeemed if this registration statement is effective at the time of the redemption notice.

The exercise price of each New Bridge Warrant is $1.00. The New Bridge Warrants expire on October 26, 2015. There is a possibility that the warrants will never be exercised when in-the-money or otherwise, and that warrant holders will never receive shares or payment of cash in settlement of the warrants. We do not have the right to redeem the New Bridge Warrants.

Common stock outstanding	51,674,712 shares as of May 18, 2011
Use of proceeds	We will not receive any of the proceeds from the sale of the securities being registered on behalf of the Selling Securityholders hereunder. We will receive the exercise price upon the exercise of any Investor Warrant or New Bridge Warrant.
OTC Bulletin Board symbol	NVIV
Risk factors	Investing in our Common Stock involves a high degree of risk. As an investor you should be able to bear a complete loss of your investment. You should carefully consider the information set forth in the “Risk Factors” section of this prospectus.

Our principal business office is located at One Broadway, 14th Floor, Cambridge, Massachusetts 02142, and our telephone number is (617) 475-1520. Our website address is www.invivotherapeutics.com. Information contained on our website or any other website does not constitute part of this prospectus.

We will bear the expenses of registering these securities. The Selling Securityholders will pay the cost of any brokerage commissions and discounts, and all expenses incurred by them in connection with the resale of the securities. See “Plan of Distribution.”

We had 51,674,712 shares of Common Stock issued and outstanding as of May 18, 2011. Unless the context indicates otherwise, all share and per-share Common Stock information in this prospectus:

- assumes no additional exercises of the Investor Warrants and New Bridge Warrants;
- assumes no additional exercises of the Placement Agent’s warrants;
- excludes 5,888,016 shares underlying outstanding options under our 2007 Stock Incentive Plan; and
- excludes 535,000 shares underlying outstanding options under our 2010 Equity Incentive Plan.

RISK FACTORS

If you purchase our securities, you will assume a high degree of risk. In deciding whether to invest, you should carefully consider the following risk factors, as well as the other information contained elsewhere in this prospectus. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations or prospects and cause the value of our securities to decline, which could cause you to lose all or part of your investment.

Risks Relating to Our Business and Our Industry

We have a limited operating history and it is difficult to predict our future growth and operating results.

We have a limited operating history and limited operations and assets. Accordingly, you should consider our prospects in light of the costs, uncertainties, delays and difficulties encountered by companies in the early stage of development. As a development stage company, our development timelines have been and may continue to be subject to adjustments that could negatively affect our cash flow and ability to develop or bring products to market, if at all. Predicting our future operating and other results is extremely difficult, if not impossible.

Our prospects must be considered in light of inherent risks, expenses and difficulties encountered by all early stage companies, particularly companies in new and evolving markets. These risks include, by way of example and not limitation, unforeseen capital requirements, unforeseen technical problems, delays in obtaining regulatory approvals, failure of market acceptance and competition from foreseen and unforeseen sources.

We have not generated any revenues to date and have a history of losses since inception.

We have not generated any revenue to date and, through March 31, 2011, have incurred net losses of approximately $15,513,000 since inception. It can be expected that we will continue to incur significant operating expenses and continue to experience losses in the foreseeable future. As a result, we cannot predict when, if ever, we might achieve profitability and cannot be certain that we will be able to sustain profitability, if achieved.

We will need substantial additional funding to develop our products and for our future operations. If we are unable to obtain the funds necessary to do so, we may be required to delay, scale back or eliminate our product development or may be unable to continue our business.

The development and approval to market and sell our product candidates will require a commitment of substantial funds, in excess of our current capital resources. Before we can market or sell any of our products, we will need to conduct costly and time-consuming research, which will include preclinical and clinical testing and regulatory approvals. We anticipate the amount of operating funds that we use will continue to increase along with our operating expenses over at least the next several years as we plan to bring our products to market. While we believe our current capital resources will satisfy our planned capital needs for at least 12 months, our future capital requirements will depend on many factors, including:

- the progress and costs of our research and development programs, including our ability to develop our current portfolio of therapeutic products, or discover and develop new ones;
- our ability, or our partners ability and willingness, to advance partnered products or programs;
- the cost of prosecuting, defending and enforcing patent claims and other intellectual property rights;
- the progress, scope, costs, and results of our preclinical and clinical testing of any current or future products;
- the time and cost involved in obtaining regulatory approvals;
- the cost of manufacturing our product candidates;

- expenses related to complying with Good Manufacturing Practice manufacturing of product candidates;
- costs of financing the purchases of additional capital equipment and development technologies;
- competing technological and market developments;
- our ability to establish and maintain collaborative and other arrangements with third parties to assist in bringing our products to market and the cost of such arrangements.
- the amount and timing of payments or equity investments that we receive from collaborators and the timing and amount of expenses we incur;
- costs associated with the integration of any new operation, including costs relating to future mergers and acquisitions with companies that have complementary capabilities;
- expenses related to the establishment of sales and marketing capabilities for products awaiting approval or products that have been approved;
- the level of our sales and marketing expenses; and
- our ability to introduce and sell new products.

We cannot assure you that we will not need additional capital sooner than currently anticipated. We will need to raise substantial additional capital to fund our future operations. We cannot be certain that additional financing will be available on acceptable terms, or at all. In recent years, it has been difficult for companies to raise capital due to a variety of factors, which may or may not continue. To the extent we raise additional capital through the sale of equity securities, the ownership position of our existing stockholders could be substantially diluted. If additional funds are raised through the issuance of preferred stock or debt securities, these securities are likely to have rights, preferences and privileges senior to our Common Stock. Fluctuating interest rates could also increase the costs of any debt financing we may obtain.

Our products will represent new and rapidly evolving technologies.

Our proprietary spinal cord injury treatment technology depends on new, rapidly evolving technologies and on the marketability and profitability of our products. Approval by applicable regulatory agencies and commercialization of our spinal cord injury treatment technology could fail for a variety of reasons, both within and outside of our control. Furthermore, because there are no approved treatments for spinal cord injuries, the regulatory requirements governing this type of product may be more rigorous or less clearly established than for other analogous products.

We license our core technology from Children's Medical Center Corporation ("CMCC") and Massachusetts Institute of Technology ("MIT"), and we could lose our rights to this license if a dispute with CMCC or MIT arises or if we fail to comply with the financial and other terms of the license.

We license patents and core intellectual property from CMCC and MIT under the CMCC license. The CMCC license agreement imposes certain payment, milestone achievement, reporting, confidentiality and other obligations on us. In the event that we were to breach any of the obligations and fail to cure, CMCC would have the right to terminate the CMCC license agreement upon notice. In addition, CMCC has the right to terminate the CMCC license agreement upon the bankruptcy or receivership of the Company. The termination of the CMCC license would have a material adverse effect on our business, as all of our current product candidates are based on the patents and licensed intellectual property. If any dispute arises with respect to our arrangement with CMCC or MIT, such dispute may disrupt our operations and would likely have a material and adverse impact on us if resolved in a manner that is unfavorable to us.

We will face substantial competition.

The biotechnology industry in general is subject to intense competition and rapid and significant technological change. We have many potential competitors, including major drug companies, specialized biotechnology firms, academic institutions, government agencies and private and public research institutions. Many of these competitors have significantly greater financial and technical resources than us, and superior experience and expertise in research and development, preclinical testing, designing and implementing clinical trials, regulatory processes and approvals, production and manufacturing, and sales and marketing of approved products.

Principal competitive factors in our industry include the quality and breadth of an organization's technology; management of the organization and the execution of the organization's strategy; the skill and experience of an organization's employees and its ability to recruit and retain skilled and experienced employees; an organization's intellectual property portfolio; the range of capabilities, from target identification and validation to drug and device discovery and development to manufacturing and marketing; and the availability of substantial capital resources to fund discovery, development and commercialization activities.

Large and established companies compete in the biotech market. In particular, these companies have greater experience and expertise in securing government contracts and grants to support their research and development efforts, conducting testing and clinical trials, obtaining regulatory approvals to market products, manufacturing such products on a broad scale and marketing approved products.

Smaller or early-stage companies and research institutions may also prove to be significant competitors, particularly through collaborative arrangements with large and established biotech or other companies. We will also face competition from these parties in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and registering subjects for clinical trials.

In order to effectively compete, we will have to make substantial investments in development, testing, manufacturing and sales and marketing or partner with one or more established companies. There is no assurance that we will be successful in having our products approved or gaining significant market share for any of our products. Our technologies and products also may be rendered obsolete or noncompetitive as a result of products introduced by our competitors.

We will require FDA approval before we can sell any of our products.

The development, manufacture and marketing of our products are subject to government regulation in the United States and other countries. In the United States and most foreign countries, we must complete rigorous preclinical testing and extensive human clinical trials that demonstrate the safety and efficacy of a product in order to apply for regulatory approval to market the product.

Our biopolymer scaffolding device is expected to be regulated as a Class III medical device by the FDA. The steps required by the FDA before our proposed medical device products may be marketed in the United States include performance of preclinical (animal and laboratory) tests; submissions to the FDA of an Investigational Device Exemption ("IDE") which must become effective before human clinical trials may commence; performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the product in the intended target population; performance of a consistent and reproducible manufacturing process intended for commercial use; Pre-Market Approval Application ("PMA"); and FDA approval of the PMA before any commercial sale or shipment of the product.

The processes are expensive and can take many years to complete, and we may not be able to demonstrate the safety and efficacy of our products to the satisfaction of such regulatory authorities. The start of clinical trials can be delayed or take longer than anticipated for many and varied reasons, many of which would be outside of our control. All statutes and regulations governing the conduct of clinical trials are subject to change in the future, which could affect the cost of such clinical trials. Safety concerns may emerge that could lengthen the ongoing trials or require additional trials to be conducted. Regulatory agencies may require us or our collaborators to delay, restrict or discontinue clinical trials on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Regulatory authorities may also require additional testing, and we may be required to demonstrate that our proposed products represent an improved form of treatment over existing therapies, which we may be unable to do without conducting further clinical studies. Delays in regulatory approval can be extremely costly in terms of lost sales opportunities, losing any potential marketing advantage of being early to market and increased trial costs. Moreover, if the FDA grants regulatory approval of a product, the approval may be limited to specific indications or limited with respect to its distribution. Expanded or additional indications for approved devices or drugs may not be approved, which could limit our potential revenues. Foreign regulatory authorities may apply similar limitations or may refuse to grant any approval. Consequently, even if we believe that preclinical and clinical data are sufficient to support regulatory approval for our product candidates, the FDA and foreign regulatory authorities may not ultimately grant approval for commercial sale in any jurisdiction. If our products are not approved, our ability to generate revenues will be limited and our business will be adversely affected.

The results seen in animal testing of our product candidates may not be replicated in humans.

Although we have obtained some results from preclinical testing of our intended products in animals, we may not see positive results when any of our product candidates undergo clinical testing in humans in the future. Our preclinical testing to date has been limited in nature and we cannot predict whether more extensive clinical testing will obtain similar results. Success in preclinical studies or completed clinical trials does not ensure that later studies or trials, including continuing preclinical studies and large-scale clinical trials, will be successful nor does it necessarily predict future results. The rate of failure is quite high, and many companies in the biotechnology industry have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials. Product candidates may fail to show desired safety and efficacy in larger and more diverse patient populations in later stage clinical trials, despite having progressed through early stage trials. Negative or inconclusive results from any of our ongoing preclinical studies or clinical trials could result in delays, modifications, or abandonment of ongoing or future clinical trials and the termination of our development of a product candidate. Additionally, even if we are able to successfully complete clinical trials, the FDA still may not approve our product candidates.

Our products are in an early stage of development and we currently have no therapeutic products approved for sale. We may be unable to develop or market any of our product candidates. If our product candidates are delayed or fail, our financial condition will be negatively affected, and we may have to curtail or cease our operations.

We currently do not sell any approved therapeutic products and do not expect to have any products commercially available for at least two years, if at all. We are subject to all of the uncertainties and complexities affecting an early stage biotechnology company. Our product candidates require additional research and development. Our strategy of using our technologies for the development of therapeutic products involves new approaches, some of which are unproven. To date, no one to our knowledge has developed or commercialized any therapeutic products using our technologies and we might never commercialize any product using our technologies and strategy. There are many reasons that our product candidates may fail or not advance to commercialization, including the possibility that our product candidates may be ineffective, unsafe or associated with unacceptable side effects; our product candidates may be too expensive to develop, manufacture or market; other parties may hold or acquire proprietary rights that could prevent us or our potential collaborators from developing or marketing our product candidates; physicians, patients, third-party payers or the medical community in general may not accept or use our contemplated products; our potential collaborators may withdraw support for or otherwise impair the development and commercialization of our product candidates; or others may develop equivalent or superior products.

If our current product candidates are delayed or fail, or we fail to successfully develop and commercialize new product candidates, our financial condition will be negatively affected, and we may have to curtail or cease our operations.

Approval to promote, manufacture and/or sell our products, if granted, will be limited and subject to continuing review.

Even if a product gains regulatory approval, such approval is likely to limit the indicated uses for which it may be marketed, and the product and the manufacturer of the product will be subject to continuing regulatory review, including adverse event reporting requirements and the FDA's general prohibition against promoting products for unapproved uses. Failure to comply with any post-approval requirements can, among other things, result in warning letters, product seizures, recalls, substantial fines, injunctions, suspensions or revocations of marketing licenses, operating restrictions and criminal prosecutions. Any of these enforcement actions, any unanticipated changes in existing regulatory requirements or the adoption of new requirements, or any safety issues that arise with any approved products, could adversely affect our ability to market products and generate revenues and thus adversely affect our ability to continue our business.

We also may be restricted or prohibited from marketing or manufacturing a product, even after obtaining product approval, if previously unknown problems with the product or its manufacture are subsequently discovered and we cannot provide assurance that newly discovered or developed safety issues will not arise following any regulatory approval. With the use of any treatment by a wide patient population, serious adverse events may occur from time to time that initially do not appear to relate to the treatment itself, and only if the specific event occurs with some regularity over a period of time does the treatment become suspect as having a causal relationship to the adverse event. Any safety issues could cause us to suspend or cease marketing of our approved products, possibly subject us to substantial liabilities, and adversely affect our ability to generate revenues.

We will be required to obtain international regulatory approval to market and sell our products outside of the United States.

We intend to also have our product candidates marketed outside the United States. In order to market products in the European Union and many other non-U.S. jurisdictions, we must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. We may not obtain foreign regulatory approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory agencies in other foreign countries. A failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in other jurisdictions, including approval by the FDA. The failure to obtain regulatory approval in foreign jurisdictions could harm our business.

We will depend upon strategic relationships to develop, exploit and manufacture our products.

The near and long-term viability of our products will depend in part on our ability to successfully establish new strategic collaborations with biotechnology companies, hospitals, insurance companies and government agencies. Establishing strategic collaborations is difficult and time-consuming. Potential collaborators may reject collaborations based upon their assessment of our financial, regulatory or intellectual property position. If we fail to establish a sufficient number of collaborations on acceptable terms, we may not be able to commercialize our products or generate sufficient revenue to fund further research and development efforts.

Even if we establish new collaborations, these relationships may never result in the successful development or commercialization of any product candidates for several reasons both within and outside of our control.

We will require quantities of manufactured product and may require third party manufacturers to fulfill some of our inventory requirements.

Completion of our clinical trials and commercialization of our products will require access to, or development of, facilities to manufacture a sufficient supply of our product or other product candidates. If we are unable to manufacture our products in commercial quantities, then we will need to rely on third parties. These third-party manufacturers must also receive FDA approval before they can produce clinical material or commercial products. Our products may be in competition with other products for access to these facilities and may be subject to delays in manufacture if third parties give other products greater priority. In addition, we may not be able to enter into any necessary third-party manufacturing arrangements on acceptable terms, or on a timely basis. Failure by us to manufacture products on a timely basis for clinical trials or for commercial needs will have a material adverse affect on us.

There are a limited number of suppliers that can provide materials to us.

We may rely on third-party suppliers and vendors for some of the materials used in the manufacture of our products or other of our product candidates. Any significant problem experienced by one of our suppliers could result in a delay or interruption in the supply of materials to us until such supplier resolves the problem or an alternative source of supply is located. Any delay or interruption could negatively affect our operations.

We will rely upon third parties for laboratory testing, animal and human studies.

We have been and will continue to be dependent on third-party contract research organizations to conduct some of our laboratory testing, animal and human studies. If we are unable to obtain any necessary testing services on acceptable terms, we may not complete our product development efforts in a timely manner. If we rely on third parties for laboratory testing and/or animal and human studies, we may lose some control over these activities and become too dependent upon these parties. These third parties may not complete testing activities on schedule or when we request. We may not be able to secure and maintain suitable contract research organizations to conduct our laboratory testing and/or animal and human studies. We are responsible for confirming that each of our clinical trials is conducted in accordance with our general plan and protocol. Moreover, the FDA and foreign regulatory agencies require us to comply with regulations and standards, commonly referred to as good clinical practices, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the trial participants are adequately protected. Our reliance on third parties does not relieve us of these responsibilities and requirements. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, if the third parties need to be replaced or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our pre-clinical development activities or clinical trials may be extended, delayed, suspended or terminated, and we may not be able to obtain regulatory approval for our product candidates.

To date we have performed limited preclinical safety testing of our hydrogel containing methylprednisolone sodium succinate delivered locally to treat spinal cord injuries. The intended product might not be safe for human use. If we cannot demonstrate the product is safe for human use, future development will be halted and the product will never be evaluated in human clinical studies.

Methylprednisolone sodium succinate is a powerful anti-inflammatory drug that is delivered systemically to treat spinal cord injuries. The drug is a corticosteroid administered in high dosage and its use increases the risk of serious adverse effects including pneumonia, sepsis and mortality. Even though we believe that our hydrogel, designed to locally deliver the drug over a period of days will be safer than systemic delivery, to date the combination product has only been evaluated in animal testing on a limited basis. The risk exists that the intended product will have the same serious adverse effects as with systemic delivery and the introduction of the polymer could potentially introduce new side effects.

We will have to demonstrate that this intended product is safe before we can commence human clinical testing. The risk exists that the product will not be safe for human use in which case development would be halted and the product would never be evaluated in human clinical studies.

We may have product liability exposure.

We will have exposure to claims for product liability. Product liability coverage is expensive and sometimes difficult to obtain. We may not be able to obtain or maintain insurance at a reasonable cost. There can be no assurance that existing insurance coverage will extend to other products in the future. Any product liability insurance coverage may not be sufficient to satisfy all liabilities resulting from product liability claims. A successful claim may prevent us from obtaining adequate product liability insurance in the future on commercially desirable items, if at all. Even if a claim is not successful, defending such a claim would be time-consuming and expensive, may damage our reputation in the marketplace, and would likely divert management’s attention.

Our products are new and will require market acceptance.

Even if we receive regulatory approvals for the commercial sale of our product candidates, the commercial success of these product candidates will depend on, among other things, their acceptance by physicians, patients, third party payers such as health insurance companies and other members of the medical community as a therapeutic and cost-effective alternative to competing products and treatments. If our product candidates fail to gain market acceptance, we may be unable to earn sufficient revenue to continue our business. Market acceptance of, and demand for, any product that we may develop and commercialize will depend on many factors, both within and outside of our control. If our product candidates do not become widely accepted by physicians, patients, third party payers and other members of the medical community, our business, financial condition and results of operations would be materially and adversely affected.

Physicians and hospitals will require training in order to utilize our products.

Our products have not been utilized in the past for spinal cord injury treatment. As is typical in the case of a new and rapidly evolving technology or medical treatment, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. In addition, physicians and hospitals will need to establish training and procedures to utilize and implement our products. There can be no assurance that these parties will adopt our products or that they develop sufficient training and procedures to properly utilize our products.

Our success will depend upon the level of third party reimbursement for the cost of our products to users.

Our successes may depend, in part, on the extent to which reimbursement for the costs of therapeutic products and related treatments will be available from third-party payers such as government health administration authorities, private health insurers, managed care programs, and other organizations. Over the past decade, the cost of health care has risen significantly, and there have been numerous proposals by legislators, regulators, and third-party health care payers to curb these costs. Some of these proposals have involved limitations on the amount of reimbursement for certain products. Similar federal or state health care legislation may be adopted in the future and any products that we or our collaborators seek to commercialize may not be considered cost-effective. Adequate third-party insurance coverage may not be available for us to establish and maintain price levels that are sufficient for us to continue our business or for realization of an appropriate return on investment in product development.

We will be subject to environmental, health and safety laws.

We are subject to various laws and regulations relating to safe working conditions, laboratory and manufacturing practices, the experimental use of animals and humans, emissions and wastewater discharges, and the use and disposal of hazardous or potentially hazardous substances used in connection with our research, including infectious disease agents. We also cannot accurately predict the extent of regulations that might result from any future legislative or administrative action. Any of these laws or regulations could cause us to incur additional expense or restrict our operations.

Compliance with environmental laws and regulations may be expensive, and current or future environmental regulations may impair our research, development or production efforts.

We must maintain the proprietary nature of our products and must operate without infringing on the proprietary rights of others.

Our success in large part depends on our ability to maintain the proprietary nature of our licensed technology. We will rely on a combination of patent, trademark, copyright and trade secret laws, as well as confidentiality agreements, license agreements and technical measures to protect our proprietary rights. We and our licensors must prosecute and maintain existing patents and obtain new patents. Some of our proprietary information may not be patentable, and there can be no assurance that others will not utilize similar or superior solutions to compete with us. We cannot guarantee that we will develop proprietary products and services or processes that are patentable, and that if issued, any patent will give a competitive advantage or that such patent will not be challenged by third parties, or that the patents of others will not have a material adverse effect on our ability to do business. We intend to register certain trademarks in, or claim certain trademark rights in, the United States and/or foreign jurisdictions. We cannot assure you that our means of protecting our proprietary rights will suffice or that our competitors will not independently develop competitive technology or duplicate processes or design around patents or other intellectual property rights issued to us.

We also must operate without infringing the proprietary rights of third parties or allowing third parties to infringe our rights. Our research, development and commercialization activities, including any product candidates or products resulting from these activities, may infringe or be claimed to infringe patents owned by third parties and to which we do not hold licenses or other rights. There may be rights that we are not aware of, including applications that have been filed but not published that, when issued, could be asserted against us. These third parties could bring claims against us that would cause us to incur substantial expenses and, if successful, could cause us to pay substantial damages. Further, if a patent infringement suit were brought against us, we could be forced to stop or delay research, development, manufacturing or sales of the product or biologic treatment candidate that is the subject of the suit.

In addition, competitors may infringe our patents or the patents of our collaborators or licensors. As a result, we may be required to file infringement claims to counter infringement for unauthorized use. This can be expensive and time-consuming. In addition, in an infringement proceeding, a court may decide that a patent licensed or owned by us is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our licensed or owned patents do not cover its technology. An adverse determination of any litigation or defense proceedings could put one or more of our licensed or owned patents at risk of being invalidated or interpreted narrowly and could put our licensed or owned patent applications at the risk of not issuing.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our trade secrets or other confidential information could be compromised by disclosure during this type of litigation.

Our ability to raise capital as required may be difficult given the current condition of the capital and credit markets.

We are likely in the future to seek to access the capital markets for our capital needs. Traditionally, biotech companies have funded their research and development expenditures through raising capital in the equity markets. Declines and uncertainties in these markets over the past few years have severely restricted raising new capital and have affected companies' ability to continue to expand or fund existing research and development efforts. We will require significant capital beyond our current resources for research and development for our product candidates and clinical trials. The general economic and capital market conditions, both in the United States and worldwide have deteriorated significantly and will adversely affect our access to capital and may increase the cost of capital. If these economic conditions continue or become worse, our future cost of equity or debt capital and access to the capital markets could be adversely affected.

We are dependent on our management and other key personnel.

We depend on our senior executive officers as well as key scientific and other personnel. The loss of any of these individuals could harm our business and significantly delay or prevent the achievement of research, development or business objectives. Competition for qualified employees is intense among biotechnology companies, and the loss of qualified employees, or an inability to attract, retain and motivate additional highly skilled employees could hinder our ability to successfully develop marketable products.

Our future success also depends on our ability to identify, attract, hire, train, retain and motivate other highly skilled scientific, technical, marketing, managerial and financial personnel. Although we will seek to hire and retain qualified personnel with experience and abilities commensurate with our needs, there is no assurance that we will succeed despite our collective efforts. The loss of the services of any of the principal members of our management or other key personnel could hinder our ability to fulfill our business plan and further develop and commercialize our products and services. Competition for personnel is intense, and any failure to attract and retain the necessary technical, marketing, managerial and financial personnel would have a material adverse effect on our business, prospects, financial condition and results of operations. Although we presently do not maintain “key person” life insurance policies on any of our personnel, we are currently in the process of obtaining key man insurance on Frank Reynolds, our Chairman, Chief Executive Officer and Chief Financial Officer.

Risks Related to Investment in Our Securities

Our securities are “Penny Stock” and subject to specific rules governing their sale to investors.

The SEC has adopted Rule 15g-9 which establishes the definition of a “penny stock,” for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require that a broker or dealer approve a person’s account for transactions in penny stocks; and the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person’s account for transactions in penny stocks, the broker or dealer must obtain financial information and investment experience objectives of the person; and make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form sets forth the basis on which the broker or dealer made the suitability determination; and that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the “penny stock” rules. This may make it more difficult for our shareholders to sell shares of our Common Stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

An active public market for our Common Stock may not develop.

The market price of our Common Stock has fluctuated significantly, and is likely to continue to be highly volatile. To date, the trading volume in our Common Stock has been relatively low and significant price fluctuations can occur as a result. An active public market for our Common Stock may not continue to develop or be sustained. If the low trading volumes experienced to date continue, such price fluctuations could occur in the future and the sale price of our Common Stock could decline significantly. Investors may therefore have difficulty selling their shares.

Because we became public by means of a reverse merger, we may not be able to attract the attention of major brokerage firms.

Additional risks may exist since we became public through a "reverse merger." Securities analysts of major brokerage firms may not provide coverage of us since there is little incentive to brokerage firms to recommend the purchase of our Common Stock. No assurance can be given that brokerage firms will want to conduct any secondary offerings on our behalf in the future.

Compliance with the reporting requirements of federal securities laws can be expensive.

We are a public reporting company in the United States, and accordingly, subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and other federal securities laws, and the compliance obligations of the Sarbanes-Oxley Act. The costs of preparing and filing annual and quarterly reports and other information with the SEC and furnishing audited reports to stockholders are substantial. In addition, we will incur substantial expenses in connection with the preparation of the registration statement and related documents with respect to the registration of resales of the Common Stock sold in the Offering.

We do not currently have a separate Chief Financial Officer.

We do not currently have a separate Chief Financial Officer. Our Chief Executive Officer is also functioning as our Chief Financial Officer. Although we are currently seeking to retain a Chief Financial Officer, there can be no assurance we will be able to retain a suitable candidate on acceptable terms.

Applicable regulatory requirements, including those contained in and issued under the Sarbanes-Oxley Act of 2002, may make it difficult for us to retain or attract qualified officers and directors, which could adversely affect the management of our business and our ability to obtain or retain listing of our Common Stock.

We may be unable to attract and retain those qualified officers, directors and members of board committees required to provide for effective management because of the rules and regulations that govern publicly held companies, including, but not limited to, certifications by principal executive officers. The enactment of the Sarbanes-Oxley Act has resulted in the issuance of a series of related rules and regulations and the strengthening of existing rules and regulations by the SEC, as well as the adoption of new and more stringent rules by the stock exchanges. The perceived increased personal risk associated with these changes may deter qualified individuals from accepting roles as directors and executive officers.

Further, some of these changes heighten the requirements for board or committee membership, particularly with respect to an individual's independence from the corporation and level of experience in finance and accounting matters. We may have difficulty attracting and retaining directors with the requisite qualifications. If we are unable to attract and retain qualified officers and directors, the management of our business and our ability to obtain or retain listing of our shares of Common Stock on any stock exchange (assuming we elect to seek and are successful in obtaining such listing) could be adversely affected.

We may have undisclosed liabilities and any such liabilities could harm our revenues, business, prospects, financial condition and results of operations.

Even though the assets and liabilities of our predecessor company, Design Source, Inc. were transferred to the Split-Off Shareholders in the Split-Off and were not assumed by ITHC, there can be no assurance that we will not be liable for any or all of such liabilities. Any such liabilities of ITHC that survive the Split-Off could harm our revenues, business, prospects, financial condition and results of operations upon our acceptance of responsibility for such liabilities.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or detect fraud. Consequently, investors could lose confidence in our financial reporting and this may decrease the trading price of our stock.

We must maintain effective internal controls to provide reliable financial reports and detect fraud. We have been assessing our internal controls to identify areas that need improvement. We are in the process of implementing changes to internal controls, but have not yet completed implementing these changes. Failure to implement these changes to our internal controls or any others that we identify as necessary to maintain an effective system of internal controls could harm our operating results and cause investors to lose confidence in our reported financial information. Any such loss of confidence would have a negative effect on the trading price of our Common Stock.

The price of our Common Stock may become volatile, which could lead to losses by investors and costly securities litigation.

The trading price of our Common Stock is likely to be highly volatile and could fluctuate in response to factors such as:

- actual or anticipated variations in our operating results;
- announcements of developments by us or our competitors;
- the timing of IDE approval, the completion and/or results of our clinical trials;
- regulatory actions regarding our products;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- adoption of new accounting standards affecting our industry;
- additions or departures of key personnel;
- introduction of new products by us or our competitors;
- sales of our Common Stock or other securities in the open market; and
- other events or factors, many of which are beyond our control.

The stock market is subject to significant price and volume fluctuations. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been initiated against such company. Litigation initiated against us, whether or not successful, could result in substantial costs and diversion of our management's attention and resources, which could harm our business and financial condition.

Investors may experience dilution of their ownership interests because of the future issuance of additional shares of our Common Stock.

In the future, we may issue additional authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of our present stockholders. We may also issue additional shares of our Common Stock or other securities that are convertible into or exercisable for Common Stock in connection with hiring or retaining employees, future acquisitions, future sales of our securities for capital raising purposes, or for other business purposes. The future issuance of any such additional shares of Common Stock may create downward pressure on the trading price of the Common Stock. There can be no assurance that we will not be required to issue additional shares, warrants or other convertible securities in the future in conjunction with any capital raising efforts, including at a price (or exercise prices) below the price at which shares of our Common Stock are currently traded on the OTC Markets.

Our Common Stock is controlled by insiders.

Our officers and directors beneficially own approximately 35% of our outstanding shares of Common Stock. Such concentrated control of us may adversely affect the price of our Common Stock. Investors who acquire Common Stock may have no effective voice in the management of the Company. Sales by insiders or affiliates of the Company, along with any other market transactions, could affect the market price of our Common Stock.

Anti-takeover effects of certain provisions of Nevada state law may discourage or prevent a takeover.

In the future we may become subject to Nevada's control share laws. A corporation is subject to Nevada's control share law if it has more than 200 stockholders, at least 100 of whom are stockholders of record and residents of Nevada, and if the corporation does business in Nevada, including through an affiliated corporation. This control share law may have the effect of discouraging corporate takeovers. The Company currently has less than 200 stockholders.

The control share law focuses on the acquisition of a "controlling interest," which means the ownership of outstanding voting shares that would be sufficient, but for the operation of the control share law, to enable the acquiring person to exercise the following proportions of the voting power of the corporation in the election of directors: (1) one-fifth or more but less than one-third; (2) one-third or more but less than a majority; or (3) a majority or more. The ability to exercise this voting power may be direct or indirect, as well as individual or in association with others.

The effect of the control share law is that an acquiring person, and those acting in association with that person, will obtain only such voting rights in the control shares as are conferred by a resolution of the stockholders of the corporation, approved at a special or annual meeting of stockholders. The control share law contemplates that voting rights will be considered only once by the other stockholders. Thus, there is no authority to take away voting rights from the control shares of an acquiring person once those rights have been approved. If the stockholders do not grant voting rights to the control shares acquired by an acquiring person, those shares do not become permanent non-voting shares. The acquiring person is free to sell the shares to others. If the buyer or buyers of those shares themselves do not acquire a controlling interest, the shares are not governed by the control share law.

If control shares are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of the voting power, a stockholder of record, other than the acquiring person, who did not vote in favor of approval of voting rights, is entitled to demand fair value for such stockholder's shares.

In addition to the control share law, Nevada has a business combination law, which prohibits certain business combinations between Nevada corporations and "interested stockholders" for three years after the interested stockholder first becomes an interested stockholder, unless the corporation's board of directors approves the combination in advance. For purposes of Nevada law, an interested stockholder is any person who is: (a) the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the corporation, or (b) an affiliate or associate of the corporation and at any time within the previous three years was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then-outstanding shares of the corporation. The definition of "business combination" contained in the statute is sufficiently broad to cover virtually any kind of transaction that would allow a potential acquirer to use the corporation's assets to finance the acquisition or otherwise to benefit its own interests rather than the interests of the corporation and its other stockholders.

The effect of Nevada’s business combination law is to potentially discourage parties interested in taking control of the Company from doing so if it cannot obtain the approval of our board of directors.

We have never declared any cash dividends and do not expect to declare any in the near future.

We have never paid cash dividends on our Common Stock. It is currently anticipated that we will retain earnings, if any, for use in the development of our business and we do not anticipate paying any cash dividends in the foreseeable future.

The Investor Warrants may be redeemed on short notice, which may have an adverse effect on the Common Stock price.

Once the registration statement of which this prospectus is a part becomes effective, we may redeem the Investor Warrants on 30 days’ notice at any time after the date on which the last reported sale price per share of our Common Stock as reported by the principal exchange or trading facility on which our Common Stock trades equals or exceeds $2.80 for twenty consecutive trading days. If we give notice of redemption, holders of our Investor Warrants will be forced to sell or exercise the Investor Warrants they hold or accept the redemption price. The notice of redemption could come at a time when, under specific circumstances or generally, it is not advisable or possible for holders of our warrants to sell or exercise the Investor Warrants they hold.

While the Investor and New Bridge Warrants are outstanding, it may be more difficult to raise additional equity capital.

During the term that the Investor Warrants and New Bridge Warrants are outstanding, the holders of those warrants are given the opportunity to profit from a rise in the market price of our Common Stock. In addition, the New Bridge Warrants are not redeemable by us. We may find it more difficult to raise additional equity capital while these warrants are outstanding. At any time during which these warrants are likely to be exercised, we may be able to obtain additional equity capital on more favorable terms from other sources.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws. These statements relate to anticipated future events, future results of operations or future financial performance. These forward-looking statements include, but are not limited to, statements relating to our ability to raise sufficient capital to finance our planned operations, market acceptance of our technology and product offerings, our ability to attract and retain key personnel, our ability to protect our intellectual property, and estimates of our cash expenditures for the next 12 to 36 months. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "will," "should," "intends," "expects," "plans," "goals," "projects," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other comparable terminology.

These forward-looking statements are only predictions, are uncertain and involve substantial known and unknown risks, uncertainties and other factors which may cause our (or our industry's) actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. The "Risk Factors" section of this prospectus sets forth detailed risks, uncertainties and cautionary statements regarding our business and these forward-looking statements.

We cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances or to reflect the occurrence of unanticipated events.

USE OF PROCEEDS

We may receive gross proceeds of up to $18,700,000, before deducting expenses estimated at $20,000, from the exercise of the Investor Warrants and New Bridge Warrants. We will retain discretion over the use of the net proceeds we may receive from this offering, but we currently intend to use such proceeds, if any, for general corporate and for working capital purposes.

DIVIDEND POLICY

We have never declared or paid cash dividends. We do not intend to pay cash dividends on our Common Stock for the foreseeable future, but currently intend to retain any future earnings to fund the development and growth of our business. The payment of cash dividends if any, on the Common Stock will rest solely within the discretion of our board of directors and will depend, among other things, upon our earnings, capital requirements, financial condition, and other relevant factors.

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CAPITALIZATION

The following table sets forth the Company's capitalization as of March 31, 2011 on an actual basis and the Company's capitalization on a pro-forma basis after giving effect to:

- Adjustment #1-The assumed exercise of Investor Warrants to purchase 13,000,000 shares at an exercise price of $1.40 which would provide $18,200,000 of proceeds to the Company.
- Adjustment #2-The assumed exercise of Bridge Warrants to purchase 500,000 shares at $1.00 per share which would provide $500,000 of proceeds to the Company.
- Adjustment # 3-The reclassification of derivative liability of $10,525,843 upon the exercise of the Investor and Bridge Warrants.

This table should be considered in conjunction with the sections of this prospectus captioned "Use of Proceeds" and "Management's Discussion And Analysis Of Financial Condition And Results Of Operations" as well as the financial statements and related notes included in this registration statement.

	March 31, 2011				
Capitalization Table	**Actual**	**Adjustment #1 assumed exercise of Investor Warrants for 13,000,000 shares at $1.40 per share**	**Adjustment #2 assumed exercise of Bridge Warrants for 500,000 shares at $1.00 per share**	**Adjustment #3 Reclassification of Derivative Warrant Liability due to the Exercise of the Investor and Bridge Warrants**	**Pro-Forma As Adjusted, Giving effect to the Exercise of Investor and Bridge Warrants**
Derivative warrant liability	$ 10,525,843	—	—	$ (10,525,843)	—
Stockholders' equity (deficit):					
Common stock, $0.00001 par value; 100,000,000 shares authorized, 51,674,712 issued and outstanding and as adjusted 65,174,712 giving effect for the exercise of warrants	516	130	5	—	651
Additional paid-in capital	12,491,459	18,199,870	499,995	10,525,843	41,717,167
Deficit accumulated during the development stage	(15,513,149)	—	—	—	(15,513,149)
Total stockholders' equity (deficit)	(3,021,174)	18,200,000	500,000	10,525,843	26,204,669
Total Capitalization	$ 7,504,669	$ 18,200,000	$ 500,000	$ —	$ 26,204,669

DILUTION

Dilution to Investors for Bridge and Investor Warrants

Assuming that the 13,000,000 Investor Warrants and the 500,000 Bridge Warrants were exercised on March 31, 2011, the following table illustrates the per share dilution to investors:

			Investor Warrants	Bridge Warrants
a) Exercise Price Per Share of Investor Warrant			$ 1.40	
b) Exercise Price Per Share of Bridge Warrant				$ 1.00
c) Stockholders' deficit at March 31, 2011	$ (3,021,174)			
d) Common stock outstanding at March 31, 2011	51,674,712			
e) Book value at March 31, 2011= (c divided by d)		$(0.06)		
f) Stockholders' equity as adjusted after exercise of warrants	$27,494,688			
g) Shares outstanding, as adjusted after exercise of warrants	65,174,712			
h) Pro-Forma as adjusted book value after exercise of warrants =(f divided by g)		$ 0.42	$ 0.42	$ 0.42
i) Increase in book value per share attributable to exercise of warrants=(h minus e)		$ 0.48		
j) Dilution per share to investors exercising Investor Warrants =(h minus a)			$ (0.98)	
k) Dilution per share to investors exercising Bridge Warrants =(h minus b)				$ (0.58)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of financial condition and results of operations together with our consolidated financial statements and accompanying notes included in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth under "Risk Factors," "Special Note Regarding Forward-Looking Statements" and elsewhere in this prospectus.

As the result of the Transactions and the change in business and operations of the Company from a shell company to a biotechnology company, a discussion of the past financial results of ITHC is not pertinent, and the financial results of InVivo, the acquirer and ongoing operating company, are considered the financial results of the Company on a historical and going-forward basis.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis should be read in conjunction with the Company's historical consolidated financial statements and the related notes. The management's discussion and analysis contains forward-looking statements that involve risks and uncertainties, including those we detail under "Risk Factors," such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect" and the like, and/or future tense or conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this prospectus. The Company's actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this prospectus.

The discussion and analysis of the Company's financial condition and results of operations are based on the Company's financial statements, which the Company has prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, the Company evaluates such estimates and judgments, including those described in greater detail below. The Company bases its estimates on historical experience and on various other factors that the Company believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical Accounting Policies and Estimates

Our consolidated financial statements, which appear at page F-1, have been prepared in accordance with accounting principles generally accepted in the United States, which require that the Company make certain assumptions and estimates and, in connection therewith, adopt certain accounting policies. Our significant accounting policies are set forth in Note 2 to our consolidated financial statements. Of those policies, we believe that the policies discussed below may involve a higher degree of judgment and may be more critical to an accurate reflection of our financial condition and results of operations.

Stock-Based Compensation

Stock options are generally granted with an exercise price at market value at the date of the grant. The stock options generally expire ten years from the date of grant. Stock option awards vest upon terms determined by the Board of Directors.

The Company recognizes compensation costs resulting from the issuance of stock-based awards to employees, non-employees and directors as an expense in the statement of operations over the service period based on a measurement of fair value for each stock-based award.

The fair value of the Company's Common Stock has been determined based on a number of factors including the stage of development of the Company, the value of the Company's Common Stock sold to outside investors and the market value of other medical device companies in a similar stage of development.

The fair value of each option grant was estimated as of the date of grant using the Black-Scholes option-pricing model. The fair value is amortized as compensation cost on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. Due to our limited operating history and limited number of sales of our Common Stock, we estimated our volatility in consideration of a number of factors including the volatility of comparable public companies. The Company uses historical data, as well as subsequent events occurring prior to the issuance of the consolidated financial statements, to estimate option exercise and employee termination within the valuation model. The expected term of options granted under the Company's stock plans is based on the average of the contractual term (generally 10 years) and the vesting period (generally 48 months) The risk-free rate is based on the yield of a U.S. Treasury security with a term consistent with the option.

The following assumptions were used to estimate the fair value of stock options granted using the Black-Scholes option pricing model:

	December 31,	
	2010	2009
Risk-free interest rate	1.63% - 3.05%	2.68%
Expected dividend yield	0%	0%
Expected term (employee grants)	6.25 years	6.25 years
Expected volatility	49.12%	50.10%

Derivative Instruments

Certain of our issued and outstanding warrants to purchase Common Stock contain anti-dilution provisions. These warrants do not meet the requirements for classification as equity and are recorded as derivative warrant liabilities. We use valuation methods and assumptions that consider among other factors the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates consistent with those discussed in Stock-Based Compensation above in estimating the fair value for the warrants considered to be derivative warrant liabilities. Such derivative warrant liabilities are initially recorded at fair value with subsequent changes in fair value charged (credited) to operations in each reporting period. The fair value of the derivative warrant liability is most sensitive to changes in the fair value of the underlying Common Stock and the estimated volatility of our Common Stock.

Results of Operations

Research and development expenses consist primarily of payments to contract research and development companies and payroll. General and administrative expenses consist primarily of payroll, rent and professional services.

Comparison of the three months ended March 31, 2011 and 2010

Research and Development Expenses

Research and development expenses increased by approximately $479,000 to approximately $636,000 for the three months ended March 31, 2011 from approximately $157,000 for the three months ended March 31, 2010. The increase in expenses is primarily attributable to the hiring of additional personnel and an increase in costs of pre-clinical studies.

General and Administrative Expenses

General and administrative expenses increased by approximately $539,000 to approximately $764,000 for the three months ended March 31, 2011 from approximately $225,000 for the three months ended March 31, 2010. The increase in expenses is primarily attributable to an increase in costs associated with operating as a public company and increases in rent, salary and benefit costs.

Interest expense

Interest expense decreased by $70,000 to approximately $2,000 for the three months ended March 31, 2011 from approximately $72,000 for the three months ended March 31, 2010. The decrease in interest expense is due to the conversion into common stock of the remaining balance of the convertible notes payable as of March 31, 2010.

Derivatives Gain (Loss)

Derivatives gain was approximately $121,000 for the three months ended March 31, 2011 and reflects the decrease in the fair value of derivative warrant liabilities during the period. We did not have a derivative warrant liability or derivative gain (loss) during the three months ended March 31, 2010.

Comparison of the years ended December 31, 2010 and 2009

Research and Development Expenses

Research and development expenses decreased by $135,000, from $1,808,000 in 2009 to $1,673,000 in 2010. The decrease is primarily attributable to a reduction in costs of pre-clinical studies offset by stock compensation expense incurred in 2010 of $376,000. In addition, during 2010 the Company received approximately $245,000 as a grant under the IRS Qualifying Therapeutic Discovery Project (QTDP) program. This amount has been recorded as a reduction in research and development expenses.

General and Administrative Expenses

General and administrative expenses increased by $888,000, from $836,000 in 2009 to $1,724,000 in 2010. The increase is primarily attributable to an increase in stock compensation expense of $118,000, approximately $120,000 of costs incurred in the fourth quarter of 2010 associated with operating as a public company, and increases in rent, salary and benefit costs.

Interest expense

Interest expense increased by $308,000 from $256,000 in 2009 to $564,000 in 2010. The increase is primarily attributable to non-cash interest expense of $317,000 associated with the $500,000 bridge note financing in 2010.

Other Income

Other income in 2009 of $383,000 resulted from a legal settlement. There was no other income in 2010.

Derivatives Loss

Derivatives loss totaled $5,099,000 for the year ended December 31, 2010 and reflects the change in the fair value of derivative warrant liabilities during the year. We did not have a derivative warrant liability or derivative (gain) loss in 2009.

Financial Condition, Liquidity and Capital Resources

Since its inception, the Company has devoted substantially all of its efforts to business planning, research and development, recruiting management and technical staff, acquiring operating assets and raising capital. Accordingly, the Company is considered to be in the development stage.

Since inception, the Company has experienced negative cash flows from operations. The Company has financed its operations primarily through the sale of equity-related securities. At March 31, 2011, the accumulated deficit was approximately $15,513,000 and the stockholders' deficit was approximately $3,021,000.

At March 31, 2011, we had total current assets of approximately $7,431,000 and current liabilities of approximately $10,947,000 resulting in a working capital deficit of approximately $3,516,000. At March 31, 2011, the Company had total assets of approximately $7,984,000 and total liabilities of approximately $11,005,000, resulting in a stockholders' deficit of $3,021,000.

Net cash used by operating activities for the three months ended March 31, 2011 was approximately $1,943,000. The Company raised approximately $2,000 from the exercise of stock options. The Company spent approximately $154,000 for the three months ended March 31, 2011 on the purchase of equipment.

At March 31, 2011, the Company had cash of approximately $6,864,000 and the Company expects the cash to fund its operations at least through March 31, 2012. The Company will need to raise substantial additional capital to complete its clinical trials, obtain marketing approvals and commercialize its products.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, including unrecorded derivative instruments 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. We have certain warrants and options outstanding but we do not expect to receive sufficient proceeds from the exercise of these instruments unless and until the trading price of our Common Stock is significantly greater than the applicable exercise prices of the options and warrants and mainly following any necessary registering of underlying securities.

Effect of Inflation and Changes in Prices

Management does not believe that inflation and changes in price will have a material effect on our operations.

BUSINESS

History

We were incorporated on April 2, 2003, under the name of Design Source, Inc. to offer a comprehensive supply of, market and distribute commercial upholstery, drapery, bedspread, panel, and wall covering fabrics to the interior designer industry and individual retail customers on our proprietary Internet website.

We subsequently determined that we could not continue with our intended business operations because of a lack of financial results and resources. We redirected our focus towards identifying and pursuing options regarding the development of a new business plan and direction. On October 26, 2010, we acquired the business of InVivo, and are continuing the existing business operations of InVivo as a wholly-owned subsidiary.

Overview

InVivo was incorporated on November 28, 2005. InVivo was founded to develop and commercialize new technologies for the treatment of spinal cord injuries. InVivo's proprietary technology was co-invented by Robert S. Langer, ScD, Professor at Massachusetts Institute of Technology and Joseph P. Vacanti, MD, affiliated with Massachusetts General Hospital. The intellectual property rights that are the basis for our products are licensed under an exclusive, world-wide license from CMCC and MIT.

We intend to create new treatments for spinal cord injury. Current treatments consist of a collection of approaches that only focus on symptoms of spinal cord injury. To date, we are not aware of any product on the market that addresses the underlying pathology of spinal cord injury.

Currently, there are no successful spinal cord injury treatment options for spinal cord injury patients. We take a different approach to spinal cord injury and focus on protection of the spinal cord and prevention of secondary injury rather than regeneration. Our platform technologies focus on minimizing tissue damage sustained following acute injury and promoting neural plasticity of the spared healthy tissue, which may result in full or partial functional recovery. The technologies encompass multiple strategies involving biomaterials, FDA approved drugs, growth factors, and human neural stem cells. We believe our approach could become a standard treatment for both acute and chronic spinal cord injuries.

The Technology

We intend to leverage our primary platform technology to develop and commercialize three products as follows:

1. A biocompatible polymer scaffolding device to treat acute spinal cord injuries.
2. A biocompatible hydrogel for local controlled release of methylprednisolone to treat acute spinal cord injuries.
3. A biocompatible polymer scaffolding device seeded with autologous human neural stem cells to treat acute and chronic spinal cord injuries.

Our biopolymer-based devices are surgically implanted or injected into the lesion created during traumatic injury, or the "primary injury". This biopolymer scaffolding protects the damaged spinal cord by mitigating the progression of "secondary injury" resulting from the body's inflammatory and immune response to injury, and promotes neuroplasticity, a process where functional recovery (the recovery of motor movement or sensation) may occur through the rerouting of signaling pathways to the spared healthy tissue. Achieving these results is essential to the recovery process, as secondary injury can significantly worsen the immediate damage sustained during trauma. The additional damage dramatically reduces patient quality of life post-injury.

Additional applications of our platform technologies include the potential treatment for, spinal cord injury following tumor removal, peripheral nerve damage, and postsurgical treatment of any transected nerve. Our first product, the biocompatible scaffolding device for the treatment of acute spinal cord injury, is regulated as a Class III medical device by the FDA. The product has been evaluated in animal studies and the Company intends to submit an Investigational Device Exemption with the FDA during 2011 that if approved by the FDA will permit the commencement of human clinical studies.

The biocompatible hydrogel for the local release of methylprednisolone to treat acute spinal cord injuries and the biocompatible polymer scaffolding device seeded with autologous human neural stem cells to treat acute and chronic spinal cord injuries are likely to be regulated as combination drug/devices and as such will require significantly longer regulatory approval times than the biopolymer scaffolding device.

We are a development stage company, and as such face significant uncertainty regarding our future capital needs and timelines for our intended products.

Market Opportunity

As we are aware of no current products on the market that treat paralysis caused by spinal cord injuries, we believe that our market opportunity for our technology is significant. By 2011, based on the Company's estimates, the total addressable market for acute spinal cord injury will be approximately $10.4 billion annually. Since 1973, the National Spinal Cord Injury Statistical Center ("NSCISC") at the University of Alabama has been commissioned by the US government to maintain a national database of spinal cord injury statistics.

In the United States:

- Approximately 1,275,000 people are currently living with paralysis due to spinal cord injury.
- An additional 12,000 individuals will become fully or partially paralyzed this year alone.

The financial impact of spinal cord injuries, as reported by the NSCISC, is enormous:

- During the first year, "cost of care" ranges from $244,562 to $829,843, depending on the severity.
- The net present value ("NPV") to maintain a quadriplegic injured at age 25 for life is $3,273,270.
- The NPV to maintain a paraplegic injured at age 25 for life is $1,093,669.

Sources: *Christopher & Dana Reeve Foundation, and National Spinal Cord Injury Statistical Center. "One Degree of Separation: Paralysis and Spinal Cord Injury in the United States" 2010.*

These costs place a tremendous financial burden on families, insurance providers, and government agencies. Moreover, despite all financial investment, the patient remains disabled for life since current medical interventions address only the symptoms of spinal cord injury rather than the underlying neurological cause.

TABLE 1. COST OF CARE FOR A SPINAL CORD INJURY PATIENT

	AVERAGE YEARLY EXPENSES (in 2009 dollars)		ESTIMATED LIFETIME COSTS BY AGE AT INJURY (NPV, Discounted at 2%)	
SEVERITYOF INJURY	First Year	Each Subsequent Year	25 Years Old	50 Years Old
High Tetraplegia (C1-C4)	$ 829,843	$ 148,645	$ 3,273,270	$ 1,926,992
Low Tetraplegia (C5-C8)	$ 535,877	$ 60,887	$ 1,850,805	$ 1,172,070
Paraplegia	$ 303,220	$ 30,855	$ 1,093,669	$ 745,951
Incomplete Motor Functional at Any Level	$ 244,562	$ 17,139	$ 729,560	$ 528,726

Source: National Spinal Cord Injury Statistical Center; February 2010 edition of "Spinal Cord Injury Facts and Figures at a Glance." All figures in US Dollars.

Note: tetraplegia is paralysis in the arms, legs and trunk of the body below the level of the spinal cord injury; paraplegia is paralysis of the lower part of the body including the legs.

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Creating New Treatments for Spinal Cord Injuries

We intend to create new treatments for spinal cord injuries. Current methods consist of a collection of approaches that only focus on symptoms of spinal cord injuries. For example, to date, we are not aware of any product on the market that addresses the underlying pathology of spinal cord injuries.

Our goal is to create new options for care by changing the way physicians treat spinal cord injuries. Our technology aims to protect the spinal cord and minimize secondary injury that causes cell death while promoting neural plasticity of the spared healthy tissue, something no other product on the market is designed to do. Our products, if approved for commercialization, will be a new therapeutic class of products and will not compete with current treatment options (i.e. spinal fixation devices). Rather, it is expected that they will be complementary to these products, and the combination may create the best clinical outcome.

Our First Product Under Development: A Scaffolding Device to Treat Spinal Cord Injuries

Spinal cord injury involves not only initial cell death at the lesion due to mechanical impact but also a devastating secondary injury pathology that persists for several weeks (Figure 1). We are focused on preventing this secondary cascade of cell death and promoting the subsequent repair and recovery processes.

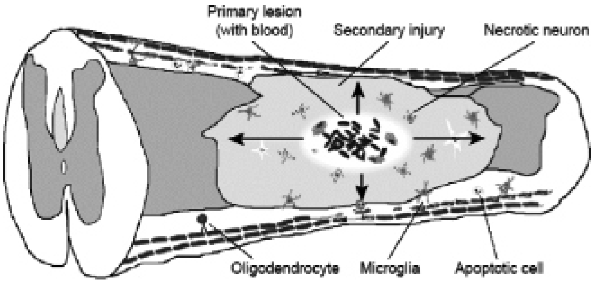

FIGURE 1. PROGRESSION OF SECONDARY INJURY (DAYS 2-30 POST-INJURY) (Fleming *et al.* 2006)

Our first product is a biopolymer scaffolding device that will be implanted into lesions within the spinal cord to treat acute spinal cord injuries (Figure 2). The porous biopolymer scaffold consists of polylactic-co-glycolic acid (“PLGA”) and-polylysine. PLGA is a biodegradable and biocompatible polymer, which is approved by the FDA for applications such as surgical sutures (Dolphin sutures and Ethicon sutures), drug delivery (Lupron Depot and Sandostatin LAR Depot), and tissue engineering (Dermagraft).

The PLGA-polylysine biopolymer scaffolding device is biocompatible and biodegradable and degrades naturally inside the body without requiring subsequent removal. The device will be customized to fit inside a patient-specific lesion.

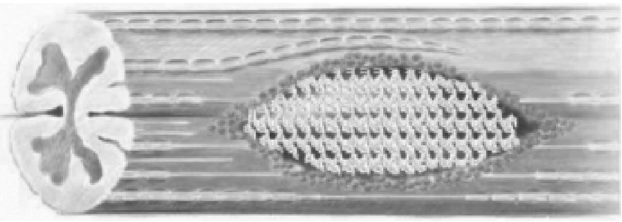

FIGURE 2. SCAFFOLD IMPLANTED INTO SPINAL CORD INJURY LESION

Our biopolymer scaffolding has been designed to prevent and mitigate the cascading inflammatory response or secondary injury and our device is intended to perform four functions:

1. Fill the necrotic lesion to minimize secondary injury, which may occur by inhibiting cell-cell signaling via inflammatory cytokines.
2. Bridge the gap formed by the lesion, providing a matrix designed to promote regrowth and reorganization of neural elements (neurons and neurites).
3. Act as a synthetic extracellular matrix, with the goal of promoting survival of surrounding neurons.
4. Reduce scar formation (astrogliosis).

Our Polymer Technology Differentiator

We intend to introduce the first biodegradable polymer scaffold without any other FDA regulated drugs for spinal cord injury treatment. Since this product does not contain cells or drugs, the implantable device is regulated as a Class III medical device and as such the FDA approval process is not as long as a drug or a drug/device combination product.

Our Second Planned Product to be Developed: Local Controlled Release Drug Delivery

The second product we intend to develop is an injectable hydrogel designed to counteract the inflammatory environment that results during a secondary injury from a closed-wound spinal cord injury where further cell death occurs. The hydrogel is designed to release drugs over at least 10 days in order to synchronize the rate of delivery to match the period in which the inflammatory response peaks during secondary injury. While the hydrogel could incorporate other hydrophilic drugs or therapeutic agents that counteract secondary injury, promote neuroplasticity or support endogenous repair mechanisms, our second product is designed to deliver the anti-inflammatory steroid methylprednisolone sodium succinate. Methylprednisolone sodium succinate is FDA-approved, and is currently a treatment option for spinal cord injuries. However, high-dose intravenous administration of the drug can result in harmful systemic side effects, including increased risks of pneumonia, sepsis and mortality. By precisely controlling the release of methylprednisolone at the site of injury, we hypothesize that therapeutically effective doses can be delivered to the point of inflammation while mitigating the risk of harmful systemic side effects. Although we have conducted initial animal studies for this potential product, we will need to accumulate additional animal data before we can submit for regulatory approval to commence human clinical studies.

Our Third Product to be Developed: Polymer Scaffold Seeded with Autologous Human Neural Stem Cells

The third product we intend to develop extends the biopolymer platform technology to treat both acute closed-wound and chronic spinal cord injury patients by seeding the patient’s own stem cells onto the scaffold and then inserting the scaffold into the injured spinal cord. The scaffold acts as a synthetic extracellular matrix on which cells can be transplanted.

Our third product is intended to counteract the pathophysiology of spinal cord injury by:

1. Replacing lost cells of the spinal cord.
2. Activating endogenous regenerative processes such as the formation of new synapses and axonal sprouting based on molecules the stem cells produce.

Although we have conducted initial animal studies for this potential product, we will need to accumulate additional animal data before we can submit for regulatory approval to commence human clinical studies.

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Rodent Study — 2002

The first animal study for our technology was performed by academic researchers at MIT and Harvard Medical School in 2002 and published in the Proceedings of the National Academy of Sciences (PNAS, 2002, vol.99, no.5, 3024-9). The implemented scaffold was designed to mimic the cellular architecture of the inner ‘grey’ matter and outer ‘white’ matter of the spinal cord (Figure 3).

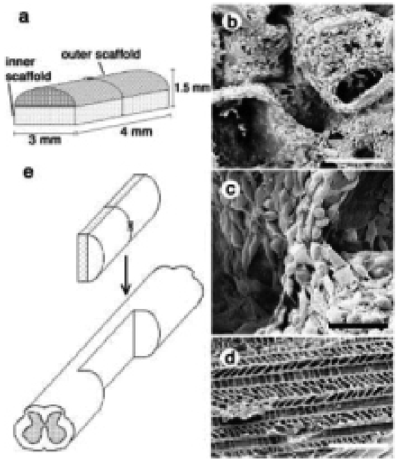

FIGURE 3 (*a*) SCHEMATIC OF THE SCAFFOLD SHOWING INNER AND OUTER ARCHITECTURE. (*b* and *c*) INNER SCAFFOLDS SEEDED WITH HUMAN NEURAL STEM CELL (SCALE: 200 µM AND 50 µM, RESPECTIVELY). THE OUTER SECTION OF THE SCAFFOLD CONTAINS LONG, AXIALLY ORIENTED PORES FOR AXONAL GUIDANCE AS WELL AS RADIAL PORES TO ALLOW FLUID TRANSPORT WHILE INHIBITING THE IN-GROWTH OF SCAR TISSUE (SCALE: 100 µM). (*e*) SCHEMATIC OF SURGICAL INSERTION OF THE IMPLANT INTO THE SPINAL CORD.

The study demonstrated the impact of our polymer-alone device (first product) and our polymer with human neural stem cell device (third product) in treating spinal cord injury (Figure 5). The human neural stem cells augment the polymer scaffolding treatment. The study also demonstrated that stem cells injected into the lesion without our proprietary scaffold do not exert a therapeutic effect. Comparable to the adhesion of cells to the body’s extracellular matrix, it is thought that the scaffolding device is necessary for the human neural stem cells to survive and function following transplantation.

The Basso-Beattie-Bresnahan (“BBB”) scoring scale was used to evaluate neuromotor (the ability to voluntarily move muscles) improvement at one day post-surgery and weekly time points over the course of six weeks post-injury. The BBB twenty point neuromotor scoring scale evaluates the degree of neuromotor recovery after a spinal cord injury was induced in a spinal cord rodent injury model. For example, a BBB score of zero means the subject has no voluntary motor function after injury, a BBB score of twenty means a complete neuromotor recovery after injury. Results from the PLGA-polylysine scaffold configured to treat spinal cord injury showed neuromotor improvement as early as two weeks post injury. While the study was stopped at the end of either week 8 or week 10, rodents were kept for over one year. The subjects demonstrated neuromotor recovery that was sustained over the year period, and they exhibited no adverse pathological reactions.

Pilot Primate Study — 2008

We believe the non-human primate model is the best surrogate for potentially how spinal cord injury products will work in humans. To date, the PLGA-polylysine scaffolding device has been evaluated in two primate studies. The first study involving four primates, was completed in 2008, was published in the Journal of Neuroscience Methods, and focused mainly on neuromotor assessment criteria following the model spinal cord injury. The second primate study which involved sixteen primates also included collecting quantitative electromyographic and kinematic analyses.

In April 2008, we conducted our first non-human primate study with an induced spinal cord injury model. The experiment was designed as a pilot study to test the model injury in assessing the potential therapeutic efficacy of our technologies. The study was conducted at the St. Kitts Biomedical Research Foundation in St. Kitts and Nevis. The surgeries were performed by Eric Woodard, MD, our Chief Medical Officer, and Jonathan Slotkin, MD. Dr. Woodard served as Chief of Spine Surgery at Harvard's Brigham & Women's Hospital for ten years and is currently Chief of Neurosurgery at Boston's New England Baptist Hospital. Dr. Slotkin has practiced at Harvard's Brigham & Women's Hospital and is currently a spine neurosurgeon at the Washington Brain and Spine Institute and a member of our Scientific Advisory Board.

We utilized a lateral hemisection spinal cord injury model in four African Green monkeys, in which the left-half segment of the spinal cord between T9 and T10 was surgically removed. Immediately following tissue removal, our biopolymer devices were inserted into the resulting lesion by our Chief Medical Officer, Dr. Eric Woodard (Figure 4). The injury model resulted in Brown-Séquard syndrome: paralysis of the animals' left hind limb and loss of sensory function in the animals' right hind limb. The injury model was successful in preserving bowel and bladder function in all animals.

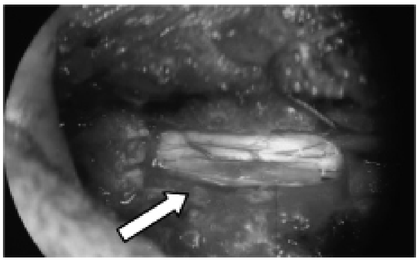

FIGURE 4. DEVICE INSERTED INTO HEMI-SECTION

Animals were monitored for six weeks post-injury, and behavioral scoring was performed to measure functional recovery by a neuroscientist blinded to the injury model or treatments performed on each subject. Preliminary video data of the primates was reviewed and rated by a blinded reviewer not involved in the conduct of the study based on a twenty point neuromotor observational scale developed by InVivo that is analogous to the BBB twenty point neuromotor scale for rodents. InVivo's twenty point scale assesses the degree of neuromotor recovery in the hind-limbs of primates after the lateral hemisection injury model. For example, a score of zero means the primate has no voluntary muscle function after injury, a score of twenty means a completely recovery after injury. Any score greater than eight indicates the subject has regained the ability to bear weight and perform deliberate stepping (Figure 6).

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Non-Human Primate Studies: Comparison of Results to Prior Rodent Study

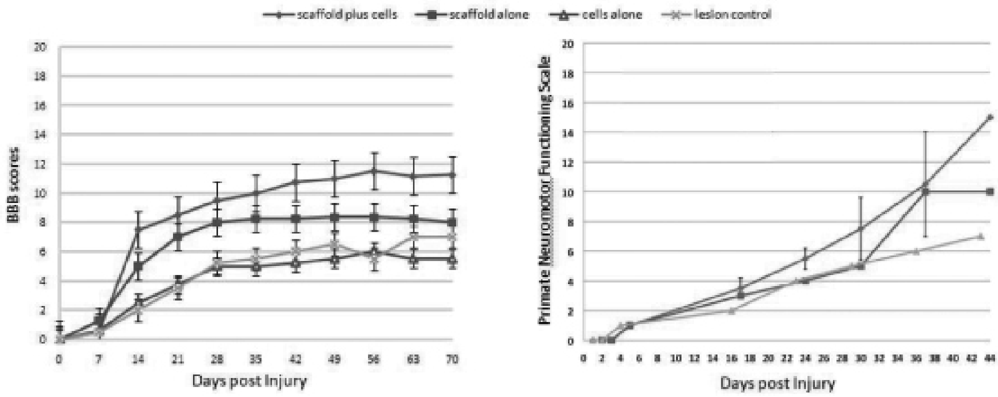

FIGURE 5. IPSILATERAL-LESIONED SIDE BBB OPEN-FIELD WALKING SCORE FROM RODENT STUDY (Teng, Lavik, *et al.* 2002)

FIGURE 6. LEFT HINDLIMB NEUROMOTOR PERFORMANCE FROM ST. KITTS PRIMATE GREEN PILOT STUDY (2008)
(SCAFFOLD + HNSC: N=2 EXPECT FOR DAY 1 & DAY 44, WHERE N=1; SCAFFOLD-ALONE: N=1, NO TREATMENT: N=1)

The two African Green monkeys that received scaffolds seeded with human neural stem cells (n=2, Figure 6) demonstrated an improved level of functional recovery compared to the control animal (n=1, Figure 6). These results mirrored the behavioral observations obtained in our rodent study (n=12, Figure 5). Furthermore, implantation of the scaffold alone demonstrated improved efficacy in promoting functional recovery compared to the control in both one monkey (n=1, Figure 6) and in prior rodent studies (n=12, Figure 5).

2nd Primate Study 2010- Preclinical evaluation of biomaterial scaffolds and hydrogels in a model spinal cord injury in the African green monkey.

A second primate study involving 16 primates, was also conducted at the St. Kitts Biomedical Research Foundation in St. Kitts and Nevis. The surgeries were also performed by Eric Woodard, MD, our Chief Medical Officer, and Jonathan Slotkin, MD. A segmental thoracic hemisection was used in African green monkeys for the evaluation of biomaterial implants in a pre-clinical model of spinal cord injury in the non-human primate. The model's physiological tolerance permitted behavioral analyses for a 12-week period post-injury, extending to termination points for immunohistochemical analyses.

Implementation of surgically-induced spinal cord injury through T9-T10 thoracic lateral hemisection on 16 African green monkeys with administration of a PLGA-polylysine scaffold (n=4), a PLGA-polylysine scaffold soaked in growth factors (EGF, bFGF, 15 µg each) (n=5), a thiol-acrylate poly (ethylene glycol) based hydrogel containing 150 µg methylprednisolone sodium succinate (n=4), or no treatment for control (n=4). Implants were administered at the time of lesioning. The objective was to determine the feasibility and reliability of this pre-clinical model of spinal cord injury, the safety and efficacy of the implants in a non-human primate model, as well as the establishment of assessment measures. Analysis of functional neuromotor improvements was performed by statistical evaluation of 3D kinematic and electromyographic ("EMG") recordings, InVivo's 0-20 neuromotor scoring system and histological and immunohistochemical stains on post-mortem spinal cord thoracic and lumbar cross-sections.

The neuromotor assessment by a blinded trained neuroscientist for each group over the twelve-week period for the left hind limb was charted (Figure 7). All groups show an initial paralysis 2 days post-injury, confirming successful surgical induction of model Brown-Séquard syndrome. The treatment groups exhibited an improved recovery compared to untreated injured controls on average. Kinematic and EMG analyses exhibited the same trend. While only sixteen primates were evaluated and statistical power tests have not been completed, the initial results are consistent with data from prior monkey and rodent studies.

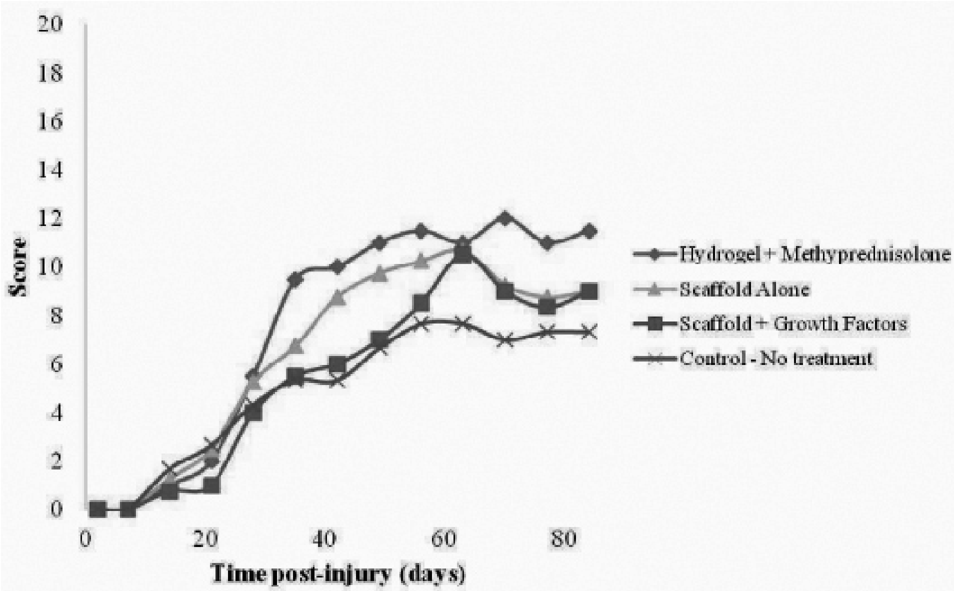

FIGURE 7. IPSILATERAL HINDLIMB TREADMILL HANDCAM NEUROMOTOR SCORE

Commercialization Strategy

Clinical Regulatory Plan

Our PLGA biopolymer scaffolding product is expected to be regulated as a Class III medical device by the FDA. We will be required to demonstrate safety and efficacy in a human clinical trial before we can submit a PMA for FDA approval. Before human clinical trials can commence, we are required to obtain FDA clearance to conduct the clinical trial under an Investigational Device Exemption ("IDE"). We have conducted a Pre-IDE meeting with the FDA to discuss the clinical trial and plan to submit an IDE to the FDA during 2011.

We first plan to conduct a pilot clinical study to evaluate the device in ten acute spinal cord injury patients. We are also planning a larger follow-on pivotal human study in acute spinal cord injury patients after the pilot study is completed. The clinical development timeline is subject to a number of risks that could delay the filing of a PMA or cause a PMA never to be filed. The FDA will review the PMA and there could be significant delays in the review process. There is also a risk that the FDA will never approve the PMA. These risks are described in the section entitled "Risk Factors." Even if the FDA approves the PMA for our biopolymer scaffolding product, since this is a new unproven technology, the Company will have significant challenges to demonstrate the clinical utility of the product and gain acceptance from physicians and obtain third party reimbursement for its product.

Our regulatory team is led by David Feigal, MD, a consultant to the Company and a member of our Business Advisory Board. Dr. Feigal recently served as Vice-President, Regulatory at Amgen, Inc. and earlier was the number-two executive at the FDA from 1992 to 2006. During his tenure, he was head of the FDA's Center for

Devices for five years and head of the Center for Biologics for five years. For our day-to-day handling of FDA processes, we will hire a Director of Regulatory & Clinical Affairs who will be responsible for managing our regulatory affairs.

Janice Hogan, a managing partner at Hogan Lovells US LLP, serves as our FDA consultant. Ms. Hogan has over twenty-five years of experience in representing spine industry companies to the FDA such as Johnson & Johnson's DePuy Spine, Synthes Spine, Abbott Spine, Stryker Spine, and Medtronic Spine.

Manufacturing and Product Delivery Plan

We believe that the raw material polymers for our first device product can be readily obtained from suppliers that already have obtained FDA clearance to manufacture these components. We have developed a proprietary manufacturing process to create a uniform porous three-dimensional scaffolding structure for each device. We plan to purchase the raw material polymers from suppliers and then utilize our proprietary manufacturing process to create the final polymer scaffolding. Proprietary manufacturing processes will include batch processes to create the scaffolds. We intend to either establish a manufacturing facility or utilize a third-party to produce the polymer scaffolding and then package the final product.

Sales and Marketing

We plan to sell our spinal cord injury products through a to-be-established direct sales force for major markets in the U.S and through distributors in foreign markets. Since the product is new, we will seek to gain acceptance with the physicians who are thought leaders in the spinal cord injury field and plan on utilizing a consultative selling approach. The direct sales force will focus its efforts on maximizing revenue through product training, placement and support. We will seek to establish strong relationships with orthopedic spine surgeons and neurosurgeons and expect to provide a high level of service for the products including providing on-site assistance and service during procedures at any time of day. The primary market channel for the product will be to emergency department physicians handling trauma cases. In addition, we will establish medical education programs to reach practitioners in physical medicine and rehabilitation centers, and through patient advocacy groups. We will also utilize Internet and other marketing approaches to reach spinal cord injury patients.

Intellectual Property

In July 2007, InVivo obtained a world-wide exclusive license (the "CMCC License") to a broad suite of patents co-owned by MIT and CMCC covering the use of a wide range of biopolymers to treat spinal cord injury, and to promote the survival and proliferation of human stem cells in the spinal cord. In addition, they cover the use of biomaterials in combination with growth factors and drugs. The CMCC License covers 10 issued US patents and 3 pending US patents as well as 67 international patents and 34 international patents pending.

The CMCC License provides us intellectual property protection for the use of any biomaterial scaffolding used as an extracellular matrix substitute for treating spinal cord injury by itself or in combination with drugs, growth factors and human stem cells. Our rodent studies have shown that human stem cells cannot proliferate and survive without the addition of the biopolymer scaffolding which serves as an extracellular matrix replacement and mimics the natural cellular architecture of the inner 'grey' and outer 'white' matter of the spinal cord. We believe that any extracellular matrix developed to treat spinal cord injuries will infringe on the patents licensed to us. We intend to defend all patents very aggressively.

The patents are the results of over a decade of research by Dr. Robert S. Langer, Professor of Chemical and Biomedical Engineering at MIT and his research teams at MIT's Langer Lab. Dr. Langer is an inventor who is generally regarded to be the cofounder of the field of tissue engineering.

Under the CMCC License, we have the right to sublicense the patents. We have full control and authority over the development and commercialization of the licensed products, including clinical trials, manufacturing, marketing, and regulatory filings and we own the rights to the data it generates. In addition, we have the first right of negotiation for a thirty-day period to any improvements to the intellectual property.

The CMCC License has a 15-year term, or as long as the life of the last expiring patent right, whichever is longer, unless terminated earlier by CMCC. In connection with the CMCC License, we submitted to CMCC and MIT a 5-year plan with certain targets and projections that involve the timing of product development and regulatory approvals. We are required to meet the objectives in the plan, or else we are required to notify CMCC and revise the plan. CMCC has the right to terminate the CMCC License for failure by us to either meet the objectives in the plan or submit an acceptable revision to the plan within a 60-day cure period after notification by CMCC that we are not in compliance with the plan.

We are required to pay certain fees and royalties under the CMCC License. Specifically, we are required to pay a license issue fee, which was paid at the execution of the CMCC License. We are also required to make milestone payments upon completing various phases of product development, including (i) upon FDA filing of first Investigational New Drug application and Investigational Device Exemption application; (ii) upon enrolling first patient in Phase II testing; (iii) upon enrolling first patient in Phase III testing; (iv) upon filing with the FDA of first New Drug Application or related applications, and; (v) upon first market approval in any country outside the US. Each year prior to the release of a licensed product, we are also required to pay a maintenance fee. Further, we are required to make payments based on sublicenses to manufacturers and distributors. We believe that we have sufficient capital resources to make all of such payments. In addition, following commercialization, we are required to make ongoing royalty payments equal to a percentage of net sales of the licensed products.

Compliance with Environmental, Health and Safety Laws

In addition to FDA regulations, we are also subject to evolving federal, state and local environmental, health and safety laws and regulations. In the past, compliance with environmental, health and safety laws and regulations has not had a material effect on our capital expenditures. We believe that we comply in all material respects with existing environmental, health and safety laws and regulations applicable to us. Compliance with environmental, health and safety laws and regulations in the future may require additional capital expenditures.

Employees

We currently have 13 employees, consisting of 9 full-time employees and 4 part-time employees. None of our employees are represented by a labor union, and we consider our employee relations to be good. We also utilize a number of consultants to assist with research and development and regulatory activities. We believe that our future success will depend in part on our continued ability to attract, hire and retain qualified personnel.

Description of Properties

Our executive offices are located in leased premises at One Broadway, 14th Floor, Cambridge, MA 02142 and our phone number is 617-475-1520.

On November 15, 2010, we entered into a commercial lease for 1,200 square feet of office and laboratory space in Medford, MA for a two year period.

Legal Proceedings

From time to time we may be named in claims arising in the ordinary course of business. Currently, no legal proceedings, government actions, administrative actions, investigations or claims are pending against us or involve us that, in the opinion of our management, could reasonably be expected to have a material adverse effect on our business and financial condition.

We anticipate that we will expend significant financial and managerial resources in the defense of our intellectual property rights in the future if we believe that our rights have been violated. We also anticipate that we will expend significant financial and managerial resources to defend against claims that our products and services infringe upon the intellectual property rights of third parties.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth certain information regarding the beneficial ownership of our Common Stock as of May 18, 2011 by (i) each person who, to our knowledge, owns more than 5% of our Common Stock; (ii) each of the directors and executive officers of the Company; and (iii) all of our executive officers and directors as a group. Unless otherwise indicated in the footnotes to the following tables, each person named in the table has sole voting and investment power and that person's address is c/o InVivo Therapeutics Holdings Corp., One Broadway, Cambridge, Massachusetts 02142. Shares of Common Stock subject to options or warrants currently exercisable or exercisable within 60 days of May 18, 2011 are deemed outstanding for computing the share ownership and percentage of the person holding such options and warrants, but are not deemed outstanding for computing the percentage of any other person.

Frank Reynolds(1)(2)	15,343,891	29.6%
Robert S. Langer	8,262,360	16.0%
Kevin Kimberlin(3)	7,066,721	12.4%
Adam K. Stern(1)(4)	2,441,122	4.7%
Richard J. Roberts(1)(5)	805,580	1.5%
George Nolen(1)(6)	50,984	*
Christi Pedra(1)(7)	81,968	*
All directors and executive officers as a group (5 persons)(1)	18,723,545	35.3%

* Less than one percent

(1) Officer and/or director.

(2) Represents (i) 15,147,660 shares of Common Stock and (ii) 196,231 shares issuable upon the exercise of stock options.

(3) Represents (i) 1,947,321 shares owned by Optical Partners, LLC and (ii) 5,119,400 shares underlying warrants held by the Placement Agent that it received in connection with the Bridge Financing and the Offering. None of such securities are being registered for resale pursuant to this registration statement.

(4) Represents (i) 500,083 shares owned by Adam Stern; (ii) 40,000 shares underlying warrants owned by Adam Stern; (iii) 801,507 shares owned by ST Neuroscience Partners, LLC; (iv) 301,400 shares underlying warrants owned by ST Neuroscience Partners, LLC; (v) 475,079 shares owned by Pavilion Capital Partners, LLC; and (vi) 323,053 shares owned by Piper Venture Partners, LLC. None of such securities are being registered for resale pursuant to this registration statement.

(5) Represents shares issuable upon the exercise of stock options.

(6) Represents (i) 10,000 shares underlying Investor Warrants, (ii) 10,000 shares of Common Stock and (iii) 30,984 shares issuable upon the exercise of stock options.

(7) Represents (i) 61,968 shares issuable upon the exercise of stock options, (ii) 10,000 shares underlying Investor Warrants and (iii) 10,000 shares of Common Stock.

Change of Control

As a result of the issuance of the shares of Common Stock pursuant to the Merger, a change in control of the Company occurred as of the date of consummation of the Merger.

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DIRECTORS AND EXECUTIVE OFFICERS

The following persons are the executive officers and directors of the Company and hold the positions set forth opposite their name.

Name	Age	Position
Frank M. Reynolds	49	Chairman of the Board of Directors, Chief Executive Officer, Chief Financial Officer*
Richard J. Roberts	67	Director, Scientific Advisory Board Member
George Nolen	54	Director (Lead Director)
Christi M. Pedra	52	Director
Adam K. Stern	46	Director

* Mr. Reynolds will serve as Chief Financial Officer pending the Company's hiring of an individual to serve in such capacity. The Company has initiated a search to locate such a qualified individual.

The Placement Agent was granted the right to designate one member to our Board of Directors for a period of two years following the Closing and has designated Adam K. Stern to fill such Board seat.

There are no family relationships between any director, executive officer or person nominated or chosen by the Company to become a director or executive officer of the Company.

Officers

Frank M. Reynolds, Chairman of the Board of Directors, Chief Executive Officer and Chief Financial Officer, has been CEO, Chairman and CFO of the Company since October 2010 and has been CEO of InVivo since 2005. He is an Executive Board Member of the Irish American Business Chamber and has served on the board of the Special Olympics of Massachusetts, Philadelphia Cares, and Wharton Consulting Partners. Mr. Reynolds brings to the Board over 25 years of executive management experience. He is the former Director of Global Business Development at Siemens Corporation where he was responsible for new business in 132 countries. He was the founder & CEO of Expand the Knowledge, Inc., an IT consulting company with a focus on life sciences. In addition, Mr. Reynold's executive role at InVivo provides him a deep knowledge of the business of the Company.

Mr. Reynolds suffered an injury to his spine in 1992. While recovering from this injury, he took the opportunity to earn two Master's degrees and he currently holds a Master of Business Administration from Sloan Fellows Program in Global Innovation and Leadership- 2006, Massachusetts Institute of Technology; a Master's of Science in Technology Management- 2005, The Wharton School of Business, University of Pennsylvania; a Master's of Science in Engineering — 2003, University of Pennsylvania; a Master's of Science in Management Information Systems — 2001, Temple University; a Master's of Science in Health Administration- 1996; Saint Joseph's University; and a Master's of Science in Psychology — 1994, Chestnut Hill College. He also has a Bachelor of Science in Marketing- 1984, Rider University.

Directors

Dr. Richard J. Roberts, PhD, Director, has been a director of the Company since October 2010 and a director of InVivo since November 2008. Dr. Roberts has been the Chief Scientific Officer at New England Biolabs since July 1, 2005. Dr. Roberts joined InVivo's Scientific Advisory Board in June 2007. He was awarded the 1993 Nobel Prize in Physiology or Medicine along with Phillip Allen Sharp for the discovery of introns in eukaryotic DNA and the mechanism of gene-splicing. He holds a B.Sc. in Chemistry and a Ph.D. in Organic Chemistry from the University of Sheffield, U.K. Dr. Roberts has discovered and cloned restriction enzymes and been involved in studies of Adenovirus-2, beginning with studies of transcription that led to the discovery of split genes and mRNA splicing. His laboratory has pioneered the application and development of computer methods for protein and nucleic acid sequence analysis that continues to be a major research focus for Dr. Roberts. Dr. Roberts brings to the Board an understanding of the science and technology involved in the Company's business.

George Nolen, Lead Director, has been a director of the Company since October 2010 and a director of InVivo since December 2009. Mr. Nolen was the President and Chief Executive Officer of Siemens Corporation, the U.S. subsidiary of Siemens, AG, from 2004 until his retirement in August of 2009. Prior to his role as Siemens USA's CEO, Mr. Nolen held numerous roles in Siemens including President of Siemens' Information and Communications division, overseeing this business from 1998 to 2004. He is a 1978 graduate of Virginia Tech, where he currently serves as the Rector of the University's Board of Visitors. Mr. Nolen brings to the Board extensive leadership and business experience through his successful and long-running career at Siemens.

Christi M. Pedra, Director, has been a director of the Company since October 2010 and a director of InVivo since November 2008. Ms. Pedra became the Senior Vice President, Strategic New Business Development & Marketing Siemens Healthcare of Siemens Medical USA in January 2010. Previously she served as Chief Executive Officer of Siemens Hearing Instruments, Inc. from January 2007 through December 2009. She was charged with leading the company's sales, manufacturing, product development, customer relations and research and development in the United States. From October 2003 through December 2006, she served as Vice President and Chief Operating Officer of Siemens One. Prior to her role with Siemens One, Ms. Pedra served as Vice President of Executive Relations for Siemens Corporation in the Office of the President. Currently, Ms. Pedra is a member of the National Collegiate Athletic Association Leadership Advisory Board. She also serves on the National Council for Liberal Education America's Promise and takes part in several formal and informal mentoring programs. And in 2002, Ms. Pedra was nominated and selected to be a David Rockefeller Fellow, a one-year leadership program sponsored by the NYC Partnership and the David Rockefeller Foundation. Ms. Pedra received her MBA from Rutgers University. Ms. Pedra brings to the Board extensive management experience through her many roles at Siemens.

Adam K. Stern, Director, has been a director of the Company since October 2010 and was designated as such by the Placement Agent. Mr. Stern is Senior Managing Director of the Placement Agent, and has over 20 years of venture capital and investment banking experience focusing primarily on the technology and life science sectors of the capital markets. He currently manages the structured finance group of the Placement Agent. Mr. Stern joined the Placement Agent in September 1997 from Josephthal & Co., members of the New York Stock Exchange, where he served as Senior Vice President and Managing Director of Private Equity Marketing and held increasingly responsible positions from 1989 to 1997. He has been a licensed securities broker since 1987 and a General Securities Principal since 1991. Mr. Stern currently sits on the boards of various private companies and one public company, PROLOR Biotech (NYSE/AMEX:PBTH). Mr. Stern holds a Bachelor of Arts degree with honors from The University of South Florida in Tampa. Mr. Stern brings to the Board extensive financial experience through his career in the financial sector.

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NON-EXECUTIVE OFFICERS AND SCIENTIFIC AND BUSINESS ADVISORY BOARDS

In addition to our executive officers and directors, our team includes non-executive officers and both a Scientific Advisory Board and a Business Advisory Board that provide guidance to the Company. The Scientific Advisory Board reviews the progress of the Company's product development and provides input to the Company's management regarding scientific issues relating to the Company's product and potential markets. The Business Advisory Board provides business expertise and regulatory advice to the CEO and the Company. Both boards are advisory only and do not have the power to make decisions on behalf of the Company. The following persons are the non-executive officers and members of our advisory boards and hold the positions set forth opposite their name.

Dr. Eric J. Woodard	Chief Medical Officer, Scientific Advisory Board Member
Christopher Pritchard	Chief Science Officer
Dr. Richard J. Roberts	Director, Scientific Advisory Board Member
Dr. Robert S. Langer	Scientific Advisory Board Member
V. Reggie Edgerton	Scientific Advisory Board Member
Jonathan R. Slotkin	Scientific Advisory Board Member
Todd Albert	Scientific Advisory Board Member
Paul Mraz	Business Advisory Board Member
David Feigal	Business Advisory Board Member

Eric J. Woodard, M.D., Chief Medical Officer, is the Chief, Neurosurgery at New England Baptist Hospital in Boston. Dr. Woodard was appointed to InVivo's Scientific Advisory Board in June 2007 and became Chief Medical Officer of InVivo in September 2008. Dr. Woodard received his medical degree from Pennsylvania State University and completed his residency in Neurological surgery at Emory University. Following residency, Dr. Woodard completed a fellowship in complex spinal surgery at the Medical College of Wisconsin under Dr. Sanford Larsen. He is a diplomat of the American Board of Neurological Surgeons.

Dr. Woodard was formerly Chief of the Division of Spinal Surgery in the Department of Neurological Surgery at Brigham and Women's Hospital, where he held the rank of Assistant Professor in Surgery at Harvard Medical School. He has been an editorial board member for The Journal of Spinal Disorders, Spine Universe.com and is an ad hoc reviewer for Neurosurgery, Journal of Neurosurgery and the New England Journal of Medicine. He is the immediate past chairman of the AO Spine North America Board and serves on the Board of AO Spine International.

Christopher Pritchard, Chief Science Officer, has been the Director of R&D for InVivo since August 2009 and joined the Company in 2007. He is the author of numerous peer-reviewed publications on biomaterials, stem cells and neuroscience and has disclosed multiple patents. Mr. Prichard is a reviewing editor for the MIT Entrepreneurship Review. He is an alumnus of Oxford and Princeton, and completed his doctoral thesis under Dr. Robert Langer at MIT Langer Lab.

Robert S. Langer, ScD, Scientific Advisory Board Member, is the David H. Koch Institute Professor at the Massachusetts Institute of Technology (MIT). Dr. Langer has written over 1,100 articles. He also has approximately 760 issued and pending patents worldwide. Dr. Langer's patents have been licensed or sublicensed to over 220 pharmaceutical, chemical, biotechnology and medical device companies. He received his Bachelor's Degree from Cornell University in 1970 and his Sc.D. from the Massachusetts Institute of Technology in 1974, both in Chemical Engineering.

He served as a member of the United States Food and Drug Administration's SCIENCE Board from 1995 — 2002 and as its Chairman from 1999-2002. Dr. Langer has received over 180 major awards including the 2006 United States National Medal of Science; the Charles Stark Draper Prize and the 2008 Millennium Prize. In 1989, Dr. Langer was elected to the Institute of Medicine of the National Academy of Sciences, and in 1992 he was elected to both the National Academy of Engineering and to the National Academy of Sciences. Dr. Langer has received honorary doctorates from 16 national and international universities.

Dr. Reggie Edgerton, PhD, Scientific Advisory Board Member, has been the Director of U.C.L.A's Edgerton Lab since 1968 and is a professor in the Department of Physiological Sciences at U.C.L.A. His research is focused on neural control of movement and how this neural control adapts to altered use and after spinal cord injury. He completed his Ph.D. under the direction of Drs. Wayne Van Huss, Rex Carrow, and William Heusner at Michigan State University.

Dr. Edgerton is on the Scientific Advisory Board of The Christopher Reeves Foundation (CRF) and his laboratory is one of eight in the world receiving funding from the CRF. In addition to serving on the board of the CRF, he is currently on the Scientific Advising board of the American Paralysis Association.
Dr. Edgerton has co-authored two books and is the author of approximately 300 research papers.

Jonathan Slotkin, MD, Scientific Advisory Board Member, is a clinical neurosurgeon and research scientist. Clinically, Dr. Slotkin has expertise in complex spinal surgery, minimally invasive spinal surgery, spinal oncology surgery and brain tumor surgery. Dr. Slotkin completed residency training in neurosurgery at Harvard Medical School, Brigham and Women's Hospital. He performed a fellowship in complex spinal surgery with Dr. Eric J. Woodard. He is the co-editor of a two-volume publication on spinal surgery. Dr. Slotkin is currently a neurosurgeon with the Washington Brain and Spine Institute.

Dr. Slotkin has authored or co-authored several peer-reviewed scientific publications in the areas of repair after spinal cord injury in animal models, and in vivo quantum dot labeling of neural stem cells.

Todd J. Albert, MD, Scientific Advisory Board Member, is the James Edwards Professor and Chair of the Department of Orthopaedics at Jefferson Medical College. He is also the President of the Rothman Institute in Philadelphia. Previously, he served as Co-director of Reconstructive Spine Surgery and the Spine Fellowship Program at Thomas Jefferson University. Dr. Albert graduated magna cum laude from Amherst College and received his doctor of medicine degree from the University of Virginia School of Medicine.

Dr. Albert serves on the boards of several scientific journals, including Spine, The Spine Journal, and The Journal of Spinal Disorders and Techniques, as well as medical associations. He is Chair of Network Development for the National Spine Network. Dr. Albert has published over 200 scientific articles, authored over 40 book chapters, and seven textbooks on spinal surgery.

Paul Mraz, Business Advisory Board**,** currently serves as Chief Executive Officer of CeraPedics, Inc., a medical device company. Mraz most recently served as Chairman and CEO of Angstrom Medica, Inc. (acquired by Pioneer Surgical Technology). Prior to Angstrom Medica, Mraz was a Principal of Link Spine Group Inc. as Vice President — Worldwide Marketing and International Sales until its acquisition by Johnson & Johnson in June 2003.

Mr. Mraz currently serves as a Director of superDimension, Ltd. (Herzliya, ISRAEL and Plymouth, MN). Mraz received a B.S. degree in Mechanical Engineering from Lafayette College and an M.S. degree in Mechanical Engineering and Biomechanics from Case Western Reserve University. He holds six US Patents for various medical devices and is an active advisor to numerous venture capital groups.

David W. Feigal Jr., MD, Business Advisory Board, recently served as Vice President, Global Regulatory at Amgen, Inc. Previously, Dr. Feigal was Senior Vice President, Head of Global Regulatory and Global Safety Surveillance at Elan. Prior to joining Elan in November 2006, he spent 12 years with the FDA. During his time at the FDA, he was Head of the Center for Devices and Head of the Center for Biologics for five years each.

Before joining the FDA, Dr. Feigal worked for 10 years within the academic and hospital settings of the University of California in San Diego, San Francisco and Davis. He holds a BA from University of Minnesota, an MD from Stanford University and a Master of Public Health from the University of California, Berkeley.

The Company does not pay Members of its Advisory Boards any cash compensation and plans to compensate the Scientific Advisory and Business Advisory Boards through the issuance of stock options.

EXECUTIVE COMPENSATION

Compensation of ITHC Executive Officers and Directors

Summary Compensation

For the three most recently completed fiscal years, no compensation was paid to any executive officer of ITHC.

Outstanding Equity Awards at Fiscal Year End

None of the ITHC executive officers held any options or other equity awards at March 31, 2010.

Director Compensation

None of the ITHC directors received any compensation for service as a director of ITHC during the fiscal year ended March 31, 2010.

Compensation of InVivo Executive Officers and Directors

Summary Compensation Table

In connection with the consummation of the Merger, InVivo's Chief Executive Officer, Frank M. Reynolds, became the Chief Executive Officer of the Company. The following summary compensation table sets forth the compensation paid for services rendered to InVivo during the past two fiscal years by its Chief Executive Officer. There were no other executive officers during the past two fiscal years. All information relating to option awards reflects the exchange of InVivo options for ITHC options in the Merger.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary	Bonus	Option/SAR Awards(1)(2)	All Other Compensation	Total
Frank Reynolds	2010	$ 375,000	$ 150,000	—	—	$ 525,000
Chief Executive Officer	2009	$ 275,000	$ 40,000	$ 350,418	—	$ 665,418

(1) The amounts shown in this column represent the aggregate grant date fair value of awards computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, not the actual amounts paid to or realized by the Chief Executive Officer during fiscal 2010 and fiscal 2009. FASB ASC Topic 718 fair value amount as of the grant date for stock options generally is spread over the number of months of service required for the grant to vest.

(2) The fair value of each stock option award is estimated as of the date of grant using the Black-Scholes valuation model. Additional information regarding the assumptions used to estimate the fair value of all stock options awards can be found in the section entitled "Stock-Based Compensation" in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Agreements with Officers and Directors

In November 2006, InVivo entered into an Agreement with each of: (i) Frank Reynolds, InVivo's current Chief Executive Officer; (ii) Robert Langer, InVivo's current Scientific Advisory Member; and (iii) Yang D. Teng. The Agreement provided for the repurchase of a party's unvested shares of common stock by the other parties upon the occurrence of certain events. As of the date of this prospectus, all shares granted to each of the parties have vested.

The Company entered into an amended and restated executive employment agreement (the "Employment Agreement") with Mr. Reynolds on March 15, 2011. The Employment Agreement, among other things, established Mr. Reynolds' compensation as follows: (i) annual base salary of $477,000; (ii) up to $3,200 per month for living expenses for the time period of January 2011 through December 2012; (iii) annual compensation for other fringe benefits approved in the amount of $19,900 per year; and (iv) an annual bonus, with a 2011 target of $238,500. Mr. Reynolds' bonus payment is subject to the achievement of certain corporate objectives for fiscal year 2011, each of which will entitle him to a corresponding percentage of the target.

Under the Employment Agreement, if Mr. Reynolds' employment is terminated by the Company without cause, or by Mr. Reynolds as a result of a constructive termination by the Company, or as a result of Mr. Reynolds' death or disability, then the Company is obligated to pay severance (consisting of base salary in effect at the time of termination) to Mr. Reynolds (or Mr. Reynolds' legal representatives) for a period of 18 months. In addition, if Mr. Reynolds' employment is terminated by the Company without cause, or by Mr. Reynolds as a result of a constructive termination by the Company, the Company will be obligated to pay Mr. Reynolds his target bonus, prorated based on the number of days of such fiscal year that have elapsed as of the termination date, as well as up to 18 months of health insurance benefits. Severance payments are contingent on execution of a general waiver and release of claims against the Company and certain of its affiliates, and are in addition to accrued obligations to Mr. Reynolds unpaid by the Company prior to the time of termination, death or disability. The Employment Agreement also contains various restrictive covenants, including covenants relating to non-competition, non-solicitation, confidentiality and cooperation.

Mr. Reynolds was also granted a nonqualified stock option to purchase 250,000 shares of Common Stock under the 2010 Plan at an exercise price of $1.20, which is equal to the closing price of the Common Stock on the date of execution of the Employment Agreement and the date the stock option was granted (the "Date of Grant"). This stock option shall vest and become exercisable as to 25% of the shares subject to the option on each of the first four anniversaries of the Date of Grant, provided that Mr. Reynolds remains an employee, consultant or director of the Company on each vesting date. The option is not exercisable until shareholder approval of the 2010 Plan has been obtained and a registration statement on Form S-8 registering the shares issued or available for issuance under the 2010 Plan has been filed with the SEC.

Outstanding Equity Awards at 2010 Fiscal Year-End

The following table summarizes the equity awards made to our named executive officers that were outstanding at December 31, 2010.

Name	No. of Securities Underlying Unexercised Options (#) Exercisable	No. of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price	Option Expiration Date
Frank Reynolds(1)	196,231	588,693	$ 0.91	12/12/2019

(1) The options were granted on December 12, 2009. 196,231 shares vested on December 12, 2010. An additional 196,231 shares will vest on each of the second, third and fourth anniversaries of the date of grant.

Board of Directors and Corporate Governance

Our Board of Directors consists of five (5) members. On the Closing of the Merger, Peter L. Coker and Peter A. Reichard, the sole members of the Board of Directors of ITHC, resigned, and simultaneously therewith, a new Board of Directors was appointed. The Board consists of four (4) members who were former directors of InVivo and Adam K. Stern, who was appointed at the Closing of the Merger at the request of the Placement Agent.

Board Independence

The Company is not currently listed on any national securities exchange or in an inter-dealer quotation system that has a requirement that the Board of Directors be independent. However, in evaluating the independence of its members and the composition of the committees of the Board of Directors, the Board utilizes the definition of "independence" as that term is defined by the listing standards of the Nasdaq Stock Market and the applicable

SEC rules, including the rules relating to the independence standards of an audit committee and the non-employee director definition of Rule 16b-3 promulgated under the Exchange Act. Using these standards, the Board of Directors determined that Messrs. Nolen and Roberts and Ms. Pedra are currently "independent" directors. The Board determined that Mr. Stern is not independent as a result of the payments to the Placement Agent and that Mr. Reynolds is not independent as a result of his employment relationship with the Company.

Committees of the Board

The Board has designated two principal standing committees, the Audit Committee and the Governance, Nominating and Compensation Committee (the "GNC Committee"). The current members of the Audit Committee and the GNC Committee are identified in the following table:

Name	Audit Committee	GNC Committee
George Nolen	Chair	X
Christi Pedra	X	Chair
Rich Roberts	X	X

Audit Committee

The Board has a standing Audit Committee established in accordance with Section 3(a)(58)A of the Exchange Act. The Audit Committee assists the Board in fulfilling its responsibilities to stockholders concerning the Company's financial reporting and internal controls. The Audit Committee facilitates open communication among the Audit Committee, the Board, the Company's independent registered public accounting firm and management. The Audit Committee discusses with management and the Company's independent registered public accounting firm the financial information developed by the Company, the Company's systems of internal controls and the Company's audit process. The Audit Committee is solely and directly responsible for appointing, evaluating, retaining, and, where necessary, terminating the engagement of the Company's independent registered public accounting firm. The independent registered public accounting firm meets with the Audit Committee (both with and without the presence of the Company's management) to review and discuss various matters pertaining to the audit, including the Company's financial statements, the report of the independent registered public accounting firm on the results, scope and terms of their work, and their recommendations concerning the financial practices, controls, procedures and policies employed by the Company.

The Audit Committee pre-approves all audit services to be provided to the Company by the principal auditor and all other services (including reviewing, attestation and non-audit services) to be provided to the Company by the independent registered public accounting firm.

The Audit Committee is charged with establishing procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Audit Committee reviews and oversees all related party transactions on an ongoing basis. The Audit Committee is authorized, without further action by the Board, to engage independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. The Board has adopted a written charter for the Audit Committee, a copy of which is available on the Company's website.

The Board has determined that all of the members of the Audit Committee are independent (as defined by the listing standards of the Nasdaq Stock Market and the applicable SEC rules), and that the Audit Committee members meet the independence requirements contemplated by Rule 10A-3 under the Exchange Act. The Board has determined that George Nolen is an "audit committee financial expert" (as defined in Item 407(d)(5) of Regulation S-K).

GNC Committee

The GNC Committee assists the Board in fulfilling its responsibilities relating to (i) compensation of the Company's executive officers, (ii) the director nomination process and (iii) reviewing the Company's compliance with SEC corporate governance requirements. The Board has adopted a written charter for the GNC Committee, a copy of which is available on the Company's website. The Board has determined that all of the members of the GNC Committee are independent (as defined by the listing standards of the Nasdaq Stock Market and the applicable SEC rules).

The GNC Committee determines salaries, incentives and other forms of compensation for the Chief Executive Officer and the executive officers of the Company and reviews and makes recommendations to the Board with respect to director compensation. The GNC Committee annually reviews and approves the corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates the Chief Executive Officer's performance in light of these goals and objectives, and sets the Chief Executive Officer's compensation level based on this evaluation. The GNC Committee meets without the presence of executive officers when approving or deliberating on executive officer compensation, but may invite the Chief Executive Officer to be present during the approval of, or deliberations with respect to, other executive officer compensation. The GNC Committee reviews and approves the terms of any and all offer letters, employment agreements, severance agreements, change-in-control agreements, indemnification agreements and other material agreements between the Company and its executive officers. In addition, the GNC Committee administers the Company's stock incentive compensation and equity-based plans.

The GNC Committee makes recommendations to the Board concerning all facets of the director nominee selection process. Generally, the GNC Committee identifies candidates for director nominees in consultation with management and the independent members of the Board, through the use of search firms or other advisers, through the recommendations submitted by stockholders or through such other methods as the GNC Committee deems to be helpful to identify candidates. Once candidates have been identified, the GNC Committee confirms that the candidates meet the independence requirements and qualifications for director nominees established by the Board. The GNC Committee may gather information about the candidates through interviews, questionnaires, background checks, or any other means that the GNC Committee deems to be helpful in the evaluation process. The GNC Committee meets to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the Board. Upon selection of a qualified candidate, the GNC Committee would recommend the candidate for consideration by the full Board.

In considering whether to include any particular candidate in the Board's slate of recommended director nominees, the Board will consider the candidate's integrity, education, business acumen, knowledge of the Company's business and industry, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. As a matter of practice, the Board considers the diversity of the backgrounds and experience of prospective directors as well as their personal characteristics (e.g., gender, ethnicity, age) in evaluating, and making decisions regarding, Board composition, in order to facilitate Board deliberations that reflect a broad range of perspectives. The Board does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. The Company believes that the backgrounds and qualifications of its directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

The GNC Committee will consider director candidates who are recommended by the stockholders of the Company. Such recommendation for nomination must be in writing and include the following:

- the name and address of the stockholder making the recommendation;
- the number of shares of Common Stock that such stockholder owns beneficially and holds of record;
- the name and address of the individual recommended for consideration as a director nominee;
- the principal occupation and experience of the director nominee;

- the total number of shares of Common Stock that the stockholder making the recommendation will vote for the director nominee;
- a written statement from the stockholder making the recommendation stating whether the director nominee has indicated his or her willingness to serve if elected and why such recommended candidate would be able to fulfill the duties of a director; and
- any other information regarding the director nominee that is required to be included in a proxy statement filed pursuant to the rules of the SEC.

Nominations must be sent to the GNC Committee by U.S. mail, courier or expedited delivery service to InVivo Therapeutics Holdings Corp., One Broadway, 14th Floor, Cambridge, Massachusetts 02142, Attn: Chair, GNC Committee. The chair of the GNC Committee will then provide the nomination to the GNC Committee for consideration. Assuming that the required material has been provided on a timely basis, the GNC Committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

Stockholder Communications with the Board

Stockholders may communicate with the Board by sending written communications to the Board or any individual member of the Board to the following address: Board, c/o Secretary, InVivo Therapeutics Holdings Corp., One Broadway, 14th Floor, Cambridge, Massachusetts 02142. The Secretary will forward all such correspondence accordingly, except for mass mailings, job inquiries, surveys, business solicitations or advertisements, personal grievances, matters as to which the Company tends to receive repetitive or duplicative communications, or patently offensive or otherwise inappropriate material.

Board Leadership Structure

The Board does not have a policy on whether the offices of Chairman and Chief Executive Officer should be separate and, if they are to be separate, whether the Chairman should be selected from among the independent directors or should be an employee of the Company. In the event the Chairman is not an independent director, the Board may designate a lead independent director. The duties of the lead independent director, as set forth in the Company's Corporate Governance Guidelines, include (i) chairing any meeting of the independent directors in executive session, (ii) facilitating communications between other members of the Board and the Chairman (however, each director is free to communicate directly with the Chairman), (iii) in the event a stockholder seeks to communicate with the Board, accepting and responding to such communications in conjunction with the Chairman, and (iv) working with the Chairman (a) in the preparation of the agenda for each Board meeting, (b) in scheduling the time devoted to matters at each Board meeting and (c) as required, in determining the need for special meetings of the Board. The appointment of lead independent director rotates among the independent directors, but no more frequently than annually, and the Board periodically reviews the matter to determine if and when a rotation is advisable. The lead independent director is currently George Nolen.

Director Compensation for Fiscal 2010

The following table sets forth compensation earned and paid to each non-employee director of InVivo for service as a director during 2010.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)(1)	All Other Compensation ($)	Total ($)
George Nolen(2)	$ 2,000	—	$71,520	—	$73,520
Christi M. Pedra(3)	$ 2,000	—	$71,520	—	$73,520
Richard J. Roberts(4)	$ 2,000	—	$71,520	—	$73,520
Adam K. Stern(5)	$ 1,000	—	$71,520	—	$72,520

(1) The amounts shown in the "Option Awards" column represent the aggregate grant date fair value of awards computed in accordance with ASC 718, not the actual amounts paid to or realized by the directors during fiscal 2010.
(2) As of December 31, 2010, Mr. Nolen held options (vested and unvested) to purchase an aggregate of 173,934 shares of our Common Stock.
(3) As of December 31, 2010, Ms. Pedra held options (vested and unvested) to purchase an aggregate of 173,934 shares of our Common Stock.
(4) As of December 31, 2010, Mr. Roberts held options (vested and unvested) to purchase an aggregate of 917,547 shares of our Common Stock.
(5) As of December 31, 2010, Mr. Stern held options (vested and unvested) to purchase an aggregate of 50,000 shares of our Common Stock.

On December 10, 2010, based upon the recommendation of the GNC Committee, the Board adopted a compensation policy for non-employee directors. The policy provides that each non-employee director shall be paid an annual retainer of $25,000 per year (paid quarterly and delivered at each regularly scheduled quarterly Board meeting). In addition, the policy provides that the Lead Independent Director, chairman of the GNC Committee and the chairman of the Audit Committee shall each receive an additional annual fee of $5,000 (paid quarterly and delivered at each regularly scheduled quarterly Board meeting). Each non-employee director shall also receive $1,000 for each in-person Board meeting attended, $500 for each telephonic meeting of the Board attended, and $500 for each committee meeting attended. Each non-employee director will also receive an annual grant, on December 10 of each calendar year, of a nonqualified stock option under the 2010 Plan to purchase up to 50,000 shares of the Company's Common Stock at an exercise price equal to the closing price of the Common Stock on the date of grant (the "Director Option Date"), and that such option shall be exercisable as to 1/12 of the original number of shares subject to the option on the one month anniversary of the Director Option Date and shall be exercisable as to an additional 1/12 of the original number of shares subject to the option each monthly anniversary thereafter until fully vested on the 12 month anniversary of the Director Option Date, provided that such director remains a director of the Company on each such vesting date, provided, however, no option may be exercised until the shareholders of the Company approve the 2010 Plan, and the Company files a registration statement on Form S-8 with the SEC, registering the shares underlying such stock options. On December 10, 2010, the Company issued stock options for 50,000 shares exercisable at $2.26 per share to each of George Nolen, Rich Roberts, Christi Pedra and Adam Stern. The aggregate fair value for the 200,000 shares granted was $286,080.

Code of Ethics

We have adopted a code of business conduct and ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer, controller and other senior financial officers. Our code of business conduct and ethics is posted under the "Investor Relations — Corporate Governance" section of our website, www.invivotherapeutics.com. We intend to satisfy the disclosure requirement regarding any amendment to, or waiver of, a provision of the code of business conduct and ethics applicable to our principal executive officer, principal financial officer, controller or other senior financial officers by posting such information on our website.

InVivo's 2007 Stock Incentive Plan

InVivo adopted a Stock Incentive Plan in 2007 (the "2007 Plan"). Pursuant to the 2007 Plan, InVivo's Board of Directors (or committees and/or executive officers delegated by the Board of Directors) had the authority to grant incentive and nonqualified stock options to InVivo's employees, officers, directors, consultants and advisors. Options granted under the 2007 Plan are exercisable for up to 10 years from the date of issuance. The Company assumed and adopted the 2007 Plan in the Merger, and granted option holders under the 2007 Plan New Options to purchase Common Stock. No further options will be granted under the 2007 Plan.

2010 Equity Incentive Plan

The Board of Directors has adopted the 2010 Equity Incentive Plan in 2010, subject to stockholder approval, which will reserve a total of 3,500,000 shares of our Common Stock for issuance under the 2010 Plan. If an incentive award granted under the 2010 Plan expires, terminates, is unexercised or is forfeited, or if any shares are surrendered to us in connection with an incentive award, the shares subject to such award and the surrendered shares will become available for further awards under the 2010 Plan.

Shares issued under the 2010 Plan through the settlement, assumption or substitution of outstanding awards or obligations to grant future awards as a condition of acquiring another entity are not expected to reduce the maximum number of shares available under the 2010 Plan. In addition, the number of shares of Common Stock subject to the 2010 Plan, any number of shares subject to any numerical limit in the 2010 Plan, and the number of shares and terms of any incentive award are expected to be adjusted in the event of any change in our outstanding Common Stock by reason of any stock dividend, spin-off, split-up, stock split, reverse stock split, recapitalization, reclassification, merger, consolidation, liquidation, business combination or exchange of shares or similar transactions.

If stockholder approval is not obtained within 12 months after the Board's adoption of the 2010 Plan, all awards granted under the 2010 Plan will terminate. In addition, no award under the 2010 Plan will become exercisable until stockholder approval has been obtained and a registration statement on Form S-8 has been filed with the SEC.

Administration

It is expected that the GNC Committee of the Board, or the Board in the absence of such a committee, will administer the 2010 Plan. Subject to the terms of the 2010 Plan, the GNC Committee would have complete authority and discretion to determine the terms of awards under the 2010 Plan.

Grants

The 2010 Plan is expected to authorize the grant to 2010 Plan participants of nonqualified stock options, incentive stock options, restricted stock awards, restricted stock units, performance grants intended to comply with Section 162(m) of the Internal Revenue Code (as amended, the "Code") and stock appreciation rights, as described below:

- Options granted under the 2010 Plan entitle the grantee, upon exercise, to purchase a specified number of shares from us at a specified exercise price per share. The exercise price for shares of Common Stock covered by an option cannot be less than the fair market value of the Common Stock on the date of grant unless agreed to otherwise at the time of the grant.
- Restricted stock awards and restricted stock units may be awarded on terms and conditions established by the GNC Committee, which may include performance conditions for restricted stock awards and the lapse of restrictions on the achievement of one or more performance goals for restricted stock units.
- The GNC Committee may make performance grants, each of which will contain performance goals for the award, including the performance criteria, the target and maximum amounts payable, and other terms and conditions.
- The 2010 Plan authorizes the granting of stock awards. The GNC Committee will establish the number of shares of Common Stock to be awarded and the terms applicable to each award, including performance restrictions.
- Stock appreciation rights ("SARs") entitle the participant to receive a distribution in an amount not to exceed the number of shares of Common Stock subject to the portion of the SAR exercised multiplied by the difference between the market price of a share of Common Stock on the date of exercise of the SAR and the market price of a share of Common Stock on the date of grant of the SAR.

Duration, Amendment, and Termination

The Board is expected to have the power to amend, suspend or terminate the 2010 Plan without stockholder approval or ratification at any time or from time to time. No change may be made that increases the total number of shares of Common Stock reserved for issuance pursuant to incentive awards or reduces the minimum exercise price for options or exchange of options for other incentive awards, unless such change is authorized by our stockholders within one year. Unless sooner terminated, the 2010 Plan would terminate ten years after it is adopted.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with ITHC Shareholders

Forward Split, Split-Off and Share Cancellation

Our Common Stock was forward-split on a 2.02898 for 1 basis effective October 22, 2010 so that there were 6,999,981 shares of our Common Stock issued and outstanding before taking into account the issuance of shares of Common Stock to purchasers of Units in the Offering and in the Merger and after giving pro forma effect to the Split-Off, as discussed below.

Upon the closing of the Merger, ITHC transferred all of its operating assets and liabilities to DSSC and split-off DSSC through the sale of all of the outstanding capital stock of DSSC. In connection with the Split-Off, 14,747,554 shares of Common Stock held by the Split-Off Shareholders were surrendered and cancelled without further consideration, other than the receipt of DSSC shares. An additional 1,014,490 shares of Common Stock were cancelled by a shareholder of ITHC for no consideration.

Transactions with the Placement Agent and its Related Parties

The Placement Agent also acted as finder to InVivo in connection with its sale of $500,000 of principal amount of its Bridge Notes, which was consummated in September 2010. The Company issued investors participating in this bridge financing New Bridge Warrants to purchase an aggregate of 500,000 shares of the Company's Common Stock at a price of $1.00 per share. The New Bridge Warrants have a term of five years and are fully exercisable. The Bridge Notes were converted into Units in the Offering upon the closing of the Offering. The Placement Agent earned Warrants (which are identical to the New Bridge Warrants) to purchase 100,000 shares of Common Stock of the Company at a price of $1.00 per Share as compensation for acting as a finder in the Bridge Financing. Affiliates of the Placement Agent purchased $150,000 of Bridge Notes in the Bridge Financing.

In September 2010, several related parties to the Placement Agent purchased an aggregate of 3,895,643 shares of Common Stock (post-split) from various shareholders of ITHC. The aggregate purchase price paid to such shareholders by the related parties for such shares was approximately $49,000. Adam K. Stern, Senior Managing Director of the Placement Agent and its designee to serve on the Company's Board of Directors upon the Closing of the Offering, along with certain entities in which Mr. Stern is the beneficial owner, owns 1,948,322 of these shares (post-split). In addition, Optical Partners, an entity beneficially owned by Kevin Kimberlin, the Chairman of Spencer Trask & Co., Inc., the parent corporation of the Placement Agent owns 1,947,321 of these shares (post-split).

ITHC engaged the Placement Agent as its exclusive placement agent in connection with the Offering. For its services, ITHC paid the Placement Agent (i) a cash fee equal to 10% of the gross proceeds raised in the Offering ($1,300,000) and (ii) a non-accountable expense allowance equal to 3% of the gross proceeds raised in the Offering ($390,000). In addition, the Company granted to the Placement Agent or its designees, for nominal consideration, five-year warrants ("Placement Agent Warrants") to purchase (i) 2,600,000 shares of Common Stock at an exercise price of $1.00 per share and (ii) 2,600,000 shares of Common Stock at an exercise price of $1.40 per share. None of such warrants or the shares issuable thereunder are being included for resale pursuant to this registration statement.

The Company has agreed to engage the Placement Agent as its warrant solicitation agent in the event the Company elects to call the Investor Warrants for redemption and in such case shall pay a warrant solicitation fee to the Placement Agent equal to five (5%) percent of the amount of funds solicited by the Placement Agent upon the exercise of the Investor Warrants following such redemption.

The Placement Agent was granted the right to designate one member to our Board of Directors for a period of two years following the closing of the Offering and has designated Adam K. Stern to fill such Board seat.

The Company has also agreed to pay the Placement Agent compensation of $5,000 per month for a period of two years for services relating to strategies to maximize shareholder value; and entered into a non-exclusive finder's fee agreement with the Placement Agent providing that if the Placement Agent shall introduce us to a third party that consummates certain investment or business combination transactions with us during the eighteen (18) month period following the final Closing of the Offering, the Placement Agent will be paid a finder's fee, payable in cash at the closing of such transaction, equal to 7% of the first $1 million of consideration paid by or to the Company, plus 6% of the next $1 million of consideration paid by or to the Company, plus 5% of the next $5 million of the consideration paid by or to the Company, plus 4% of the next $1 million paid by or to the Company, plus 3% of the next $1 million paid by or to the Company, plus 2.5% of any consideration paid by or to the Company in excess of $9 million. The Placement Agent will not be entitled to a finder's fee with respect to any transaction entered into with any party with whom the Company had a pre-existing relationship prior to the date of the specific introduction and who was not introduced to the Company by the Placement Agent.

Furthermore, we granted the Placement Agent a preferential right of first refusal to act as agent with respect to future private placements of the Company's securities for a period of eighteen (18) months from the date of the final Closing of the Offering.

The Company agreed to indemnify the Placement Agent and other broker-dealers who are FINRA members selected by the Placement Agent to offer and sell Units in the Offering, to the fullest extent permitted by law for a period of four (4) years from the Closing of the Offering, against certain liabilities that may be incurred in connection with the Offering, including certain civil liabilities under the Securities Act, and, where such indemnification is not available, to contribute to the payments the Placement Agent may be required to make in respect of such liabilities. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to the Placement Agent, pursuant to the foregoing provisions or otherwise, the Company has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Transactions between InVivo and its CEO

Beginning on December 31, 2005, InVivo's CEO and majority shareholder, Frank M. Reynolds, made a series of advances to InVivo to fund its continuing operations until it raised additional capital. Interest accrued on these advances at an annual rate of 8%. The largest aggregate amount of this indebtedness outstanding since the beginning of the fiscal year ended December 31, 2010 was $145,985. Interest payments totaling $2,373 were made during the fiscal year ended December 31, 2010. All amounts advanced to InVivo were paid back to Frank M. Reynolds before consummation of the Merger.

Lock-ups

Officers, directors and holders of 5% or more of the Company's Common Stock and certain employees and affiliates of the Placement Agent have agreed to "lock-up" and not sell or otherwise transfer or hypothecate any of their shares for a term equal to the earlier of (i) twelve (12) months from the closing of the Merger; or (ii) six (6) months following the effective date of the Registration Statement registering the shares of Common Stock that were sold in the Offering.

SELLING SECURITYHOLDERS

Below is information with respect to the beneficial ownership of our securities by the Selling Securityholders as of May 18, 2011. Except as described below, the Selling Securityholders do not have, or have had, any position, office or other material relationship with us or any of our affiliates beyond their investment in, or receipt of, our securities. Beneficial ownership has been determined in accordance with the rules of the SEC, and includes voting or investment power with respect to the securities. Our registration of these securities does not necessarily mean that the Selling Securityholders will sell any or all of the securities covered by this prospectus.

We are registering 26,047,200 shares of Common Stock underlying the Units, the Investor Warrants and the New Bridge Warrants, issued to the Selling Securityholders, in each case, for resale from time to time by the Selling Securityholders identified in this prospectus.

The information set forth in the following table regarding the beneficial ownership after resale of securities assumes that the Selling Securityholder will purchase the maximum number of shares of Common Stock provided for by the Investor Warrants and New Bridge Warrants and will sell all of the shares of Common Stock owned by that Selling Securityholder covered by this prospectus. There is no assurance that any of the warrants will be exercised.

	Securities Beneficially Owned Prior to the Offering		Securities Offered Hereby		Securities Beneficially Owned After this Offering	
Name	Common Stock(1)	Warrants	Common Stock	Common Stock underlying Warrants	Common Stock	Warrants
John E. Dell	651,400	801,400	651,400	801,400	—	—
Lester Petracca	650,000	650,000	650,000	650,000	—	—
Jerome Z. Ginsburg	600,000	600,000	600,000	600,000	—	—
Richard Neustadter	500,000	500,000	500,000	500,000	—	—
Gibralt Capital Corp.(2)	500,000	500,000	500,000	500,000	—	—
Dr. Jan Arnett	400,000	400,000	400,000	400,000	—	—
Craig Whited	350,000	350,000	350,000	350,000	—	—
Mark Tompkins	300,000	300,000	300,000	300,000	—	—
John Derby	250,000	250,000	250,000	250,000	—	—
Edward M. Dunn	250,000	250,000	250,000	250,000	—	—
Craig A.T. Jones	250,000	250,000	250,000	250,000	—	—
Michael E. Pauly & Patricia R. Pauly JTWROS	250,000	250,000	250,000	250,000	—	—
Ralph Pastore	250,000	250,000	250,000	250,000	—	—
RRC Bio Fund LP(3)	250,000	250,000	250,000	250,000	—	—
Daniel Salvas	250,000	250,000	250,000	250,000	—	—
Michael Willis and Sharon Willis JTWROS	200,000	200,000	200,000	200,000	—	—
White Rock Capital Partners, LP(4)	200,000	200,000	200,000	200,000	—	—
Paul J. Kilgallon	200,000	200,000	200,000	200,000	—	—
Ligi Realty Limited Partnership(5)	200,000	200,000	200,000	200,000	—	—
Wealth Concepts LLC(6)	200,000	200,000	200,000	200,000	—	—
Kevin Carnahan	200,000	200,000	200,000	200,000	—	—
James Byron Moore III	145,000	145,000	145,000	145,000	—	—
Bonanno Family Partnership LLP(7)	125,000	125,000	125,000	125,000	—	—
Jon O'Connor	125,000	125,000	125,000	125,000	—	—
Harry L. Shufflebarger Revocable Trust(8)	125,000	125,000	125,000	125,000	—	—
ACP X, LP(9)	100,000	100,000	100,000	100,000	—	—

Name	Securities Beneficially Owned Prior to the Offering		Securities Offered Hereby		Securities Beneficially Owned After this Offering	
	Common Stock(1)	Warrants	Common Stock	Common Stock underlying Warrants	Common Stock	Warrants
Harvey Arbesman and Marian C. Arbesman JTWROS	100,000	100,000	100,000	100,000	—	—
Fairfield Investment Group LLC(10)	100,000	100,000	100,000	100,000	—	—
Kaaren L. Finnieston	100,000	100,000	100,000	100,000	—	—
Andrew Fisher	100,000	100,000	100,000	100,000	—	—
Sean Fitzpatrick	100,000	100,000	100,000	100,000	—	—
Dean G. Holland and Annette B. Holland JTWROS	100,000	100,000	100,000	100,000	—	—
John D. Long	100,000	100,000	100,000	100,000	—	—
Michael J. Pierce	100,000	100,000	100,000	100,000	—	—
QIP Holdings LLC(11)	100,000	100,000	100,000	100,000	—	—
Nadine Smith	100,000	100,000	100,000	100,000	—	—
FMTC as Custodian FBO Thomas C. Stephens Roth IRA	100,000	100,000	100,000	100,000	—	—
Garretson B. Trudeau	100,000	100,000	100,000	100,000	—	—
Jeffrey D. Vaught	100,000	100,000	100,000	100,000	—	—
Andrew Brenner	100,000	100,000	100,000	100,000	—	—
Banque de Luxembourg—Client Account	100,000	100,000	100,000	100,000	—	—
George Karfunkel	100,000	100,000	100,000	100,000	—	—
Edward S. Rosenthal	100,000	100,000	100,000	100,000	—	—
Todd Stuart	85,794	170,794	85,794	170,794	—	—
Robert B. Baker	75,000	75,000	75,000	75,000	—	—
Erich J. Weidenbener	75,000	75,000	75,000	75,000	—	—
Richard Scheffel	70,000	70,000	70,000	70,000	—	—
Philip A. Serbin	70,000	70,000	70,000	70,000	—	—
Anthony Ameduri	60,000	60,000	60,000	60,000	—	—
HRMG Inc. Profit Sharing 401K Plan DTD 7104 FBO James Moore(12)	55,000	55,000	55,000	55,000	—	—
Humboldt Radiology Medical Group PSP 401 (K) FBO Donald C. Wheeler(13)	52,750	52,750	52,750	52,750	—	—
Andrew Meade	50,267	100,267	50,267	100,267	—	—
Lon E. Bell	50,000	50,000	50,000	50,000	—	—
FMTC as Custodian FBO Gerald C. Chichester	50,000	50,000	50,000	50,000	—	—
Lee Harrison Corbin	50,000	50,000	50,000	50,000	—	—
FMTC as Custodian FBO Wendy Flath Roth IRA	50,000	50,000	50,000	50,000	—	—
Aubrey W. Gladstone	50,000	50,000	50,000	50,000	—	—
Mark Harger	50,000	50,000	50,000	50,000	—	—
Daniel W. Hummell & Allaire D. Hummell JTWROS	50,000	50,000	50,000	50,000	—	—
Robert Klein	50,000	50,000	50,000	50,000	—	—

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Name	Securities Beneficially Owned Prior to the Offering		Securities Offered Hereby		Securities Beneficially Owned After this Offering	
	Common Stock(1)	Warrants	Common Stock	Common Stock underlying Warrants	Common Stock	Warrants
Patrick Lorenz, MD	50,000	50,000	50,000	50,000	—	—
Christopher Meyer & Mary Rivet JTWROS	50,000	50,000	50,000	50,000	—	—
John Meyer	50,000	50,000	50,000	50,000	—	—
Robert L. Montgomery	50,000	50,000	50,000	50,000	—	—
Mel Okeon Inc. Profit Sharing Trust(14)	50,000	50,000	50,000	50,000	—	—
FMTC as Custodian FBO Edward N. Robinson Roth IRA	50,000	50,000	50,000	50,000	—	—
Peter Sabo	50,000	50,000	50,000	50,000	—	—
Albert L. Salvatico	50,000	50,000	50,000	50,000	—	—
SavoyCapron LLC(15)	50,000	50,000	50,000	50,000	—	—
Janea Jones-Schenk and Paul Schenk JTWROS	50,000	50,000	50,000	50,000	—	—
FMTC as Custodian FBO Elisabeth A. Stephens IRA	50,000	50,000	50,000	50,000	—	—
FMTC as Custodian FBO Michael Stephens Roth IRA	50,000	50,000	50,000	50,000	—	—
FMTC as Custodian FBO Thomas B. Stephens IRA	50,000	50,000	50,000	50,000	—	—
Richard Weeks	50,000	50,000	50,000	50,000	—	—
Edward A. Weidenbener and Mary Lou Weidenbener JTWROS	50,000	50,000	50,000	50,000	—	—
Jason Willis	50,000	50,000	50,000	50,000	—	—
Paul Tompkins	50,000	50,000	50,000	50,000	—	—
Graham Carlton	50,000	50,000	50,000	50,000	—	—
Edward Moldaver	50,000	50,000	50,000	50,000	—	—
Mitchell L. Lampert	40,373	80,373	40,373	80,373	—	—
T. Shawn Hehir	40,000	40,000	40,000	40,000	—	—
David Hochman	37,500	37,500	37,500	37,500	—	—
CoJack Investment Opportunities, LLC(16)	30,000	30,000	30,000	30,000	—	—
Harold S. Gault and Evelyn Gault JTWROS	30,000	30,000	30,000	30,000	—	—
John Saraceno	30,000	30,000	30,000	30,000	—	—
Mark Saraceno	30,000	30,000	30,000	30,000	—	—
Eric M. Scholtz	30,000	30,000	30,000	30,000	—	—
Highstone Trust(17)	30,000	30,000	30,000	30,000	—	—
Milen Petkov Tzvetanov	25,363	50,363	25,363	50,363	—	—
Harold Ackerstein	25,000	25,000	25,000	25,000	—	—
Lawrence B. Barraza	25,000	25,000	25,000	25,000	—	—
Alan Bilzi	25,000	25,000	25,000	25,000	—	—
Bradley Resources Company(18)	25,000	25,000	25,000	25,000	—	—
William Clifford	25,000	25,000	25,000	25,000	—	—
Timothy Elmes	25,000	25,000	25,000	25,000	—	—
Richard Ernest	25,000	25,000	25,000	25,000	—	—
Reiner Fenske	25,000	25,000	25,000	25,000	—	—

Name	Securities Beneficially Owned Prior to the Offering		Securities Offered Hereby		Securities Beneficially Owned After this Offering	
	Common Stock(1)	Warrants	Common Stock	Common Stock underlying Warrants	Common Stock	Warrants
Raymond Dale Hautakamaki and Ann Hautamaki JTWROS	25,000	25,000	25,000	25,000	—	—
Andrew H. Kaufman	25,000	25,000	25,000	25,000	—	—
Douglas P. Kaufman	25,000	25,000	25,000	25,000	—	—
Carol Kubiak and Dr. A. Mitarotondo JTWROS	25,000	25,000	25,000	25,000	—	—
Barry Render Family Trust(19)	25,000	25,000	25,000	25,000	—	—
Vincent G. Scott	25,000	25,000	25,000	25,000	—	—
Steven M. Weisman	25,000	25,000	25,000	25,000	—	—
Richard White	25,000	25,000	25,000	25,000	—	—
Michael Cohen	25,000	25,000	25,000	25,000	—	—
Peter C. Gould	25,000	25,000	25,000	25,000	—	—
Maurice & Stacy Gozlan TIE	25,000	25,000	25,000	25,000	—	—
Donald R. Johnson	25,000	25,000	25,000	25,000	—	—
Susan Chase Lottich	25,000	25,000	25,000	25,000	—	—
Steven Poletti	25,000	25,000	25,000	25,000	—	—
Mark Sainato	25,000	25,000	25,000	25,000	—	—
Northlea Partners Ltd.(20)	25,000	25,000	25,000	25,000	—	—
Stephen De Kanter	25,000	25,000	25,000	25,000	—	—
James W. Dwyer	25,000	25,000	25,000	25,000	—	—
Peter M. Knapp Jr.	25,000	25,000	25,000	25,000	—	—
Reed S. Oslan	25,000	25,000	25,000	25,000	—	—
Henry Rothman	25,000	25,000	25,000	25,000	—	—
Robyn Schreiber Irrevocable Trust, Warren Schreiber TTEE	25,000	25,000	25,000	25,000	—	—
Joe N. & Jamie Behrendt Revocable Trust 10/20/96(21)	20,000	20,000	20,000	20,000	—	—
Rene Beuggert	20,000	20,000	20,000	20,000	—	—
Eaglebrook School Special Investment Account(22)	20,000	20,000	20,000	20,000	—	—
Field & Field Limited Partnership(23)	20,000	20,000	20,000	20,000	—	—
World Equity Group FBO Harold Gault IRA(24)	20,000	20,000	20,000	20,000	—	—
Vicki Goggin	20,000	20,000	20,000	20,000	—	—
Karen Otto & Gregory Russell JTWROS	20,000	20,000	20,000	20,000	—	—
Mark A. Wagner & Karen L. Wagner JTWROS	20,000	20,000	20,000	20,000	—	—
Oaktree Financial Group, Inc. Defined Benefit Plan, Michael Balasco TTEE	20,000	20,000	20,000	20,000	—	—
Marvin Boehm Family Trust(25)	20,000	20,000	20,000	20,000	—	—
Marshall N. Dickler	20,000	20,000	20,000	20,000	—	—
David G. Rosen and Julie L. Rosen JTWROS	20,000	20,000	20,000	20,000	—	—
Sean Janzer	20,000	20,000	20,000	20,000	—	—

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Name	Securities Beneficially Owned Prior to the Offering		Securities Offered Hereby		Securities Beneficially Owned After this Offering	
	Common Stock(1)	Warrants	Common Stock	Common Stock underlying Warrants	Common Stock	Warrants
Barclay M. Armitage	15,000	15,000	15,000	15,000	—	—
Bruce Cooper	15,000	15,000	15,000	15,000	—	—
Souheil Haddad	15,000	15,000	15,000	15,000	—	—
WLR Family Partnership, LP(26)	15,000	15,000	15,000	15,000	—	—
Richard Bue and Rachel Bue JTWROS	15,000	15,000	15,000	15,000	—	—
Philip B. Rosen	15,000	15,000	15,000	15,000	—	—
Allen Sessoms	15,000	15,000	15,000	15,000	—	—
David Kovacs	15,000	15,000	15,000	15,000	—	—
Terence Oi	12,500	12,500	12,500	12,500	—	—
Robert Burkhardt	10,000	10,000	10,000	10,000	—	—
Kevin Doherty	10,000	10,000	10,000	10,000	—	—
Ron Eller & Beth Eller JTWROS	10,000	10,000	10,000	10,000	—	—
Beth L. Gottshall	10,000	10,000	10,000	10,000	—	—
George Nolen(27)	10,000	10,000	10,000	10,000	—	—
Christi M. Pedra(28)	10,000	10,000	10,000	10,000	—	—
Timothy Pliske and Sara Pliske JTWROS	10,000	10,000	10,000	10,000	—	—
Dennis Pope	10,000	10,000	10,000	10,000	—	—
William N. Strawbridge	10,000	10,000	10,000	10,000	—	—
N. Michael Wolsonovich, Jr.	10,000	10,000	10,000	10,000	—	—
M. Jay Herod	10,000	10,000	10,000	10,000	—	—
Aaron Lehmann	10,000	10,000	10,000	10,000	—	—
William Martin Roberts	10,000	10,000	10,000	10,000	—	—
Ian Stern	10,000	10,000	10,000	10,000	—	—
Bruce Levenbrook	10,000	10,000	10,000	10,000	—	—
Gerald F. Quinn & Justine M. Quinn JTWROS	10,000	10,000	10,000	10,000	—	—
Michael Zimmerman	10,000	10,000	10,000	10,000	—	—
Bryan Feinberg	9,153	9,153	9,153	9,153	—	—
Athanasios Koukoulis	7,500	7,500	7,500	7,500	—	—
Kathleen S. McHugh	7,500	7,500	7,500	7,500	—	—
Richard M Spitalny	7,000	7,000	7,000	7,000	—	—
Ilan Alon	5,000	5,000	5,000	5,000	—	—
O. Stuart Chase	5,000	5,000	5,000	5,000	—	—
David Mexicotte	5,000	5,000	5,000	5,000	—	—
Thomas N. Gannon	1,500	1,500	1,500	1,500	—	—
Totals	12,848,600	13,198,600	12,848,600	13,198,600	—	—

(1) Does not include shares of Common Stock underlying the warrants.

(2) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Samuel Belzberg, Jamie Farrar, Ryan Chan and Ryan Dunfield may be deemed control persons of the shares owned by Gibralt Capital Corp., with final voting power and investment control over such shares.

(3) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, James A. Silverman may be deemed a control person of the shares owned by RRC Bio Fund LP, with final voting power and investment control over such shares.

(4) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Thomas U. Barton and Joseph U. Barton may be deemed control persons of the shares owned by White Rock Capital Partners, LP, with final voting power and investment control over such shares.

(5) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Jennifer Ligeti may be deemed a control person of the shares owned by Ligi Realty Limited Partnership, with final voting power and investment control over such shares.

(6) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Steven Deutsch may be deemed a control person of the shares owned by Wealth Concepts LLC, with final voting power and investment control over such shares.

(7) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Raymond Bonanno and Joan Bonanno may be deemed control persons of the shares owned by Bonanno Family Partnership LLP, with final voting power and investment control over such shares.

(8) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Harry Shufflebarger and Cynthia Shufflebarger as trustees, may be deemed control persons of the shares owned by Harry L. Shufflebarger Revocable Trust, with final voting power and investment control over such shares.

(9) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Laurence G. Allen, as Managing Principal of Allen Partners X, LLC, the General Partner of ACP X, LP, may be deemed a control person of the shares owned by ACP X, LP, with final voting power and investment control over such shares.

(10) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Mark Schalles may be deemed a control person of the shares owned by Fairfield Investment Group LLC, with final voting power and investment control over such shares.

(11) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Felix A. Gonzalez-Quevedo, as President/Manager, may be deemed a control person of the shares owned by QIP Holdings LLC, with final voting power and investment control over such shares.

(12) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, James B. Moore, III may be deemed a control person of the shares owned by HRMG Inc. Profit Sharing 401K Plan DTD 7104 FBO James Moore, with final voting power and investment control over such shares.

(13) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Donald S. Wheeler may be deemed a control person of the shares owned by Humboldt Radiology Medical Group PSP 401(K) FBO Donald C. Wheeler, with final voting power and investment control over such shares.

(14) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Mel Okeon, as trustee, may be deemed a control person of the shares owned by Mel Okeon Inc. Profit Sharing Trust, with final voting power and investment control over such shares.

(15) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, James Capron, Christopher Bale and Jonathan Green, as members, may be deemed control persons of the shares owned by SavoyCapron LLC, with final voting power and investment control over such shares.

(16) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Raymond Dean Hautamaki, as President, may be deemed a control person of the shares owned by CoJack Investment Opportunities, LLC, with final voting power and investment control over such shares.

(17) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Ann Beard may be deemed a control person of the shares owned by Highstone Trust, with final voting power and investment control over such shares.

(18) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, George W. Holbrook, Jr., as Manager, may be deemed a control person of the shares owned by Bradley Resources Company, with final voting power and investment control over such shares.

(19) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Barry Render and Donna Render, as trustees, may be deemed control persons of the shares owned by Barry Render Family Trust, with final voting power and investment control over such shares.

(20) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, John H. Abels may be deemed a control person of the shares owned by Northlea Partners, with final voting power and investment control over such shares.

(21) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Joe N. Behrendt, as trustee, may be deemed a control person of the shares owned by Joe N. & Jamie Behrendt Revocable Trust 10/20/96, with final voting power and investment control over such shares.

(22) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, O. Stuart Chase may be deemed a control person of the shares owned by Eaglebrook School Special Investment Account, with final voting power and investment control over such shares.

(23) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Hyatt M. Field may be deemed a control person of the shares owned by Field & Field Limited Partnership, with final voting power and investment control over such shares.

(24) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Harold Gault may be deemed a control person of the shares owned by World Equity Group FBO Harold Gault IRA, with final voting power and investment control over such shares.

(25) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, Marvin J. Boehm, as trustee may be deemed a control person of the shares owned by Marvin Boehm Family Trust, with final voting power and investment control over such shares.

(26) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, William McComb, as Managing Partner, may be deemed a control person of the shares owned by WLR Family Partnership, LP, with final voting power and investment control over such shares.

(27) George Nolen has been a director of the Company since October 2010 and a director of InVivo since December 2009. Please see Mr. Nolen’s biography on page 38 under “Directors and Executive Officers.”

(28) Christi M. Pedra has been a director of the Company since October 2010 and a director of InVivo since November 2008. Please see Ms. Pedra’s biography on page 38 under “Directors and Executive Officers.”

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market for Common Stock

Our Common Stock is quoted on the OTC Bulletin Board under the symbol “NVIV.OB.” Our shares of Common Stock began being quoted on the OTC Bulletin Board under the symbol “NVIV.OB” effective October 29, 2010.

The following table contains information about the range of high and low bid prices for our Common Stock for the quarterly periods ended December 31, 2010 and March 31, 2011 based upon reports of transactions on the OTC Bulletin Board. Prices are on a post-split basis.

Fiscal Quarter End	Low Bid	High Bid
December 31, 2010	$ 1.30	$ 4.00
March 31, 2011	$ 0.75	$ 2.26

The source of these high and low prices was the OTC Bulletin Board. These quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions and may not represent actual transactions. The high and low prices listed have been rounded up to the next highest two decimal places.

On May 17, 2011, the closing bid price of our Common Stock as reported by the OTC Bulletin Board was $0.79 per share.

Trades in the Common Stock may be subject to Rule 15g-9 of the Exchange Act, which imposes requirements on broker/dealers who sell securities subject to the rule to persons other than established customers and accredited investors. For transactions covered by the rule, broker/dealers must make a special suitability determination for purchasers of the securities and receive the purchaser’s written agreement to the transaction before the sale.

The SEC also has rules that regulate broker/dealer practices in connection with transactions in “penny stocks.” Penny stocks generally are equity securities with a price of less than $5.00 (other than securities listed on certain national exchanges, provided that the current price and volume information with respect to transactions in that security is provided by the applicable exchange or system). The penny stock rules require a broker/dealer, before effecting a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker/dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer’s account. The bid and offer quotations, and the broker/dealer and salesperson compensation information, must be given to the customer orally or in writing before effecting the transaction, and must be given to the customer in writing before or with the customer’s confirmation. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for shares of Common Stock. As a result of these rules, investors may find it difficult to sell their shares.

Holders

As of the date of this prospectus, there are approximately 244 record holders of 51,674,712 shares of the Common Stock. As of the date of this prospectus, 18,800,000 shares of Common Stock are issuable upon the exercise of outstanding warrants and 6,423,016 shares are exercisable upon the exercise of options.

Dividend Policy

We have never declared or paid cash dividends. We do not intend to pay cash dividends on our Common Stock for the foreseeable future, but currently intend to retain any future earnings to fund the development and growth of our business. The payment of cash dividends if any, on the Common Stock will rest solely within the discretion of our board of directors and will depend, among other things, upon our earnings, capital requirements, financial condition, and other relevant factors.

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DESCRIPTION OF CAPITAL STOCK

The following information describes our capital stock as well as certain provisions of our articles of incorporation and bylaws. This description is only a summary. You should also refer to our articles of incorporation and bylaws, which have been filed as exhibits to the registration statement of which this prospectus is a part.

Authorized Capital Stock

As of May 18, 2011, our authorized capital stock consisted of 100,000,000 shares of Common Stock, par value $0.00001 per share.

Issued and Outstanding Capital Stock

As of May 18, 2011, there were the following issued and outstanding securities of the Company:

- 51,674,712 shares of Common Stock;
- Options to purchase 5,888,016 shares of Common Stock granted under the 2007 Plan;
- Options to purchase 535,000 shares of Common Stock granted under the 2010 Plan;
- Investor Warrants to purchase 13,000,000 shares of Common Stock at $1.40 per share issued to the investors in the Offering and warrants issued to the Placement Agent to purchase 2,600,000 shares of Common Stock at a price of $1.00 per share and 2,600,000 warrants exercisable at a price of $1.40 per share; and
- New Bridge Warrants issued to Bridge Investors in the Bridge Financing to purchase 500,000 shares of Common Stock at $1.00 per share and 100,000 New Bridge Warrants exercisable at a price of $1.00 per share issued to the Placement Agent in connection with the Bridge Financing.

Reconciliation of Outstanding Capital Stock on a Pre and Post Merger Basis

The following table reconciles the number of shares of the Company outstanding after the Merger with the number of shares of InVivo outstanding prior to the Merger.

InVivo Therapeutics Corporation Common Shares outstanding, pre -merger as of September 30, 2010	2,261,862
Merger Exchange Ratio	13.7706
	31,147,197
Less fractional shares not granted	(7)
Shares of ITHC issued to InVivo shareholders	31,147,190
Existing Design Source Shares outstanding, pre merger	6,999,981
Shares issued in Private Placement	13,000,000
Shares issued in consideration for legal services	500,000
Common shares outstanding December 31, 2010	51,647,171
Stock option exercised	27,541
Common shares outstanding March 31, 2011	51,674,712

Description of Common Stock

The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders, including the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all shares of Common Stock that are present in person or represented by proxy. Except as otherwise provided by law, amendments to the articles of incorporation generally must be approved by a majority of the votes entitled to be cast by all outstanding shares of Common Stock. The amended and restated Articles of Incorporation do not provide for cumulative voting in the election of directors. The Common Stock holders will be entitled to such cash dividends as may be declared from time to time by the Board from funds available. Upon liquidation, dissolution or winding up of the Company, the Common Stock holders will be entitled to receive pro rata all assets available for distribution to such holders.

Registration Rights Agreement

The Company is required to file within 90 days of the date of the final Closing of the Offering (the “Filing Deadline”), a Registration Statement registering for resale all shares of Common Stock issued in the Offering, including Common Stock (i) included in the Units; and (ii) issuable upon exercise of the Investor Warrants; consistent with the terms and provisions of the Registration Rights Agreement, included as an exhibit to the registration statement of which this prospectus forms a part. The holders of any registrable securities removed from the Registration Statement as a result of a Rule 415 or other comment from the SEC shall have “piggyback” registration rights for the shares of Common Stock or Common Stock underlying such warrants with respect to any registration statement filed by the Company following the effectiveness of the Registration Statement which would permit the inclusion of these shares. The Company has agreed to use its reasonable efforts to have the registration statement declared effective within 180 days of filing the registration statement (the “Effectiveness Deadline”).

If the Registration Statement is not filed on or before the Filing Deadline or not declared effective on or before the Effectiveness Deadline, the Company shall pay to each holder of registrable securities an amount in cash equal to one-half of one percent (0.5%) of such holder’s investment herein or in the Bridge Financing on every thirty (30) day anniversary of such Filing Deadline or Effectiveness Deadline failure until such failure is cured. The payment amount shall be prorated for partial thirty (30) day periods. The maximum aggregate amount of payments to be made by the Company as the result of such failures, whether by reason of a Filing Deadline failure, Effectiveness Deadline failure or any combination thereof, shall be an amount equal to 9% of each holder’s investment amount. Notwithstanding the foregoing, no payments shall be owed with respect to any period during which all of the holder’s registrable securities may be sold by such holder under Rule 144 or pursuant to another exemption from registration. Moreover, no such payments shall be due and payable with respect to any registrable securities the Company is unable to register due to limits imposed by the SEC’s interpretation of Rule 415 under the Securities Act.

The Company shall keep the Registration Statement effective for one (1) year from the date it is declared effective by the SEC or until Rule 144 of the Securities Act is available to Investors herein with respect to all of their shares, whichever is earlier.

Description of Investor Warrants

After the consummation of the Merger and the simultaneous closing of the Offering, there were Investor Warrants issued to purchase 13,000,000 shares of Common Stock held by investors purchasing Units in the Offering. Each Investor Warrant entitles the holder to purchase one share of Common Stock at a purchase price of $1.40 during the five (5) year period commencing on the issuance of the Investor Warrants. The Investor Warrants may be called and redeemed by the Company at any time the Common Stock trades above $2.80 for twenty (20) consecutive days following the effectiveness of the registration statement covering the resale of the underlying Investor Warrant shares. The Investor Warrants can only be called if a registration statement registering the shares underlying the Investor Warrants is in effect at the time of the call.

The Investor Warrants, at the option of the holder, may be exercised by cash payment of the exercise price to the Company. The Investor Warrants may be exercised on a cashless basis commencing one year after issuance if no registration statement registering the shares underlying the Investor Warrants is then in effect. The Placement Agent shall receive a warrant solicitation fee equal to 5% of the funds solicited by the Placement Agent upon exercise of the Investor Warrants if the Company elects to call the Investor Warrants. The exercise price and number of shares of Common Stock issuable on exercise of the Investor Warrants may be adjusted in certain circumstances including a weighted average adjustment in the event of future issuances of the Company's equity securities at a price less than the exercise price of the Investor Warrant, in the event of a stock dividend, or our recapitalization, reorganization, merger or consolidation.

No fractional shares will be issued upon exercise of the Investor Warrants. If, upon exercise of the Investor Warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round up to the nearest whole number, the number of shares of Common Stock to be issued to the Investor Warrant holder.

New Bridge Warrants

In September 2010, InVivo completed a Bridge Financing, wherein it sold $500,000 in principal amount of its Bridge Notes and 36,310 Bridge Warrants to accredited investors. The Bridge Warrants converted into 500,000 New Bridge Warrants, each exercisable at a price of $1.00 per New Bridge Warrant, upon the closing of the Offering and the Merger. Holders of the New Bridge Warrants received the same registration rights with respect to the shares of Common Stock issuable upon exercise of the New Bridge Warrants as the investors in the Offering.

Placement Agent Warrants

The Placement Agent Warrants permit the Placement Agent or its designees, to purchase for a five-year period, (i) 2,600,000 shares of Common Stock at an exercise price of $1.00 per share and (ii) 2,600,000 shares of Common Stock at an exercise price of $1.40 per share. The Placement Agent Warrants have no registration rights and contain weighted average anti-dilution and immediate cashless exercise provisions.

Anti-Takeover Effects of Provisions of Nevada State Law

We may be or in the future we may become subject to Nevada's control share laws. A corporation is subject to Nevada's control share law if it has more than 200 stockholders, at least 100 of whom are stockholders of record and residents of Nevada, and if the corporation does business in Nevada, including through an affiliated corporation. This control share law may have the effect of discouraging corporate takeovers. The Company currently has less than 200 stockholders.

The control share law focuses on the acquisition of a "controlling interest," which means the ownership of outstanding voting shares that would be sufficient, but for the operation of the control share law, to enable the acquiring person to exercise the following proportions of the voting power of the corporation in the election of directors: (1) one-fifth or more but less than one-third; (2) one-third or more but less than a majority; or (3) a majority or more. The ability to exercise this voting power may be direct or indirect, as well as individual or in association with others.

The effect of the control share law is that an acquiring person, and those acting in association with that person, will obtain only such voting rights in the control shares as are conferred by a resolution of the stockholders of the corporation, approved at a special or annual meeting of stockholders. The control share law contemplates that voting rights will be considered only once by the other stockholders. Thus, there is no authority to take away voting rights from the control shares of an acquiring person once those rights have been approved. If the stockholders do not grant voting rights to the control shares acquired by an acquiring person, those shares do not become permanent non-voting shares. The acquiring person is free to sell the shares to others. If the buyer or buyers of those shares themselves do not acquire a controlling interest, the shares are not governed by the control share law.

If control shares are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of the voting power, a stockholder of record, other than the acquiring person, who did not vote in favor of approval of voting rights, is entitled to demand fair value for such stockholder's shares.

In addition to the control share law, Nevada has a business combination law, which prohibits certain business combinations between Nevada corporations and "interested stockholders" for three years after the interested stockholder first becomes an interested stockholder, unless the corporation's board of directors approves the combination in advance. For purposes of Nevada law, an interested stockholder is any person who is: (a) the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the corporation, or (b) an affiliate or associate of the corporation and at any time within the previous three years was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then-outstanding shares of the corporation. The definition of "business combination" contained in the statute is sufficiently broad to cover virtually any kind of transaction that would allow a potential acquirer to use the corporation's assets to finance the acquisition or otherwise to benefit its own interests rather than the interests of the corporation and its other stockholders.

The effect of Nevada's business combination law is to potentially discourage parties interested in taking control of the Company from doing so if it cannot obtain the approval of our board of directors.

Indemnification of Officers and Directors

Nevada Revised Statutes ("NRS") Sections 78.7502 and 78.751 provide us with the power to indemnify any of our directors, officers, employees and agents. The person entitled to indemnification must have conducted himself in good faith, and must reasonably believe that his conduct was in, or not opposed to, our best interests. In a criminal action, the director, officer, employee or agent must not have had reasonable cause to believe that his conduct was unlawful.

Under NRS Section 78.751, advances for expenses may be made by agreement if the director or officer affirms in writing that he has met the standards for indemnification and will personally repay the expenses if it is determined that such officer or director did not meet those standards.

Our bylaws include an indemnification provision under which we have the power to indemnify our directors, officers, former directors and officers, employees and other agents (including heirs and personal representatives) against all costs, charges and expenses actually and reasonably incurred, including an amount paid to settle an action or satisfy a judgment to which a director or officer is made a party by reason of being or having been a director or officer of the Company. Our bylaws further provide for the advancement of all expenses incurred in connection with a proceeding upon receipt of an undertaking by or on behalf of such person to repay such amounts if it is determined that the party is not entitled to be indemnified under our bylaws. No advance will be made by the Company to a party if it is determined that the party acted in bad faith. These indemnification rights are contractual, and as such will continue as to a person who has ceased to be a director, officer, employee or other agent, and will inure to the benefit of the heirs, executors and administrators of such a person.

We have entered into an indemnification agreement with each of our officers and directors pursuant to which they will be indemnified by us, subject to certain limitations, for any liabilities incurred by them in connection with their role as officers and/or directors of the Company.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted for our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Continental Stock Transfer & Trust Company, 17 Battery Place, 8th Floor, New York, NY 10004.

PLAN OF DISTRIBUTION

Each Selling Securityholder and its pledgees, assignees and successors-in-interest may, from time to time, sell any or all of its shares of Common Stock on a stock exchange, market or trading facility on which those securities are traded or in private transactions. These sales may be at fixed or negotiated prices.

We are also registering the initial issuance of shares of our Common Stock upon the exercise of the Investor and New Bridge Warrants acquired from the Selling Securityholders pursuant to this prospectus.

A Selling Securityholder may use any one or more of the following methods when selling the securities:

- 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 Securityholders 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 Securityholders may also sell their shares of Common Stock, Investor Warrants and New Bridge Warrants under Rule 144 under the Securities Act, rather than under this prospectus.

The Selling Securityholders may also engage in short sales against the box, puts and calls and other transactions in our securities or derivatives of our securities and may sell or deliver securities in connection with these trades.

Broker-dealers engaged by the Selling Securityholders may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Securityholders (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated. It is not expected that these commissions and discounts will exceed what is customary in the types of transactions involved.

Any profits on the resale of shares by a broker-dealer acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act. Discounts, concessions, commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by the Selling Securityholder. The Selling Securityholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares if liabilities are imposed on that person under the Securities Act.

The Selling Securityholders 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.

We are required to pay all fees and expenses incident to the registration of the shares being registered herein. We are not required to pay commissions and other selling expenses. We have agreed to indemnify the Selling Securityholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act arising out of or based upon any untrue statement of a material fact contained in the 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 based upon any omission of a material fact required to be stated or necessary to make the statements therein not misleading.

The anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of Common Stock and activities of the Selling Securityholders.

LEGAL MATTERS

The validity of the shares of Common Stock being offered will be passed upon for us by BRL Law Group LLC, Boston, Massachusetts.

EXPERTS

Our balance sheets as of December 31, 2010 and 2009, and the related statements of operations, changes in stockholders' deficit and cash flows for the years then ended and for the period from November 28, 2005 (inception) to December 31, 2010 have been included herein and in the registration statement in reliance upon the report of Wolf & Company, P.C., independent registered public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-1 with the SEC with respect to the Common Stock we are offering by this prospectus. This prospectus does not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for additional information. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document. We are subject to the information reporting requirements of the Exchange Act, and accordingly we are required to file annual, quarterly and special reports, proxy statements and other information with the SEC.

You can read our SEC filings, including the registration statement, on the Internet at the SEC's website at *www.sec.gov*. You can also read and copy any document we file with the SEC at its public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room.

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InVivo Therapeutics Holdings Corporation

Audited Financial Statements

Years Ended December 31, 2010 and 2009
and the Period from November 28, 2005
(Inception) through December 31, 2010

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WOLF
& COMPANY, P.C.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of InVivo Therapeutics Holdings Corp.:

We have audited the accompanying consolidated balance sheets of InVivo Therapeutics Holdings Corp. as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the years then ended and for the period from November 28, 2005 (inception) to December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended and for the period from November 28, 2005 (inception) to the December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Wolf & Company, P.C.

Boston, Massachusetts
March 24, 2011

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InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Consolidated Balance Sheets

	December 31, 2010	December 31, 2009
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 8,964,194	$ 226,667
Prepaid expenses	81,166	10,898
Total current assets	9,045,360	237,565
Property and equipment, net	280,181	173,797
Other assets	53,639	58,639
Total assets	$ 9,379,180	$ 470,001
LIABILITIES AND STOCKHOLDERS' DEFICIT:		
Current liabilities:		
Accounts payable	$ 336,945	$ 81,175
Accrued interest payable	—	283,608
Derivative warrant liability	10,647,190	—
Accrued expenses	247,547	293,584
Total current liabilities	11,231,682	658,367
Loans payable	—	590,985
Convertible notes payable	—	2,840,000
Total liabilities	11,231,682	4,089,352
Commitments and contingencies		
Stockholders' deficit:		
Common stock , $0.00001 par value; authorized 100,000,000 shares, issued and outstanding 51,647,171 and 26,259,515 shares outstanding at December 31, 2010 and 2009, respectively	516	263
Additional paid-in capital	12,382,141	1,558,283
Deficit accumulated during the development stage	(14,235,159)	(5,177,897)
Total stockholders' deficit	(1,852,502)	(3,619,351)
Total liabilities and stockholders' deficit	$ 9,379,180	$ 470,001

See notes to the consolidated financial statements.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Consolidated Statements of Operations

	Years Ended December 31, 2010	2009	Period from November 28, 2005 (inception) to December 31, 2010
Operating expenses:			
Research and development	$ 1,673,202	$ 1,807,908	$ 4,780,987
General and administrative	1,724,102	835,515	3,695,665
Total operating expenses	3,397,304	2,643,423	8,476,652
Operating loss	(3,397,304)	(2,643,423)	(8,476,652)
Other income (expense):			
Other income	—	383,000	383,000
Interest income	3,379	282	11,290
Interest expense	(564,443)	(255,737)	(1,053,655)
Derivatives losses	(5,098,894)	—	(5,098,894)
Other income (expense), net	(5,659,958)	127,545	(5,758,259)
Net loss	$ (9,057,262)	$ (2,515,878)	$ (14,234,911)
Net loss per share, basic and diluted	$ (0.27)	$ (0.10)	$ (0.54)
Weighted average number of common shares outstanding, basic and diluted	33,367,239	25,496,366	26,591,576

See notes to the consolidated financial statements.

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InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Consolidated Statements of Changes in Stockholders' Deficit

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Deficit
	Shares	Amount			
Balance on inception date, November 28, 2005	—	$ —	$ —	$ —	$ —
Issuance of founders stock	24,787,080	248	—	(248)	—
Share-based compensation expense	—	—	18,347	—	18,347
Net loss	—	—	—	(1,097,702)	(1,097,702)
Balance as of December 31, 2007	24,787,080	248	18,347	(1,097,950)	(1,079,355)
Share-based compensation expense	—	—	24,526	—	24,526
Net loss	—	—	—	(1,564,069)	(1,564,069)
Balance as of December 31, 2008	24,787,080	248	42,873	(2,662,019)	(2,618,898)
Share-based compensation expense	—	—	171,059	—	171,059
Conversion of convertible notes payable and accrued interest	1,472,435	15	1,344,351	—	1,344,366
Net loss	—	—	—	(2,515,878)	(2,515,878)
Balance as of December 31, 2009	26,259,515	263	1,558,283	(5,177,897)	(3,619,351)
Share-based compensation expense	—	—	664,908	—	664,908
Issuance of common stock in March 2010	1,095,258	10	999,990	—	1,000,000
Conversion of convertible notes payable and accrued interest	3,792,417	38	3,328,090	—	3,328,128
Issuance of common stock in reverse merger	6,999,981	70	(70)	—	—
Beneficial conversion feature on notes payable	—	—	272,762	—	272,762
Issuance of common stock in private placement, net of stock issuance costs of $2,072,117 and non-cash stock issuance costs of $5,369,570	12,995,403	130	5,053,586	—	5,053,716
Conversion of convertible bridge notes in conjunction with the private placement	504,597	5	504,592	—	504,597
Net loss	—	—	—	(9,057,262)	(9,057,262)
Balance as of December 31, 2010	51,647,171	$ 516	$12,382,141	$(14,235,159)	$ (1,852,502)

See notes to the consolidated financial statements.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Consolidated Statements of Cash Flows

	Years Ended December 31, 2010	2009	Period from November 28, 2005 (inception) to December 31, 2010
Cash flows from operating activities:			
Net loss	$ (9,057,262)	$ (2,515,878)	$ (14,234,911)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	44,878	32,084	92,965
Non-cash derivatives loss	5,098,894	—	5,098,894
Non-cash interest expense	528,535	221,899	962,834
Share-based compensation expense	664,908	171,059	878,840
Changes in operating assets and liabilities:			
Prepaid expenses	(70,268)	2,036	(81,166)
Other assets	—	—	(75,000)
Accounts payable	255,770	(23,248)	336,945
Accrued interest payable	(67,931)	33,598	(15,256)
Accrued expenses	(46,037)	179,426	247,547
Net cash used in operating activities	(2,648,513)	(1,899,024)	(6,788,308)
Cash flows from investing activities:			
Purchases of property and equipment	(146,262)	(174,898)	(351,785)
Net cash used in investing activities	(146,262)	(174,898)	(351,785)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes payable	200,000	1,580,000	4,181,000
Proceeds from convertible bridge notes	500,000	—	500,000
(Repayment of) proceeds from loans payable	(590,985)	513,800	—
Proceeds from issuance of common stock and warrants	11,423,287	—	11,423,287
Net cash provided by financing activities	11,532,302	2,093,800	16,104,287
Increase in cash and cash equivalents	8,737,527	19,878	8,964,194
Cash and cash equivalents at beginning of period	226,667	206,789	—
Cash and cash equivalents at end of period	$ 8,964,194	$ 226,667	$ 8,964,194

(continued)

See notes to the consolidated financial statements.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Consolidated Statements of Cash Flows (Concluded)

	Years Ended December 31, 2010	Years Ended December 31, 2009	Period from November 28, 2005 (inception) to December 31, 2010
Supplemental disclosure of cash flow information and non-cash transactions:			
Cash paid for interest	$ 97,517	$ —	$ 97,517
Conversion of convertible notes payable and accrued interest into common stock	$ 3,328,128	$ 1,344,366	$ 4,672,484
Conversion of convertible bridge note payable and accrued interest into common stock	$ 504,597	$ —	$ 504,597
Beneficial conversion feature on convertible and bridge notes payable	$ 272,762	$ —	$ 134,410
Relative fair value of warrants issued in connection with bridge notes payable	$ 178,726	$ —	$ 178,726
Issuance of founders shares	$ —	$ —	$ 248

See notes to the consolidated financial statements.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Notes to Consolidated Financial Statements

Years Ended December 31, 2010 and 2009, and the Period from
November 28, 2005 (Inception) through December 31, 2010

1. NATURE OF OPERATIONS

Business

InVivo Therapeutics Corporation ("InVivo") was incorporated on November 28, 2005 under the laws of the State of Delaware. InVivo is developing and commercializing biopolymer scaffolding devices for the treatment of spinal cord injuries. The biopolymer devices are designed to protect the damaged spinal cord from further secondary injury and promote neuroplasticity, a process where functional recovery can occur through the rerouting of signaling pathways to the spared healthy tissue.

Since its inception, InVivo has devoted substantially all of its efforts to business planning, research and development, recruiting management and technical staff, acquiring operating assets and raising capital. Accordingly, InVivo is considered to be in the development stage.

Reverse Merger

On October 26, 2010, InVivo completed a reverse merger transaction (the "Merger") with InVivo Therapeutics Holdings Corporation (formerly Design Source, Inc.) ("ITHC"), a publicly traded company incorporated under the laws of the State of Nevada. InVivo became a wholly owned subsidiary of ITHC, which continues to operate the business of InVivo. As part of the Merger, ITHC issued 31,147,190 shares of its Common Stock to the holders of InVivo common stock on October 26, 2010 in exchange for the 2,261,862 outstanding common shares of InVivo and also issued 500,000 shares to its legal counsel in consideration for legal services provided. All share and per share amounts presented in these consolidated financial statements have been retroactively restated to reflect the 13.7706 exchange ratio of InVivo shares for ITHC shares in the Merger. Immediately prior to the Merger, ITHC had 6,999,981 shares of Common Stock outstanding.

The Merger was a "reverse merger," and InVivo is deemed to be the acquirer and ongoing operating company. The Merger was recorded as a recapitalization of InVivo, equivalent to the issuance of common stock by InVivo for the net monetary assets of ITHC accompanied by a recapitalization. At the date of the Merger, the 6,999,981 outstanding ITHC shares are reflected as an issuance of InVivo common stock to the prior shareholders of ITHC. ITHC had no net monetary assets as of the Merger so this issuance was recorded as a reclassification between additional paid-in capital and par value of Common Stock.

The historical consolidated financial statements are those of InVivo as the acquirer. The post-merger combination of ITHC and InVivo is referred to throughout these notes to consolidated financial statements as the "Company." Subsequent to the Merger, the Company completed three closings as part of a private placement (see Note 11).

On October 26, 2010, in connection with the Merger described above, ITHC transferred all of its operating assets and liabilities to its wholly-owned subsidiary, D Source Split Corp., a company organized under the laws of Nevada ("DSSC"). DSSC was then split-off from ITHC through the sale of all outstanding shares of DSSC (the "Split-Off"). The assets and liabilities of ITHC were transferred to the Split-Off Shareholders in the Split-Off. ITHC executed a split off agreement with the Split-Off Shareholders which obligates the Split-Off Shareholders to assume all prior liabilities associated with Design Source, Inc. and all DSSC

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Notes to Consolidated Financial Statements (Continued)

NATURE OF OPERATIONS (concluded)

liabilities. In conjunction with the Split-Off, certain shareholders of ITHC surrendered for cancellation shares of ITHC Common Stock for no additional consideration. The purpose of the Split-Off was to make ITHC a shell company with no assets or liabilities in order to facilitate the Merger. Although all transactions related to the Merger occurred simultaneously, the Split-Off, including the cancellation of shares, was considered to have occurred immediately prior to the Merger for accounting purposes. As the acquiree in a reverse merger with a shell company, the historical financial statements of ITHC are not presented and these ITHC transactions are not reflected in the Company's accompanying consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies followed by the Company in the preparation of the financial statements is as follows:

Use of estimates

The process of preparing 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 disclosure of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and changes in estimates may occur.

Principles of Consolidation

The consolidated financial statements include the accounts of InVivo Therapeutics Holdings Corp. and its wholly-owned subsidiary, InVivo Therapeutics Corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and cash equivalents

The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

Property and equipment

Property and equipment are carried at cost. Depreciation expense is provided over the estimated useful lives of the assets using the straight-line method. A summary of the estimated useful lives is as follows:

Classification	Estimated Useful Life
Computer hardware	5 years
Software	3 years
Research and lab equipment	5 years

Depreciation expense for the years ended December 31, 2010 and 2009 was $39,878 and $27,084, respectively. Maintenance and repairs are charged to expense as incurred, while any additions or improvements are capitalized.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenses

Costs incurred for research and development are expensed as incurred. During 2010, the Company applied for a grant under the IRS Qualifying Therapeutic Discovery Project (QTDP) program. The application was approved and the Company received a grant for $244,500 under the program. This amount has been recorded as a reduction in research and development expenses.

Concentrations of credit risk

The Company has no significant off-balance-sheet concentration of credit risk such as foreign exchange contracts, option contracts or other hedging arrangements. The Company may from time to time have cash in banks in excess of FDIC insurance limits.

Segment Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision making group, in making decisions regarding resource allocation and assessing performance. To date, the Company has viewed its operations and manages its business as principally one operating segment, which is developing and commercializing biopolymer scaffolding devices for the treatment of spinal cord injuries. As of December 31, 2010 and 2009, all of the Company's assets were located in the United States.

Income taxes

For federal and state income taxes, deferred tax assets and liabilities are recognized based upon temporary differences between the financial statement and the tax basis of assets and liabilities. Deferred income taxes are based upon prescribed rates and enacted laws applicable to periods in which differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, the Company provides a valuation allowance, if necessary, to reduce deferred tax assets to amounts that are realizable. Tax positions taken or expected to be taken in the course of preparing the Company's tax returns are required to be evaluated to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet a more-likely-than-not threshold would be recorded as a tax expense in the current year. There were no uncertain tax positions that require accrual or disclosure to the financial statements as of December 31, 2010 or December 31, 2009.

Impairment of long-lived assets

The Company continually monitors events and changes in circumstances that could indicate that carrying amounts of long-lived assets may not be recoverable. An impairment loss is recognized when expected cash flows are less than an asset's carrying value. Accordingly, when indicators of impairment are present, the Company evaluates the carrying value of such assets in relation to the operating performance and future undiscounted cash flows of the underlying assets. The Company's policy is to record an impairment loss when it is determined that the carrying value of the asset may not be recoverable. No impairment charges were recorded for the years ended December 31, 2010 and 2009.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company recognizes compensation costs resulting from the issuance of stock-based awards to employees, non-employees and directors as an expense in the statement of operations over the service period based on a measurement of fair value for each stock-based award. The fair value of each option grant is estimated as of the date of grant using the Black-Scholes option-pricing model. The fair value is amortized as compensation cost on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. Due to its limited operating history, limited number of sales of its Common Stock and limited history of its shares being publicly traded, the Company estimates its volatility in consideration of a number of factors including the volatility of comparable public companies.

Derivative Instruments

The Company generally does not use derivative instruments to hedge exposures to cash-flow or market risks; however, certain warrants to purchase Common Stock that do not meet the requirements for classification as equity are classified as liabilities. In such instances, net-cash settlement is assumed for financial reporting purposes, even when the terms of the underlying contracts do not provide for a net-cash settlement. Such financial instruments are initially recorded at fair value with subsequent changes in fair value charged (credited) to operations in each reporting period. If these instruments subsequently meet the requirements for classification as equity, the Company reclassifies the fair value to equity.

Net Loss per Common Share

Basic and diluted net loss per share of Common Stock has been computed by dividing the net loss in each period by the weighted average number of shares of Common Stock outstanding during such period. For the periods presented, options, warrants and convertible securities were anti-dilutive and therefore excluded from diluted loss per share calculations.

Registration Payment Arrangements

At each reporting date, the Company assesses the probability of it transferring consideration under its registration payment arrangements. If at any time it determines that such an event is probable and the amount can be reasonably estimated, the amount of such an obligation is recognized as a liability with a charge to earnings. Future changes in that liability will also be charged (credited) to earnings. At the date the Registration Rights Agreement (see Note 11) was entered into and at December 31, 2010, the Company did not conclude that it was probable that they will be obligated to transfer any consideration under the terms of this Registration Rights Agreement.

Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board ("FASB") issued two related accounting pronouncements, Accounting Standards Update ("ASU") 2009-13 and ASU 2009-14, relating to revenue recognition. One pronouncement provides guidance on allocating the consideration in a multiple-deliverable revenue arrangement and requires additional disclosure, while the other pronouncement provides guidance specific to revenue arrangements that include software elements. Both of these pronouncements are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and both must be adopted together. The Company does not expect the adoption of these pronouncements to have a material impact on its consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES (concluded)

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements. This Update requires new disclosures and clarifies existing disclosures regarding recurring and nonrecurring fair value measurements to provide increased transparency to users of the financial statements. The new disclosures and clarification of existing disclosures are effective for interim and annual periods beginning after December 15, 2009, except for the disclosures pertaining to the roll forward of activity for Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this Update on January 1, 2010 did not have a material impact on the Company's consolidated financial statements.

In April 2010, the FASB issued ASU 2010-17, Revenue Recognition — Milestone Method. ASU 2010-17 provides guidance in applying the milestone method of revenue recognition to research or development arrangements. Under this guidance, management may recognize revenue contingent upon the achievement of a milestone in its entirety, in the period in which the milestone is achieved, only if the milestone meets all the criteria within the guidance to be considered substantive. This ASU is effective on a prospective basis for research and development milestones achieved in fiscal years, beginning on or after June 15, 2010. Early adoption is permitted; however, the Company has elected to implement ASU 2010-17 prospectively, and as a result, the effect of this guidance will be limited to future transactions. The Company does not expect the adoption of this pronouncement to have a material impact on its consolidated financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31,	
	2010	2009
Computer software and hardware	$ 91,057	$ 47,668
Research and lab equipment	260,728	157,855
Less accumulated depreciation	(71,604)	(31,726)
	$280,181	$173,797

4. OTHER ASSETS

Other assets consist of a patent licensing fee paid to license intellectual property (see Note 16). The Company is amortizing the license fee to research and development over its 15-year term.

	December 31,	
	2010	2009
Patent licensing fee	$ 75,000	$ 75,000
Accumulated amortization	(21,361)	(16,361)
	$ 53,639	$ 58,639

Amortization expense was $5,000 in each of the years ended December 31, 2010 and 2009.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Notes to Consolidated Financial Statements (Continued)

5. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	December 31, 2010	December 31, 2009
Other accrued expenses	$ 45,053	$ 138,750
Accrued payroll	179,629	18,969
Accrued vacation	22,865	15,865
Deferred compensation	—	120,000
	$ 247,547	$ 293,584

Deferred compensation represented amounts owed to the Chief Executive Officer ("CEO") with respect to annual bonuses granted but not paid. All deferred compensation was paid in the year ended December 31, 2010.

6. FAIR VALUES OF ASSETS AND LIABILITIES

The Company groups its assets and liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Company uses valuation methods and assumptions that consider among other factors the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates in estimating fair value for the warrants considered to be derivative instruments.

FAIR VALUES OF ASSETS AND LIABILITIES (concluded)

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

	December 31, 2010			
	Level 1	Level 2	Level 3	Fair Value
Liabilities:				
Derivative warrant liability	$ —	$10,647,190	—	$10,647,190

	December 31, 2009			
	Level 1	Level 2	Level 3	Fair Value
Liabilities:				
Derivative warrant liability	$ —	$ —	—	$ —

7. LOANS PAYABLE

Loans payable consisted of the following:

	December 31,	
	2010	2009
Advances from related party	$ —	$ 90,985
Note payable-Massachusetts Life Science Center	—	500,000
	$ —	$590,985

Advances from related party represent cash advances received from CEO and majority shareholder which permitted the Company to continue to fund its operations until it raised additional capital. Interest accrued on these advances at an annual rate of 8%. Interest expense related to Advances from related party was $3,227 and $8,437 in the years ended December 31, 2010 and 2009, respectively.

The Company issued a $500,000 Note Payable in June 2009 to the Massachusetts Life Science Center, an independent public agency of the State of Massachusetts. The Company received the $500,000 of funding from the Massachusetts Life Science Accelerator Program which was established for the purpose of providing seed capital to promising early stage life science companies. The terms of the Note Payable called for full repayment upon the earlier of five years, the sale of the Company or a financing that raises minimum net proceeds of $5,000,000. Interest accrued on the Note Payable at an annual rate of 10% and is payable at maturity. Interest expense related to the Note Payable was $42,726, and $25,205 for the years ended December 31, 2010 and 2009, respectively. In October 2010, the $500,000 loan was repaid together with accrued interest of $67,931.

8. CONVERTIBLE NOTES PAYABLE

Since inception, the Company issued Convertible Notes Payable to investors totaling $4,181,000. In the years ended December 31, 2010 and 2009, these notes provided cash proceeds of $200,000 and $1,580,000, respectively. The terms of the Convertible Notes Payable include interest at 8% and stipulated that the notes convert into shares of Common Stock upon the earlier of maturity of the notes or the completion of a

CONVERTIBLE NOTES PAYABLE (concluded)

Financing Round, a single financing or a series of related financings that raised a minimum of $4,000,000 or $5,000,000 depending on the terms of the individual notes. The notes convert at the offering price of such financing.

Certain of the notes entitled the holders to receive either a 10% or 20% discount on the conversion price if the notes were converted in connection with a Financing Round prior to the maturity date. The Company initially assessed whether a beneficial conversion feature existed on the issuance date based on the difference, if any, between the conversion price and the fair value of the Common Stock. The Company assumed the most favorable conversion price that would be in effect assuming no changes to the circumstances other than the passage of time. Based on this analysis, the Company concluded that there was no beneficial conversion feature at issuance.

However, the conversion terms are subject to change in the event of a Financing Round. Therefore, at the commitment date, the Company measured the contingent beneficial conversion feature based on the intrinsic value of the fixed percentage discount but such beneficial conversion feature was not recognized unless and until the triggering event occurs. This amount was determined by dividing the face amount of the convertible notes by the discount factor (0.90 or 0.80).

During the year ended December 31, 2009, Convertible Notes Payable with a principal balance of $1,141,000 and accrued interest payable of $203,366 converted at maturity into 1,472,435 shares of Common Stock.

In March 2010, the Company completed a series of financings that met the definition of a Financing Round which accelerated the conversion of certain notes prior to their maturity dates triggering the discount provisions discussed above.

During the year ended December 31, 2010, the remaining outstanding Convertible Notes Payable of $3,040,000 and accrued interest payable of $288,128 converted into 3,792,417 shares of Common Stock in conjunction with the Financing Round. As of December 31, 2010, all of the Convertible Notes Payable had been converted into Common Stock.

As a result of the Financing Round in March 2010, the Company recorded the previously measured contingent beneficial conversion feature as a discount on the notes and additional paid-in capital. As the discount occurred simultaneously with the conversion of the notes, the discount was immediately charged to non-cash interest expense. Accordingly, during the year ended December 31, 2010, the Company recorded a beneficial conversion feature and related non-cash interest expense of $134,410.

Interest accrued on the outstanding balances at an annual rate of 8%. At the election of the Company, the accrued interest was to be paid in cash or in Common Stock at the time the notes were converted to Common Stock. For the year ended December 31, 2010 and 2009, the Company accrued interest expense on the notes of $62,385 and $169,573, respectively.

9. BRIDGE NOTES PAYABLE

From July through September 2010, the Company raised $500,000 from the sale of 6% convertible promissory notes (the “Bridge Notes”). The Bridge Notes pay interest at 6% and had a stated maturity date

BRIDGE NOTES PAYABLE (concluded)

of December 31, 2010. The Bridge Notes and all accrued interest were only convertible in the event of a Qualified Next Round Financing, as defined, at 100% of the price in that Qualified Next Round Financing. Otherwise, the Bridge Notes were to be repaid at their maturity date. In connection with the Bridge Notes, the Company also issued to Bridge Notes investors warrants to purchase 500,000 shares of Common Stock (the “Bridge Warrants”). The Bridge Warrants are exercisable for a period of five years with an exercise price of $1.00 per share.

In order to record the Bridge Notes and Bridge Warrants, the Company allocated the proceeds between the Bridge Notes and Bridge Warrants on a relative fair value basis. As a result, the Company allocated $138,352 to the Bridge Warrants with the remainder of the proceeds allocated to the Bridge Notes. The total discount on the Bridge Notes of $138,352 was recognized as non-cash interest expense over the term of the Bridge Notes and was expensed to interest expense in 2010.

In order to determine if a beneficial conversion feature existed, the Company compared the effective conversion price of the Bridge Notes to the commitment date fair value of the Common Stock and determined a beneficial conversion feature in the amount of $138,352. However, since the Bridge Notes were only convertible in the event of a Qualified Next Round Financing, this was determined to be a contingent beneficial conversion feature not to be recognized unless and until the triggering event occurs.

In October 2010, the Company completed a private placement of Common Stock (see Note 11) which met the definition of a Qualified Next Round Financing. The Bridge Notes and accrued interest of $4,597 converted into 504,597 Units, with each unit consisting of one share of Common Stock and one warrant to purchase Common Stock at $1.40 per share. As a result of the Qualified Next Round Financing**,** the contingent beneficial conversion feature of $138,352 was recognized as a further discount on the Bridge Notes and additional paid-in capital on the date of conversion. Since the conversion took place simultaneously with the Qualified Next Round Financing, this discount of $138,352 was immediately charged to non-cash interest expense.

The Company engaged a registered broker-dealer as a placement agent (the “Placement Agent”) in conjunction with the Bridge Notes. As compensation, the Placement Agent received a warrant to purchase 100,000 shares of Common Stock at an exercise price of $1.00 per share. The fair value of the warrants issued to the Placement Agent of $40,373 was recorded as a debt issuance cost and amortized to non-cash interest expense over the term of the Bridge Notes.

For the year ended December 31, 2010, interest expense related to the Bridge Notes, including amortization of the discount and debt issuance costs, was $321,674.

The warrants issued to the Bridge Notes investors and the Placement Agent have provisions that include anti-dilution protection and under certain conditions, grant the right to the holder to request the Company to repurchase the warrant, and are therefore accounted for as derivative liabilities (see Note 11).

10. INCOME TAXES

No provision or benefit for federal or state income taxes has been recorded, as the Company has incurred a net loss for all of the periods presented, and the Company has provided a valuation allowance against its deferred tax assets.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Notes to Consolidated Financial Statements (Continued)

INCOME TAXES (continued)

At December 31, 2010 and 2009, the Company had federal and Massachusetts net operating loss carryforwards of approximately $8,719,000, and $5,491,000, respectively, of which federal carryforwards will expire in varying amounts beginning in 2021. Massachusetts net operating losses begin to expire in 2011. Utilization of net operating losses may be subject to substantial annual limitations due to the “change in ownership” provisions of the Internal Revenue Code, and similar state provisions. The annual limitations may result in the expiration of net operating losses before utilization. The Company also had research and development tax credit carryforwards at December 31, 2010 and 2009 of approximately $238,000 and $154,000, respectively, which will begin to expire in 2018 unless previously utilized.

Significant components of the Company’s net deferred tax asset are as follows:

	December 31,	
	2010	2009
Net operating loss carryforward	$ 3,016,062	$ 1,612,965
Research and development credit carryforward	120,315	154,077
Stock based Compensation	382,295	86,150
Deferred compensation	52,200	48,324
Accrued interest	—	114,209
Charitable contributions	17,751	3,533
Subtotal	3,588,623	2,019,258
Valuation allowance	(3,588,623)	(2,019,258)
Net deferred tax asset	$ —	$ —

The Company has maintained a full valuation allowance against its deferred tax assets in all periods presented. A valuation allowance is required to be recorded when it is more likely than not that some portion or all of the net deferred tax assets will not be realized. Since the Company cannot be assured of generating taxable income and thereby realizing the net deferred tax assets, a full valuation allowance has been provided. In the years ended December 31, 2010 and 2009, the valuation allowance increased by $1,569,000 and $1,044,000, respectively.

The Company has no uncertain tax positions at December 31, 2010 and 2009 that would affect its effective tax rate. The Company does not anticipate a significant change in the amount of uncertain tax positions over the next twelve months. Since the Company is in a loss carryforward position, the Company is generally subject to US federal and state income tax examinations by tax authorities for all years for which a loss carryforward is available.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Notes to Consolidated Financial Statements (Continued)

INCOME TAXES (concluded)

Income tax benefits computed using the federal statutory income tax rate differs from the Company's effective tax rate primarily due to the following:

	December 31, 2010	December 31, 2009
Statutory tax rate	34.0%	34.0%
State taxes, net of federal benefit	2.7%	6.2%
Permanent differences (derivative loss and other)	-19.3%	0.2%
R&D tax credit	0.7%	1.6%
Increase in valuation reserve	-18.1%	-41.6%
Effective tax rate	0%	0%

11. COMMON STOCK

The Company has authorized 100,000,000 shares of Common Stock, $0.00001 par value per share, of which 51,647,171 shares and 26,259,515 shares were issued and outstanding as of December 31, 2010 and 2009, respectively.

At inception in 2005, the Company issued its founders 24,787,080 shares of Common Stock with a par value of $248 for no consideration.

In 2009, the Company issued 1,472,435 shares of Common Stock to the holders of Convertible Notes Payable upon conversion of these notes. At the conversion dates, the principal balance of $1,141,000 and accrued interest payable of $203,366 were converted into Common Stock at a price of $0.91 per share.

In March 2010, the Company sold 1,095,258 shares of Common Stock to an investor at a price per share of $0.91 and the Company received cash proceeds of $1,000,000.

During the six months ended June 30, 2010, the Company issued 3,792,417 shares of Common Stock to the holders of Convertible Notes Payable upon the conversion of these notes. At the conversion date, the principal balance of $3,040,000 and accrued interest payable of $288,128 were converted into Common Stock. Certain notes provided for conversion at a discount to the $0.91 price (see Note 8).

On October 26, 2010, in conjunction with the Merger (see Note 1), the Company issued 6,999,981 shares of Common Stock to the former shareholders of ITHC.

In connection with the Merger on October 26, 2010 and in two subsequent closings in November and December 2010, the Company completed a private placement of 13,000,000 Units of its securities for total gross proceeds of $13,000,000 and net proceeds of $10,927,883 ("the Offering"). Included in these amounts are 504,597 Units and $504,597 related to the conversion of the Bridge Notes (see Note 9). Each Unit consisted of one share of Common Stock and a warrant to purchase one share of Common Stock exercisable at $1.40 per share (the "Investor Warrants"). In conjunction with the Merger and the Offering, the Company issued to an attorney 500,000 shares of its Common Stock with a fair value of $500,000. This was considered a stock issuance cost and was therefore recorded as both a debit and credit to additional paid-in capital.

COMMON STOCK (continued)

In order to account for the Units, the Company allocated the proceeds between the Common Stock and warrants on a relative fair value basis. As a result, the Company allocated $3,329,479 to the warrants with the remainder of the proceeds allocated to the Common Stock. The fair value of these warrants on the issuance date was $4,475,791 and the difference of $1,146,312 is included in Derivatives Loss. The fair value of the Placement Agent warrants, $2,040,091, was recorded as a warrant derivative liability and a stock issuance cost net against the gross proceeds received.

In October 2010, the Company issued 500,000 shares of Common Stock with a fair value of approximately $500,000 for legal services related to the Merger and related transactions. These shares were considered non-cash stock issuance costs and were recorded as a debit and credit to additional paid-in capital.

In connection with the Offering, the Company paid the Placement Agent a commission of 10% of the funds raised from such investors in the Offering. In addition, the Placement Agent received a non-accountable expense allowance equal to 3% of the proceeds raised in the Offering as well as warrants to purchase a number of shares of Common Stock equal to 20% of the number of common shares underlying Units sold to investors in the Offering. As a result of the foregoing arrangement, the Placement Agent was paid commissions and expenses of $1,690,000 and was issued warrants to purchase (i) 2,600,000 shares of Common Stock at an exercise price of $1.00 per share and (ii) 2,600,000 shares of Common Stock at an exercise price of $1.40 per share. Other cash expenses related to the private placement totaled $382,117.

Registration Rights Agreement

In connection with the Offering, the Company entered into a Registration Rights Agreement with the private placement investors, whereby the Company agreed to register common stock as defined in the agreement. The Company is required to file within 90 days of the date of the final closing (the “Filing Deadline”), a registration statement registering for resale all shares of Common Stock issued in the private placement, including Common Stock (i) included in the Units; and (ii) issuable upon exercise of the Investor Warrants. The Company has agreed to use its reasonable efforts to have the registration statement declared effective within 180 days of filing the registration statement (the “Effectiveness Deadline”). If the Registration Statement is not filed on or before the Filing Deadline or not declared effective on or before the Effectiveness Deadline, the Company shall pay to each holder of registrable securities an amount in cash equal to one-half of one percent (0.5%) of such holder’s investment in the Offering or in the Bridge Financing on every thirty (30) day anniversary of such Filing Deadline or Effectiveness Deadline failure until such failure is cured. The payment amount shall be prorated for partial thirty (30) day periods. The maximum aggregate amount of payments to be made by the Company as the result of such failures, whether by reason of a Filing Deadline failure, Effectiveness Deadline failure or any combination thereof, shall be an amount equal to 9% of each Unit holder’s investment amount. The Company shall keep the Registration Statement effective for one (1) year from the date it is declared effective by the SEC or until Rule 144 of the Securities Act is available to the investors with respect to all of their shares, whichever is earlier.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Notes to Consolidated Financial Statements (Continued)

COMMON STOCK (concluded)

Common Stock Reserves

As of December 31, 2010, the Company had the following reserves established for the future issuance of Common Stock as follows:

Reserve for the exercise of warrants	18,800,000
Reserve for the exercise of stock options	9,415,557
Total Reserves	28,215,557

12. DERIVATIVE INSTRUMENTS

Certain warrants issued to the investors in the Offering, the Bridge Note investors and the Placement Agent (see Notes 10 and 11) have provisions that include anti-dilution protection and, under certain conditions, grant the right to the holder to request the Company to repurchase the warrant. Accordingly, these warrants are accounted for as derivative liabilities. The Company uses valuation methods and assumptions that consider among other factors the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates in estimating fair value for the warrants considered to be derivative instruments. The fair value of these derivative instruments at December 31, 2010 was $10,647,190 and is included as a derivative warrant liability, a current liability. Changes in fair value of the derivative financial instruments are recognized currently in the Statement of Operations as a derivatives gain or loss. The warrant derivative loss for the year ended December 31, 2010 was $5,098,894 and was included in other income (expense) in the consolidated statement of operations. There was no derivatives loss for the year ended December 31, 2009.

The primary underlying risk exposure pertaining to the warrants is the change in fair value of the underlying Common Stock for each reporting period.

13. STOCK OPTIONS

In 2007, the Company adopted the 2007 Employee, Director and Consultant Stock Plan (the “2007 Plan”). Pursuant to the 2007 Plan, the Company’s Board of Directors (or committees and/or executive officers delegated by the Board of Directors) may grant incentive and nonqualified stock options to the Company’s employees, officers, directors, consultants and advisors. As of December 31, 2010, there were options to purchase an aggregate of 5,915,557 shares of Common Stock outstanding under the 2007 Plan and no shares available for future grants under the 2007 Plan.

On October 25, 2010, the Company’s Board of Directors adopted the 2010 Equity Incentive Plan, subject to shareholder approval (the “2010 Plan”). The 2010 Plan provides for grants of incentive stock options to employees and nonqualified stock options and restricted Common Stock to employees, consultants and non-employee directors of the Company. As of December 31, 2010, the number of shares authorized for issuance under the 2010 Plan was 3,500,000 shares. As of December 31, 2010, there were options to purchase an aggregate of 280,000 shares of Common Stock outstanding under the 2010 Plan and 3,220,000 shares available for future grants under the 2010 Plan. If shareholder approval is not obtained by October 25, 2011, all awards granted under the 2010 Plan will terminate. In addition, no award under the 2010 Plan will become exercisable until shareholder approval has been obtained and a registration statement on Form S-8 has been filed with the SEC.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Notes to Consolidated Financial Statements (Continued)

STOCK OPTIONS (continued)

Options issued under the 2007 Plan and the 2010 Plan, (collectively the "Plans") are exercisable for up to 10 years from the date of issuance.

Share-based compensation

For stock options issued and outstanding during the years ended December 31, 2010 and 2009, the Company recorded non-cash, stock-based compensation expense of $664,908 and $171,059, respectively, each net of estimated forfeitures.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table. Due to its limited operating history and limited number of sales of its Common Stock, the Company estimated its volatility in consideration of a number of factors including the volatility of comparable public companies. The Company uses historical data, as well as subsequent events occurring prior to the issuance of the financial statements, to estimate option exercises and employee terminations within the valuation model. The expected term of options granted under the Company's stock plans, all of which qualify as "plain vanilla," is based on the average of the contractual term (generally 10 years) and the vesting period (generally 48 months). For non-employee options, the expected term is the contractual term. The risk-free rate is based on the yield of a U.S. Treasury security with a term consistent with the option.

The assumptions used principally in determining the fair value of options granted to employees were as follows:

	December 31, 2010	2009
Risk-free interest rate	1.63% - 3.05%	2.68%
Expected dividend yield	0%	0%
Expected term (employee grants)	6.25 years	6.25 years
Expected volatility	49.12%	50.1110%

A summary of option activity under the Company's stock plans and options granted to officers of the Company outside any plan as of December 31, 2010 and 2009 and changes during the years then ended is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding at December 31, 2008	2,980,729	$ 0.07		
Granted	963,941	$ 0.86		
Forfeited	(82,624)	$ 0.07		
Outstanding at December 31, 2009	3,862,046	$ 0.27		
Granted	2,333,511	$ 1.13		
Outstanding at December 31, 2010	6,195,557	$ 0.59	8.31	$10,322,073
Vested at December 31, 2010	2,406,112	$ 0.15	7.04	$ 5,072,223

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)

Notes to Consolidated Financial Statements (Continued)

STOCK OPTIONS (concluded)

The weighted average grant-date fair value of options granted during the years ended December 31, 2010 and 2009 was $0.55 and $0.45 per share, respectively. The total fair value of options that vested in the years ended December 31, 2010 and 2009 was $962,810 and $346,976, respectively. As of December 31, 2010 and 2009, there was approximately $2,236,133 and $1,026,595 of total unrecognized compensation expense, respectively, related to non-vested share-based option compensation arrangements. The unrecognized compensation expense is estimated to be recognized over a period of 2.95 and 2.72 years at December 31, 2010 and 2009, respectively.

14. WARRANTS

The following presents information about warrants to purchase Common Stock issued and outstanding at December 31, 2010:

Year Issued	Number of Warrants	Exercise Price	Date of Expiration
2010	15,600,000	$ 1.40	10/26/2015 - 12/3/2015
2010	3,200,000	1.00	9/26/2015 - 12/3/2015
Total	18,800,000		
Weighted average exercise price		$ 1.33	
Weighted average life in years			4.8

15. EMPLOYEE BENEFIT PLAN

In November 2006, the Company adopted a 401(k) plan (the "Plan") covering all employees. Employees must be 21 years of age in order to participate in the Plan. Under the Plan, the Company has the option to make matching contributions but has elected not to do so.

16. INTELLECTUAL PROPERTY LICENSE

The Company has obtained a world-wide exclusive license (the "CMCC License") for patents co-owned by Massachusetts Institute of Technology and Harvard's Children's Hospital covering the use of biopolymers to treat spinal cord injuries, and to promote the survival and proliferation of human stem cells in the spinal cord. The CMCC License has a 15-year term, or as long as the life of the last expiring patent right, whichever is longer, unless terminated earlier by the licensor. In connection with the CMCC License, the Company paid an initial $75,000 licensing fee (see Note 3) and is required to pay certain annual maintenance fees, milestone payments and royalties. All costs associated with maintenance of the CMCC License are expensed as incurred.

17. COMMITMENTS AND CONTINGENCIES

Legal Settlement

In 2009, the Company filed a lawsuit against a party alleging damages from a breach of a contract under which the party was providing services to the Company. In exchange for a payment of $383,000 from the party, the Company agreed to dismiss the lawsuit. The $383,000 received was recorded as other income in the Statement of Operations in the year ended December 31, 2009.

COMMITMENTS AND CONTINGENCIES (concluded)

Operating Lease

On November 15, 2010, the Company entered into a commercial lease for 1,200 square feet of office and laboratory space in Medford, MA. The term of this lease is for two years with monthly payments of approximately $3,900.

Pursuant to the terms of the non-cancelable lease agreement in effect at December 31, 2010, future minimum rent commitments are as follows:

Year Ended December 31,	
2011	$47,061
2012	43,139
Total	$90,200

Total rent expense for the years ended December 31, 2010 and 2009, including month-to-month leases, was approximately $270,000 and $123,000.

18. SUBSEQUENT EVENT

Subsequent to December 31, 2010, the Company issued 27,541 shares of Common Stock upon exercise of stock options.

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InVivo Therapeutics Holdings Corp.
(A Developmental Stage Company)

Consolidated Balance Sheets

	As of	
	March 31, 2011 Unaudited	December 31, 2010
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 6,864,118	$ 8,964,194
Restricted cash	105,000	—
Prepaid expenses	461,989	81,166
Total current assets	7,431,107	9,045,360
Property and equipment, net	500,566	280,181
Other assets	52,389	53,639
Total assets	$ 7,984,062	$ 9,379,180
LIABILITIES AND STOCKHOLDERS' DEFICIT:		
Current liabilities:		
Accounts payable	$ 294,036	$ 336,945
Capital lease payable-current portion	29,620	—
Derivative warrant liability	10,525,843	10,647,190
Accrued expenses	97,025	247,547
Total current liabilities	10,946,524	11,231,682
Capital lease payable-less current portion	58,712	—
Total liabilities	11,005,236	11,231,682
Commitments and contingencies		
Stockholders' deficit:		
Common stock , $0.00001 par value; authorized 100,000,000 shares, issued and outstanding 51,674,712 and 51,647,171 shares outstanding at March 31, 2011 and December 31, 2010, respectively	516	516
Additional paid-in capital	12,491,459	12,382,141
Deficit accumulated during the development stage	(15,513,149)	(14,235,159)
Total stockholders' deficit	(3,021,174)	(1,852,502)
Total liabilities and stockholders' deficit	$ 7,984,062	$ 9,379,180

See notes to the consolidated financial statements.

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InVivo Therapeutics Holdings Corp.
(A Developmental Stage Company)

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Period from November 28, 2005 (inception) to March 31, 2011
Operating expenses:			
Research and development	$ 636,323	$ 157,384	$ 5,793,093
General and administrative	764,319	224,670	4,084,201
Total operating expenses	1,400,642	382,054	9,877,294
Operating loss	(1,400,642)	(382,054)	(9,877,294)
Other income (expense):			
Other income	—	—	383,000
Interest income	2,818	87	14,108
Interest expense	(1,513)	(72,021)	(1,055,168)
Derivatives gain (loss)	121,347	—	(4,977,547)
Other income (expense), net	122,652	(71,934)	(5,635,607)
Net loss	$ (1,277,990)	$ (453,988)	$(15,512,901)
Net loss per share, basic and diluted	$ (0.02)	$ (0.02)	$ (0.56)
Weighted average number of common shares outstanding, basic and diluted	51,660,942	26,259,515	27,737,458

See notes to the consolidated financial statements.

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InVivo Therapeutics Holdings Corp.
(A Developmental Stage Company)

Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Period from November 28, 2005 (inception) to March 31, 2011
Cash flows from operating activities:			
Net loss	$ (1,277,990)	$ (453,988)	$ (15,512,901)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	27,979	11,488	120,944
Non-cash derivatives (gain) loss	(121,347)	—	4,977,547
Non-cash interest expense	—	33,620	962,835
Share-based compensation expense	107,319	109,126	986,159
Changes in operating assets and liabilities:			
Restricted cash	(105,000)	—	(105,000)
Prepaid expenses	(380,823)	8,089	(461,989)
Other assets	—	—	(75,000)
Accounts payable	(42,909)	(31,669)	294,037
Accrued interest payable	—	(29,100)	(15,256)
Accrued expenses	(150,522)	(79,494)	97,025
Net cash used in operating activities	(1,943,293)	(431,928)	(8,731,600)
Cash flows from investing activities:			
Purchases of property and equipment	(153,574)	(10,537)	(505,359)
Net cash used in investing activities	(153,574)	(10,537)	(505,359)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes payable	—	200,000	4,181,000
Proceeds from convertible bridge notes	—	—	500,000
(Repayment of) proceeds from loans payable and capital lease	—	45,000	—
Principal payments on capital lease obligation	(5,208)	—	(5,208)
Proceeds from issuance of common stock and warrants	1,999	—	11,425,285
Net cash provided (used in) by financing activities	(3,209)	245,000	16,101,077
Decrease (Increase) in cash and cash equivalents	(2,100,076)	(197,465)	6,864,118
Cash and cash equivalents at beginning of period	8,964,194	226,667	—
Cash and cash equivalents at end of period	$ 6,864,118	$ 29,202	$ 6,864,118

(continued)

See notes to the consolidated financial statements.

InVivo Therapeutics Holdings Corp.
(A Developmental Stage Company)

Consolidated Statements of Cash Flows (Concluded)
(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Period from November 28, 2005 (inception) to March 31, 2011
Supplemental disclosure of cash flow information and non-cash transactions:			
Cash paid for interest	$ 416	$ —	$ 97,933
Conversion of convertible notes payable and accrued interest into common stock	$ —	$3,328,128	$4,672,484
Conversion of convertible bridge note payable and accrued interest into common stock	$ —	$ —	$ 504,597
Asset acquired through capital lease obligation	$93,540	$ —	$ 93,540
Beneficial conversion feature on convertible and bridge notes payable	$ —	$ —	$ 134,410
Relative fair value of warrants issued with common stock in private placement	$ —	$ —	$ 178,726
Issuance of founders shares	$ —	$ —	$ 248

See notes to the consolidated financial statements.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Period Ended March 31, 2011 (Unaudited)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Business

InVivo Therapeutics Corporation (“InVivo”) was incorporated on November 28, 2005 under the laws of the State of Delaware. InVivo is developing and commercializing biopolymer scaffolding devices for the treatment of spinal cord injuries. The biopolymer devices are designed to protect the damaged spinal cord from further secondary injury and promote neuroplasticity, a process where functional recovery can occur through the rerouting of signaling pathways to the spared healthy tissue.

Since its inception, InVivo has devoted substantially all of its efforts to business planning, research and development, recruiting management and technical staff, acquiring operating assets and raising capital. Accordingly, InVivo is considered to be in the development stage.

Reverse Merger

On October 26, 2010, InVivo completed a reverse merger transaction (the “Merger”) with InVivo Therapeutics Holdings Corporation (formerly Design Source, Inc.) (“ITHC”), a publicly traded company incorporated under the laws of the State of Nevada. InVivo became a wholly owned subsidiary of ITHC, which continues to operate the business of InVivo. As part of the Merger, ITHC issued 31,147,190 shares of its Common Stock to the holders of InVivo common stock on October 26, 2010 in exchange for the 2,261,862 outstanding common shares of InVivo and also issued 500,000 shares to its legal counsel in consideration for legal services provided. All share and per share amounts presented in these consolidated financial statements have been retroactively restated to reflect the 13.7706 exchange ratio of InVivo shares for ITHC shares in the Merger. Immediately prior to the Merger, ITHC had 6,999,981 shares of Common Stock outstanding.

The Merger was a “reverse merger,” and InVivo is deemed to be the acquirer and ongoing operating company. The Merger was recorded as a recapitalization of InVivo, equivalent to the issuance of common stock by InVivo for the net monetary assets of ITHC accompanied by a recapitalization. At the date of the Merger, the 6,999,981 outstanding ITHC shares were reflected as an issuance of InVivo common stock to the prior shareholders of ITHC. ITHC had no net monetary assets as of the Merger so this issuance was recorded as a reclassification between additional paid-in capital and par value of Common Stock.

The historical consolidated financial statements are those of InVivo as the acquirer. The post-merger combination of ITHC and InVivo is referred to throughout these notes to consolidated financial statements as the “Company.” Subsequent to the Merger, the Company completed three closings as part of a private placement.

On October 26, 2010, in connection with the Merger described above, ITHC transferred all of its operating assets and liabilities to its wholly-owned subsidiary, D Source Split Corp., a company organized under the laws of Nevada (“DSSC”). DSSC was then split-off from ITHC through the sale of all outstanding shares of DSSC (the “Split-Off”). The assets and liabilities of ITHC were transferred to the Split-Off Shareholders in the Split-Off. ITHC executed a split off agreement with the Split-Off Shareholders which obligates the Split-Off Shareholders to assume all prior liabilities associated with Design Source, Inc. and all DSSC liabilities. In conjunction with the Split-Off, certain shareholders of ITHC surrendered for cancellation shares of ITHC common stock for no additional consideration. The purpose of the Split-Off was to make ITHC a shell company with no assets or liabilities in order to facilitate the Merger. Although all transactions related to the Merger occurred simultaneously, the Split-Off, including the cancellation of shares, was

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Period Ended March 31, 2011 (Unaudited)

considered to have occurred immediately prior to the Merger for accounting purposes. As the acquiree in a reverse merger with a shell company, the historical financial statements of ITHC are not presented and these ITHC transactions are not reflected in the Company’s accompanying consolidated financial statements.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States (“GAAP”) consistent with those applied in, and should be read in conjunction with, the Company’s audited financial statements and related footnotes for the year ended December 31, 2010 included in the Company’s Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission (“SEC”) on March 24, 2011. The unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the Company’s financial position as of March 31, 2011 and its results of operations and cash flows for the interim periods presented and are not necessarily indicative of results for subsequent interim periods or for the full year. The interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements as allowed by the relevant SEC rules and regulations; however, the Company believes that its disclosures are adequate to ensure that the information presented is not misleading.

2. CASH AND CASH EQUIVALENTS

As of March 31, 2011, the Company held $6.9 million in cash and cash equivalents. From time to time, the Company may have cash balances in financial institutions in excess of insurance limits. The Company has never experienced any losses related to these balances. All of the Company’s non-interest bearing cash balances were fully insured at March 31, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit on the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to $250,000 per depositor at each financial institution, and non-interest bearing cash balances may again exceed federally insured limits. The Company’s cash equivalents are in money market funds and certificates of deposit. The cash and cash equivalents in excess of interest-bearing accounts and non-interest bearing accounts ineligible under the program amounted to approximately $6,097,000 as of March 31, 2011. Restricted cash represents a security deposit related to the Company’s credit card account.

3. FAIR VALUE OF ASSETS AND LIABILITIES

The Company groups its assets and liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Period Ended March 31, 2011 (Unaudited)

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Company uses valuation methods and assumptions that consider among other factors the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates in estimating fair value for the warrants considered to be derivative instruments.

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

	March 31, 2011			
	Level 1	Level 2	Level 3	Fair Value
Liabilities:				
Derivative warrant liability	$ —	$10,525,843	—	$10,525,843

	December 31, 2010			
	Level 1	Level 2	Level 3	Fair Value
Liabilities:				
Derivative warrant liability	$ —	$10,647,190	—	$10,647,190

4. COMMITMENTS

Operating Lease Commitment

The Company leases approximately 1,200 square feet of laboratory and office space in Medford, Massachusetts under a lease expiring November 14, 2012. Future minimum lease payments under this operating lease are approximately as follows:

	Amount
For the years ending December 31,	
2011	$35,296
2012	43,139
Total	$78,435

The Company's rent expense under this lease was approximately $17,000 and none for the three months ended March 31, 2011 and 2010, respectively. Total rent expense in these periods was approximately $81,000 and $88,000, respectively.

Other Commitments

In February 2011, the Company entered into an agreement with a contract research organization to perform non-human clinical trials. The agreement requires total payments of $825,000 of which $425,000 was paid upon execution of the contract. The remaining $425,000 is expected to be paid in the third quarter of 2011.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Period Ended March 31, 2011 (Unaudited)

Registration Payment Arrangements

In connection with the Merger (see Note 1), the Company completed a private placement of 13,000,000 Units of its securities. The Company entered into a Registration Rights Agreement with the private placement investors, whereby the Company agreed to register common stock as defined in the agreement. The Company is required to file within 90 days of the date of the final closing (the "Filing Deadline"), a registration statement registering for resale all shares of Common Stock issued in the private placement, including Common Stock (i) included in the Units; and (ii) issuable upon exercise of the Investor Warrants. The Company has agreed to use its reasonable efforts to have the registration statement declared effective within 180 days of filing the registration statement (the "Effectiveness Deadline"). If the Registration Statement is not filed on or before the Filing Deadline or not declared effective on or before the Effectiveness Deadline, the Company shall pay to each holder of registrable securities an amount in cash equal to one-half of one percent (0.5%) of such holder's investment in the Offering or in the Bridge Financing on every thirty (30) day anniversary of such Filing Deadline or Effectiveness Deadline failure until such failure is cured. The payment amount shall be prorated for partial thirty (30) day periods. The maximum aggregate amount of payments to be made by the Company as the result of such failures, whether by reason of a Filing Deadline failure, Effectiveness Deadline failure or any combination thereof, shall be an amount equal to 9% of each Unit holder's investment amount. The Company shall keep the Registration Statement effective for one (1) year from the date it is declared effective by the SEC or until Rule 144 of the Securities Act is available to the investors with respect to all of their shares, whichever is earlier.

At each reporting date, the Company assesses the probability of it transferring consideration under its registration payment arrangements. If at any time it determines that such an event is probable and the amount can be reasonably estimated, the amount of such an obligation is recognized as a liability with a charge to earnings. Future changes in that liability will also be charged (credited) to earnings. At the date the Registration Rights Agreement was entered into and at March 31, 2011, the Company did not conclude that it was probable that they will be obligated to transfer any consideration under the terms of this Registration Rights Agreement.

5. CAPITAL LEASE OBLIGATION

At February 8, 2011, the Company entered into a capital lease agreement under which the Company leased certain laboratory equipment. Capital lease obligation consisted of the following:

	March 31, 2011	December 31, 2010
Capital lease	$ 88,332	$ —
Less: current portion	(29,620)	—
	$ 58,712	$ —

The total value of the laboratory equipment acquired under this capital lease agreement was $124,151. The capital lease is payable in monthly installments of $2,812 payable over thirty six months with the final payment due in January 2014. For the three months ended March 31, 2011, interest expense recorded on the capital lease was $843 and depreciation expense was $4,138.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Period Ended March 31, 2011 (Unaudited)

6. COMMON STOCK

The Company has authorized 100,000,000 shares of Common Stock, $0.00001 par value per share, of which 51,674,712, shares and 51,647,171 shares were issued and outstanding as of March 31, 2011 and December 31, 2010, respectively.

In February 2011, the Company issued 27,541 shares of Common Stock upon the exercise of stock options and received cash proceeds of $1,999.

7. DERIVATIVE INSTRUMENTS

Derivative financial instruments are recognized as a liability on the consolidated balance sheet and measured at fair value.

At March 31, 2011 and December 31, 2010, the Company had outstanding warrants to purchase 18,200,000 shares of its Common Stock. These warrants are considered to be derivative instruments since the agreements contain provisions that include anti-dilution protection and, under certain conditions, grant the right to the holder to request the Company to repurchase the warrant. The Company uses valuation methods and assumptions that consider among other factors the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates in estimating fair value for the warrants considered to be derivative instruments. The fair value of these derivative instruments at March 31, 2011 and December 31, 2010 were $10,525,843 and $10,647,190, respectively. Changes in fair value of the derivative financial instruments are recognized currently in the Statement of Operations as a derivatives gain or loss. The warrant derivative gain for the three months ended March 31, 2011 was $121,347 and was included in other income (expense) in the consolidated statement of operations. There was no derivatives gain or loss in the three months ended March 31, 2010.

The primary underlying risk exposure pertaining to the warrants is the change in fair value of the underlying Common Stock for each reporting period.

8. STOCK OPTIONS

In 2007, the Company adopted the 2007 Employee, Director and Consultant Stock Plan (the “2007 Plan”). Pursuant to the 2007 Plan, the Company’s Board of Directors (or committees and/or executive officers delegated by the Board of Directors) may grant incentive and nonqualified stock options to the Company’s employees, officers, directors, consultants and advisors. As of March 31, 2011, there were options to purchase an aggregate of 5,888,016 shares of Common Stock outstanding under the 2007 Plan and no shares available for future grants under the 2007 Plan.

On October 26, 2010, the Company’s Board of Directors adopted the 2010 Equity Incentive Plan, subject to shareholder approval (the “2010 Plan”). The 2010 Plan provides for grants of incentive stock options to employees and nonqualified stock options and restricted Common Stock to employees, consultants and non-employee directors of the Company. As of December 31, 2010, the number of shares authorized for issuance under the 2010 Plan was 3,500,000 shares. As of March 31, 2011, there were options to purchase an aggregate of 535,000 shares of Common Stock outstanding under the 2010 Plan and 2,965,000 shares available for future grants under the 2010 Plan. If shareholder approval is not obtained by October 25, 2011, all awards granted under the 2010 Plan will terminate. In addition, no award under the 2010 Plan will become exercisable until shareholder approval has been obtained and a registration statement on Form S-8 has been filed with the SEC.

Options issued under the 2007 Plan and the 2010 Plan (collectively the “Plans”) are exercisable for up to 10 years from the date of issuance.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Period Ended March 31, 2011 (Unaudited)

Share-based compensation

For stock options issued and outstanding for the three months ended March 31, 2011, the Company recorded non-cash, stock-based compensation expense of $107,319, net of estimated forfeitures. Included in this amount is approximately ($34,124) of negative expense related to non-employee options that are being repriced throughout the vesting period.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table. Due to its limited operating history and limited number of sales of its Common Stock, the Company estimated its volatility in consideration of a number of factors including the volatility of comparable public companies. The Company uses historical data, as well as subsequent events occurring prior to the issuance of the financial statements, to estimate option exercises and employee terminations within the valuation model. The expected term of options granted under the Plans, all of which qualify as “plain vanilla,” is based on the average of the contractual term (generally 10 years) and the vesting period (generally 48 months).

For non-employee options, the expected term is the contractual term. The risk-free rate is based on the yield of a U.S. Treasury security with a term consistent with the option.

The assumptions used principally in determining the fair value of options granted to employees were as follows:

	March 31, 2011
Risk-free interest rate	2.44%
Expected dividend yield	0%
Expected term (employee grants)	6.25
Expected volatility	48.44%

A summary of option activity under the Plans and options granted to officers of the Company outside any plan as of March 31, 2011 and changes during the three months then ended is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding at December 31, 2010	6,195,557	$ 0.59		
Granted	255,000	$ 1.21		
Exercised	(27,541)	$ 0.07		
Outstanding at March 31, 2011	6,423,016	$ 0.62	—	$ —
Exercisable at March 31, 2011	2,569,416	$ 0.19	6.87	$5,308,494

The weighted average grant-date fair value of options granted during the three months ended March 31, 2011 was $1.21 per share. The total fair value of options that vested in the three months ended March 31, 2011 was $103,422. As of March 31, 2011, there was approximately $1,634,033 of total unrecognized compensation expense, related to non-vested share-based option compensation arrangements. The unrecognized compensation expense is estimated to be recognized over a period of 2.86 years at March 31, 2011.

InVivo Therapeutics Holdings Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
Period Ended March 31, 2011 (Unaudited)

9. WARRANTS

The following presents information about warrants to purchase Common Stock issued and outstanding at March 31, 2011:

Year Issued	Number of Warrants	Exercise Price	Date of Expiration
2010	15,600,000	$ 1.40	10/26/2015 -12/3/2015
2010	3,200,000	1.00	9/26/2015 -12/3/2015
Total	18,800,000		
Weighted average exercise price		$ 1.33	
Weighted average life in years			4.5

INVIVO THERAPEUTICS HOLDINGS CORP.

26,047,200 Shares of Common Stock

PROSPECTUS

, 2011

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts, payable by the registrant in connection with the sale of the shares of Common Stock being registered. All amounts are estimates except the fees payable to the SEC.

SEC Registration Fee	$ 2,510
Printing and Edgar Filing	6,000
Accounting Fees and Expenses	3,000
Legal Fees and Expenses	27,000
Miscellaneous	2,000
Total	$40,510

Item 14. Indemnification of Directors and Officers

Nevada Revised Statutes ("NRS") Sections 78.7502 and 78.751 provide us with the power to indemnify any of our directors, officers, employees and agents. The person entitled to indemnification must have conducted himself in good faith, and must reasonably believe that his conduct was in, or not opposed to, our best interests. In a criminal action, the director, officer, employee or agent must not have had reasonable cause to believe that his conduct was unlawful.

Under NRS Section 78.751, advances for expenses may be made by agreement if the director or officer affirms in writing that he has met the standards for indemnification and will personally repay the expenses if it is determined that such officer or director did not meet those standards.

Our bylaws include an indemnification provision under which we have the power to indemnify our directors, officers, former directors and officers, employees and other agents (including heirs and personal representatives) against all costs, charges and expenses actually and reasonably incurred, including an amount paid to settle an action or satisfy a judgment to which a director or officer is made a party by reason of being or having been a director or officer of the Company. Our bylaws further provide for the advancement of all expenses incurred in connection with a proceeding upon receipt of an undertaking by or on behalf of such person to repay such amounts if it is determined that the party is not entitled to be indemnified under our bylaws. No advance will be made by the Company to a party if it is determined that the party acted in bad faith. These indemnification rights are contractual, and as such will continue as to a person who has ceased to be a director, officer, employee or other agent, and will inure to the benefit of the heirs, executors and administrators of such a person.

Our bylaws do not eliminate or limit the liability of a director for: (i) an act or omission which involves intentional misconduct, fraud or a knowing violation of law; or (ii) the payment of dividends in violation of NRS 78.300.

We maintain an insurance policy on behalf of our directors and officers, covering certain liabilities which may arise as a result of the actions of the directors and officers.

We have entered into an indemnification agreement with each of our officers and directors pursuant to which they will be indemnified by us, subject to certain limitations, for any liabilities incurred by them in connection with their role as officers and/or directors of the Company.

Item 15. Recent Sales of Unregistered Securities

Between November 2006 and June 2008, Messrs. Reynolds, Langer and Teng were issued 1,100,000, 600,000 and 100,000 shares of InVivo's common stock, respectively. These shares converted into 15,147,660 shares, 8,262,360 shares and 1,377,060 shares of our Common Stock, respectively, upon the closing of the Merger. Between August 2006 and the date of this registration statement, InVivo sold $4,181,000 of principal amount of convertible notes (the "Convertible Notes") to 54 accredited investors and 79,536 shares of its common stock to one investor for $1,000,000. The Convertible Notes were converted into 379,989 shares of InVivo common stock before the Closing of this Offering. The 79,536 shares issued to the Investor converted into 1,095,259 Shares of our Common Stock and the 379,989 shares issuable to the Convertible Note holders converted into 5,232,677 Shares of our Common Stock upon the closing of the Merger.

In October 2010, we issued 500,000 shares of our Common Stock for legal services to InVivo's counsel, Meister Seelig & Fein LLP at the Closing of the Merger.

In September 2010, InVivo sold $500,000 of principal amount of Bridge Notes and Bridge Warrants. $150,000 of principal amount of the Bridge Notes and Bridge Warrants were purchased by an affiliate of the Placement Agent. Principal and accrued interest on the Bridge Notes converted into and was used to acquire Units in the Offering and upon the closing of the Merger, the Bridge Warrants were exchanged for 500,000 New Bridge Warrants to acquire 500,000 shares of our Common Stock at a price of $1.00 per share. As consideration for locating investors to participate in the Bridge Financing, the Placement Agent received warrants from InVivo that were exchanged on the closing of the Merger for New Bridge Warrants to purchase 100,000 shares of Common Stock at a price of $1.00 per share. The Placement Agent received, upon conversion of the Bridge Notes, compensation in the same amount as it received for other Units sold in the Offering.

In October, November and December 2010, we completed a private placement of 13 million Units of our securities (consisting of shares of Common Stock and warrants to purchase Common Stock) and raised total gross proceeds of $13 million and total net proceeds of $10,913,954. We issued 13 million shares and 13 million warrants exercisable at $1.40 to investors in the private placement. We paid Spencer Trask Ventures, Inc., as Placement Agent, a cash commission of 10% of the funds raised from the private placement. In addition, the Placement Agent received a non-accountable expense allowance equal to 3% of the proceeds raised in the private placement as well as warrants to purchase a number of shares of Common Stock equal to 20% of the Common Stock and 20% of the Common Stock underlying the Investor Warrants sold in the private placement. The Placement Agent was paid total cash consideration of $1,690,000 and was issued warrants to purchase 2,600,000 shares of Common Stock at an exercise price of $1.00 per share and warrants to purchase 2,600,000 shares of Common Stock at an exercise price of $1.40 per share.

The transactions described above were exempt from registration under Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder, as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of these securities. The securities were offered only to "accredited investors" as defined under Rule 501(a) of Regulation D. Neither the Company nor any person acting on its behalf offered or sold these securities by any form of general solicitation or general advertising.

On February 14, 2011, we issued 27,541 shares of our Common Stock to George Calapai upon his exercise of stock options under our 2007 Stock Option Plan at an exercise price of $0.0723 per share. The issuance of these shares was effected without registration in reliance on Section 4(2) of the Securities Act of 1933, as amended, as a sale by the Company not involving a public offering. No underwriters were involved with the issuance of these shares.

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Item 16. Exhibits and Financial Statement Schedules

2.1	Agreement and Plan of Merger, dated October 4, 2010, by and between Design Source, Inc. and InVivo Therapeutics Holdings Corp. (incorporated by reference from Exhibit 2.2 to the Company’s Current Report on Form 8-K, as filed with the SEC on October 6, 2010).
2.2	Agreement and Plan of Merger and Reorganization, dated as of October 26, 2010, by and among InVivo Therapeutics Holdings Corp. (f/k/a Design Source, Inc.), a Nevada corporation, InVivo Therapeutics Acquisition Corp., a Delaware corporation and InVivo Therapeutics Corporation, a Delaware corporation.*
2.3	Certificate of Merger.*
3.1	Articles of Incorporation of InVivo Therapeutics Holdings Corp., as amended (incorporated by reference from Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010).
3.2	Amended and Restated Bylaws of InVivo Therapeutics Holdings Corp. (incorporated by reference from Exhibit 3.1 to the Company’s Current Report on Form 8-K, as filed with the SEC on March 15, 2011).
4.1	Form of Bridge Warrant of InVivo Therapeutics Corporation (incorporated by reference from Exhibit 4.1 to the Company’s Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
4.2	Form of Bridge Promissory Note of InVivo Therapeutics Corporation (incorporated by reference from Exhibit 4.2 to the Company’s Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
4.3	Form of Investor Warrant of InVivo Therapeutics Holdings Corp. (incorporated by reference from Exhibit 4.3 to the Company’s Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
4.4(i)	Form of Warrant of InVivo Therapeutics Holdings Corp. ($1.00 exercise price) issued to Placement Agent (incorporated by reference from Exhibit 4.2 to the Company’s Current Report on Form 8-K, as filed with the SEC on December 9, 2010.)
4.4(ii)	Form of Warrant of InVivo Therapeutics Holdings Corp. ($1.40 exercise price) issued to Placement Agent (incorporated by reference from Exhibit 4.3 to the Company’s Current Report on Form 8-K, as filed with the SEC on December 9, 2010.)
4.5	Form of Warrant of InVivo Therapeutics Holdings Corp. issued to Bridge Lenders (incorporated by reference from Exhibit 4.5 to the Company’s Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
4.6	Form of Lock-Up Agreement (incorporated by reference from Exhibit 10.7 to the Company’s Current Report on Form 8-K, as filed with the SEC on December 9, 2010.)
5.1	Opinion of BRL Law Group LLC*
10.1	Form of Securities Purchase Agreement between InVivo Therapeutics Corporation and the Bridge Lenders*
10.2	Escrow Agreement, by and among InVivo Therapeutics Corp., InVivo Therapeutics Holdings Corp. and Signature Bank**
10.3	Form of Subscription Agreement, by and between InVivo Therapeutics Holdings Corp. and the investors in the offering (incorporated by reference from Exhibit 10.1 to the Company’s Current Report on Form 8-K, as filed with the SEC on December 9, 2010.)

10.4	Form of Registration Rights Agreement, by and between InVivo Therapeutics Holdings Corp. and the investors in the offering (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
10.5	Split-Off Agreement, by and among InVivo Therapeutics Holdings Corp., DSource Split Corp., Peter Reichard, Lawrence Reichard and Peter Coker.*
10.6	General Release Agreement, dated as of October 26, 2010, by and among InVivo Therapeutics Corp., DSource Split Corp., Peter Reichard, Lawrence Reichard and Peter Coker.*
10.7	Amended and Restated Executive Employment Agreement by and between InVivo Therapeutics Holdings Corp. and Frank Reynolds, dated March 15, 2011 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, as filed with the SEC on March 17, 2011).
10.8	Employment Agreement between Christopher Pritchard and InVivo Therapeutics Corp. (incorporated by reference from Exhibit 10.8 to the Company's Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
10.9	InVivo Therapeutics Corp. 2007 Stock Incentive Plan (incorporated by reference from Exhibit 10.9 to the Company's Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
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10.14	Form of Scientific Advisory Board Agreement entered into by InVivo Therapeutics Corp. (incorporated by reference from Exhibit 10.13 to the Company's Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
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10.16	Placement Agent Agreement dated October 4, 2010, between InVivo Therapeutics Corp. and Placement Agent (incorporated by reference from Exhibit 10.4 to the Company’s Current Report on Form 8-K, as filed with the SEC on December 9, 2010.)
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10.20	Form of Indemnification Agreement, as executed by Frank M. Reynolds, George Nolen, Christi M. Pedra, Richard J. Roberts and Adam K. Stern**
10.21	InVivo Therapeutics Holdings Corp. Director Compensation Plan, adopted December 10, 2010 (incorporated by reference from Exhibit 10.20 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010).
14.1	Code of Business Conduct and Ethics**
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23.1	Consent of Wolf & Company, P.C. *
23.2	Consent of BRL Law Group LLC (included in Exhibit 5.1).
24.1	Power of Attorney.**

(1) Application has been made with the Securities and Exchange Commission to seek confidential treatment of certain provisions. Omitted material for which confidential treatment has been requested was filed separately with the Securities and Exchange Commission.

* Filed herewith

** Previously filed.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

i. To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

2. That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

4. That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

i. If the registrant is relying on Rule 430B:

A. Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

B. Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided*, *however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

ii. If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided*, *however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

5. That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such

purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

6. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

7. (i) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(ii) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cambridge, Commonwealth of Massachusetts, on May 19, 2011.

INVIVO THERAPEUTICS HOLDINGS CORP.

By: /s/ Frank M. Reynolds
Name: Frank M. Reynolds
Title: Chief Executive Officer and Chief Financial Officer (Principal Executive, Financial and Accounting Officer)

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Frank M. Reynolds Frank M. Reynolds	Chairman, Chief Executive Officer and Chief Financial Officer (Principal Executive, Financial and Accounting Officer)	May 19, 2011
* Richard J. Roberts	Director	May 19, 2011
* George Nolen	Director	May 19, 2011
* Christi M. Pedra	Director	May 19, 2011
* Adam K. Stern	Director	May 19, 2011

*By /s/ Frank M. Reynolds
Frank M. Reynolds
Attorney-in-fact

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EXHIBIT INDEX

2.1	Agreement and Plan of Merger, dated October 4, 2010, by and between Design Source, Inc. and InVivo Therapeutics Holdings Corp. (incorporated by reference from Exhibit 2.2 to the Company's Current Report on Form 8-K, as filed with the SEC on October 6, 2010).
2.2	Agreement and Plan of Merger and Reorganization, dated as of October 26, 2010, by and among InVivo Therapeutics Holdings Corp. (f/k/a Design Source, Inc.), a Nevada corporation, InVivo Therapeutics Acquisition Corp., a Delaware corporation and InVivo Therapeutics Corporation, a Delaware corporation.*
2.3	Certificate of Merger.*
3.1	Articles of Incorporation of InVivo Therapeutics Holdings Corp., as amended (incorporated by reference from Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010).
3.2	Amended and Restated Bylaws of InVivo Therapeutics Holdings Corp. (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K, as filed with the SEC on March 15, 2011).
4.1	Form of Bridge Warrant of InVivo Therapeutics Corporation (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
4.2	Form of Bridge Promissory Note of InVivo Therapeutics Corporation (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
4.3	Form of Investor Warrant of InVivo Therapeutics Holdings Corp. (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
4.4(i)	Form of Warrant of InVivo Therapeutics Holdings Corp. ($1.00 exercise price) issued to Placement Agent (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K, as filed with the SEC on December 9, 2010.)
4.4(ii)	Form of Warrant of InVivo Therapeutics Holdings Corp. ($1.40 exercise price) issued to Placement Agent (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K, as filed with the SEC on December 9, 2010.)
4.5	Form of Warrant of InVivo Therapeutics Holdings Corp. issued to Bridge Lenders (incorporated by reference from Exhibit 4.5 to the Company's Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
4.6	Form of Lock-Up Agreement (incorporated by reference from Exhibit 10.7 to the Company's Current Report on Form 8-K, as filed with the SEC on December 9, 2010.)
5.1	Opinion of BRL Law Group LLC*
10.1	Form of Securities Purchase Agreement between InVivo Therapeutics Corporation and the Bridge Lenders.*
10.2	Escrow Agreement, by and among InVivo Therapeutics Corp., InVivo Therapeutics Holdings Corp. and Signature Bank**

10.3	Form of Subscription Agreement, by and between InVivo Therapeutics Holdings Corp. and the investors in the offering (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, as filed with the SEC on December 9, 2010.)
10.4	Form of Registration Rights Agreement, by and between InVivo Therapeutics Holdings Corp. and the investors in the offering (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
10.5	Split-Off Agreement, by and among InVivo Therapeutics Holdings Corp., DSource Split Corp., Peter Reichard, Lawrence Reichard and Peter Coker.*
10.6	General Release Agreement, dated as of October 26, 2010, by and among InVivo Therapeutics Corp., DSource Split Corp., Peter Reichard, Lawrence Reichard and Peter Coker.*
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16	Letter regarding change in certifying accountant (incorporated by reference from Exhibit 16 to the Company’s Current Report on Form 8-K, as filed with the SEC on November 1, 2010).
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24.1	Power of Attorney.**

(1) Application has been made with the Securities and Exchange Commission to seek confidential treatment of certain provisions. Omitted material for which confidential treatment has been requested was filed separately with the Securities and Exchange Commission.

* Filed herewith

** Previously filed.

EXHIBIT 2.2

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

AMONG

INVIVO THERAPEUTICS HOLDINGS CORP.

INVIVO THERAPEUTICS ACQUISITION CORP.

AND

INVIVO THERAPEUTICS CORPORATION

October 26, 2010

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<u>EXHIBITS</u>

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of October 26, 2010, by and among InVivo Therapeutics Holdings Corp. (f/k/a Design Source, Inc.), a Nevada corporation (the "Parent"), InVivo Therapeutics Acquisition Corp., a Delaware corporation (the "Acquisition Subsidiary") and InVivo Therapeutics Corporation, a Delaware corporation (the "Company"). The Parent, the Acquisition Subsidiary and the Company are each a "Party" and referred to collectively herein as the "Parties."

WHEREAS, this Agreement contemplates a merger of the Acquisition Subsidiary with and into the Company, with the Company remaining as the surviving entity after the merger (the "Merger"), whereby the stockholders of the Company will receive common stock of the Parent in exchange for their capital stock of the Company;

WHEREAS, simultaneously with the closing of the Merger, the Parent shall complete a private placement of 7,000,000 units of securities of the Parent, at the purchase price of $1.00 per unit (the "PPO Price"), with the right, at the placement agent's and the Company's discretion, to sell up to an additional 6,000,000 units (the "Private Placement Offering"), each unit consisting of one share of the Parent's common stock and one five year warrant to purchase one share of Parent common stock at an exercise price of $1.40 per share;

WHEREAS, immediately following the Merger, the Parent intends to split-off its wholly owned subsidiary, DSource Split Corp., a Delaware corporation (the "Split-Off Subsidiary"), through the sale of all of the outstanding capital stock of the Split-Off Subsidiary (the "Split-Off") upon the terms and conditions of a split-off agreement by and among the Parent, Peter A. Reichard, Lawrence J. Reichard and Peter L. Coker (the "Buyers"), the Company and the Split-Off Subsidiary, substantially in the form of Exhibit A attached hereto (the "Split-Off Agreement"); and

WHEREAS, the Parent, the Acquisition Subsidiary, and the Company desire that the Merger qualifies as a "plan of reorganization" under Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code") and not subject the holders of equity securities of the Company to tax liability under the Code.

NOW, THEREFORE, in consideration of the representations, warranties and covenants herein contained, and for other good and valuable consideration the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties hereto, intending legally to be bound, agree as follows:

ARTICLE I
THE MERGER

1.1 The Merger. Upon and subject to the terms and conditions of this Agreement, the Acquisition Subsidiary shall merge with and into the Company at the Effective Time (as defined below). From and after the Effective Time, the separate corporate existence of the Acquisition Subsidiary shall cease and the Company shall continue as the surviving corporation in the Merger (the "Surviving Corporation"). The "Effective Time" shall be the time at which the Certificate of Merger (the "Certificate of Merger") and other appropriate or required documents prepared and executed in accordance with the relevant provisions of the Delaware General Corporation Law (the "GCL") are filed with the Secretary of State of Delaware. The Merger shall have the effects set forth in the applicable provisions of the GCL, including Sections 251, 259, 260 and 261 of the GCL.

1.2 Private Placement Offering. In conjunction with the closing of the Merger, Parent shall complete a private placement of 7,000,000 units of securities of the Parent, at a price of $1.00 per unit, with the right, at the placement agent's and the Company's discretion, to sell up to an additional 6,000,000 units. Each unit shall consist of one share of common stock of Parent (the "Parent Common Stock") and one five year warrant to purchase one share of Parent Common Stock at an exercise price of $1.40 per share (the "Parent PPO Warrant"). The Parent PPO Warrant shall be callable by Parent if the bid price for the Parent's Common Stock is 100% or more above the warrant exercise price for 20 consecutive trading days after effectiveness of Parent's registration statement registering, among other securities of Parent, the resale of the shares of Parent Common Stock underlying the Parent PPO Warrants (the "Registration Statement"). The closing of the Merger and the Private Placement Offering will occur simultaneously and each will be a condition of the other. Parent and the Company have engaged a registered broker-dealer (the "Placement Agent") to serve as the exclusive placement agent for the Private Placement Offering and be compensated in accordance with its standard terms for such services. The terms of the Placement Agent's engagement as placement agent shall be set forth in a Placement Agent Agreement.

1.3 Registration Statement. The Registration Statement will be prepared on Form S-1 or such other available form and shall be used to register, to the extent practicable, resales of (i) the shares of Parent Common Stock constituting part of the units, (ii) the shares of Parent Common Stock underlying the Parent PPO Warrants constituting part of the units, and (iii) the shares of Parent Common Stock underlying the Parent Bridge Warrants (as defined in Section 1.4). The terms and conditions of such registration shall be set forth in a Registration Rights Agreement between Parent and the holders of registrable securities.

1.4 Bridge Loan. The Company has effected the Bridge Loan in the amount of $500,000 (the "Bridge Loan"), pursuant to which it issued convertible promissory notes of the Company (the "Bridge Notes") and 36,310 common stock purchase warrants to investors. Upon the closing of the Merger (i) the Bridge Notes will automatically convert into Private Placement Offering units at a price of $1.00 per unit and (ii) the warrants accompanying the Bridge Notes shall automatically convert into warrants to acquire 500,000 shares of the Parent's Common Stock at a price of $1.00 per share (the "Parent Bridge Warrants"). The aggregate principal amount of the converted Bridge Notes plus accrued and unpaid interest due thereon at the time of conversion will be deemed part of the gross proceeds of the Private Placement Offering. The placement agent for the Bridge Loan received Company Warrants which shall automatically convert at the closing of the Merger into Parent Bridge Warrants to acquire 100,000 shares of the Parent's Common Stock at a price of $1.00 per share.

1.5 The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Gottbetter & Partners, LLP in New York, New York commencing at 10:00 a.m. local time on the date hereof, or, if all of the conditions to the obligations of the Parties to consummate the transactions contemplated hereby have not been satisfied or waived by such date, on such mutually agreeable later date as soon as practicable (and in any event not later than three (3) business days) after the satisfaction or waiver of all conditions (excluding the delivery of any documents to be delivered at the Closing by any of the Parties) set forth in Article V hereof (the "Closing Date").

1.6 Actions at the Closing. At the Closing:

(a) the Company shall deliver to the Parent and the Acquisition Subsidiary the various certificates, instruments and documents referred to in Section 5.2;

(b) the Parent and the Acquisition Subsidiary shall deliver to the Company the various certificates, instruments and documents referred to in Section 5.3;

(c) the Surviving Corporation shall file the Certificate of Merger with the Secretary of State of the State of Delaware;

(d) each of the stockholders of record of the Company immediately prior to the Effective Time (collectively, the "Company Stockholders") shall, if requested by the Parent, deliver to the Parent the certificate(s) representing his, her or its shares of Company common stock (the "Company Shares");

(e) the Parent agrees to promptly deliver certificates for the Merger Shares (as defined below) to each Company Stockholder in accordance with Section 1.8;

(f) the Parent shall deliver to the Company (i) evidence that the Parent's board of directors is authorized to consist of five individuals, (ii) the resignations of all individuals who served as directors and/or officers of the Parent immediately prior to the Closing Date, which resignations shall be effective as of the Closing Date, (iii) evidence of the appointment of five directors to serve immediately following the Closing Date, four of whom shall have been designated by the Company and one of whom shall be designated by the Placement Agent immediately prior to the Closing Date, provided that such appointee is reasonably acceptable to the Company, and (v) evidence of the appointment of such executive officers of the Parent to serve immediately upon the Closing Date as shall have been designated by the Company; and

(g) the Private Placement Offering shall be completed and the proceeds therefrom distributed in accordance with the terms of the Private Placement Offering.

1.7 Additional Actions. If at any time after the Effective Time the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments or assurances or any other acts or things are necessary, desirable or proper (a) to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation, its right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of either the Company or Acquisition Subsidiary or (b) otherwise to carry out the purposes of this Agreement, the Surviving Corporation and its proper officers and directors or their designees shall be authorized (to the fullest extent allowed under applicable law) to execute and deliver, in the name and on behalf of either the Company or Acquisition Subsidiary, all such deeds, bills of sale, assignments and assurances and do, in the name and on behalf of the Company or Acquisition Subsidiary, all such other acts and things necessary, desirable or proper to vest, perfect or confirm its right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of the Company or Acquisition Subsidiary, as applicable, and otherwise to carry out the purposes of this Agreement.

1.8 Conversion of Company and Acquisition Subsidiary Securities. At the Effective Time, by virtue of the Merger and without any action on the part of any Party or the holder of any of the following securities:

(a) Each Company Share issued and outstanding immediately prior to the Effective Time other than Dissenting Shares (as defined below) shall be converted into and represent the right to receive (subject to the provisions of Section 1.9) such number of shares of common stock, $0.00001 par value per share, of the Parent ("Parent Common Stock") as is equal to the Common Conversion Ratio (as defined in Section 1.8(b)). An aggregate of approximately 31,647,190 shares of Parent Common Stock shall be issued to the stockholders of the Company. In addition, each Company stock option and common stock purchase warrant issued and outstanding immediately prior to the Effective Time shall be converted into and represent the right to receive such number of Parent stock options (the "Parent Options") and Parent Bridge Warrants as is equal to the Common Conversion Ratio (as defined in Section 1.8(b) and a corresponding number of shares of Parent Common Stock shall be reserved for issuance upon the exercise of the Parent Options and Parent Bridge Warrants. Notwithstanding the foregoing, the number of shares of Parent Common Stock issuable to the Company Stockholders upon conversion of their Company Shares, and the number of shares reserved for issuance upon the exercise of Parent Options and Parent Bridge Warrants may be adjusted in accordance with Section 1.11(e).

(b) The "Common Conversion Ratio" shall be 13.7706-for-1. Stockholders of record of the Company as of the Closing Date shall be entitled to receive immediately all of the shares of Parent Common Stock into which their Company Shares were converted pursuant to this Section 1.8 (the "Merger Shares").

(c) Each issued and outstanding share of common stock, par value $0.001 per share, of the Acquisition Subsidiary shall be converted into one validly issued, fully paid and nonassessable share of Surviving Corporation Common Stock.

1.9 Dissenting Shares.

(a) For purposes of this Agreement, "Dissenting Shares" means Company Shares held as of the Effective Time by a Company Stockholder who has not voted such Company Shares in favor of the adoption of this Agreement and the Merger and with respect to which appraisal shall have been duly demanded and perfected in accordance with Section 262 of the GCL and not effectively withdrawn or forfeited prior to the Effective Time. Dissenting Shares shall not be converted into or represent the right to receive shares of Parent Common Stock unless such Company Stockholder's right to appraisal shall have ceased in accordance with Section 262 of the GCL. If such Company Stockholder has so forfeited or withdrawn his, her or its right to appraisal of Dissenting Shares, then, (i) as of the occurrence of such event, such holder's Dissenting Shares shall cease to be Dissenting Shares and shall be converted into and represent the right to receive the Merger Shares issuable in respect of such Company Shares pursuant to Section 1.8, and (ii) promptly following the occurrence of such event, the Parent shall deliver to such Company Stockholder a certificate representing the Merger Shares to which such holder is entitled pursuant to Section 1.8.

(b) The Company shall give the Parent prompt notice of any written demands for appraisal of any Company Shares, withdrawals of such demands, and any other instruments that relate to such demands received by the Company. The Company shall not, except with the prior written consent of the Parent, make any payment with respect to any demands for appraisal of Company Shares or offer to settle or settle any such demands.

1.10 Fractional Shares. No certificates or scrip representing fractional Merger Shares shall be issued to Company Stockholders on the surrender for exchange of certificates that immediately prior to the Effective Time represented Company Shares converted into Merger Shares pursuant to Section 1.8 (“Certificates”) and such Company Stockholders shall not be entitled to any voting rights, rights to receive any dividends or distributions or other rights as a stockholder of the Parent with respect to any fractional Merger Shares that would have otherwise been issued to such Company Stockholders. In lieu of any fractional Merger Shares that would have otherwise been issued, each former Company Stockholder that would have been entitled to receive a fractional Merger Share shall, on proper surrender of such person’s Certificates, receive such whole number of Merger Shares as is equal to the precise number of Merger Shares to which such Company Stockholder would be entitled, rounded up or down to the nearest whole number (with a fractional interest equal to 0.5 rounded upward to the nearest whole number); provided that each such Company Stockholder shall receive at least one Merger Share.

1.11 Options and Warrants.

(a) As of the Effective Time, all stock options to purchase Company Shares issued by the Company, whether vested or unvested (the “Company Options”), shall automatically become Parent Options without further action by the holder thereof. Each Parent Option shall constitute an option to acquire such number of shares of Parent Common Stock as is equal to the number of Company Shares subject to the unexercised portion of the Company Option multiplied by the Common Conversion Ratio (with any fraction resulting from such multiplication to be rounded to the nearest whole number, and with 0.5 shares rounded upward to the nearest whole number). The exercise price per share of each Parent Option shall be equal to the exercise price of the Company Option divided by the Common Conversion Ratio and the terms of such Parent Options shall otherwise remain the same. The Parent Options shall be granted under the Company’s 2007 Employee, Director and Consultant Stock Plan, as amended (the “2007 Plan”), which shall be adopted and assumed in writing by the Parent in connection with the Merger, and under the 2007 Plan’s terms, exercisability, vesting schedule, and status as an “incentive stock option” under Section 422 of the Code, if applicable. It is the intention of the Parties that any Company Options intended to be “incentive stock options” under Section 422 of the Code shall remain incentive stock options as Parent Options.

(b) As soon as practicable after the Effective Time, the Parent or the Surviving Corporation shall take appropriate actions to collect the Company Options and the agreements evidencing the Company Options, which shall be deemed to be canceled and shall entitle the holder to exchange the Company Options for Parent Options.

(c) 5,915,615 shares of Parent Common Stock shall be reserved for issuance under the 2007 Plan being assumed by Parent at Closing, and shall be issued upon the exercise of the Parent Options in accordance with this Section 1.11. No additional Options shall at any time hereafter be granted under the 2007 Plan.

(d) Upon the Closing of the Merger, Parent Bridge Warrants to purchase an aggregate of 600,000 shares of Parent Common Stock at a price of $1.00 per share will be granted to the holders of Company common stock purchase warrants (the “Company Warrants”). 600,000 shares of Parent Common Stock shall be reserved for issuance upon the exercise of the Parent Bridge Warrants. As of the Effective Time, any and all outstanding Company Warrants to purchase capital stock of the Company, whether vested or unvested, shall be canceled.

(e) In the event that any issued and outstanding Company Options or Company Warrants are exercised prior to the Effective Time, the number of outstanding Company Shares shall be increased by the number of Company Shares issued upon exercise of Company Options and Company Warrants, and the number of outstanding Company Options and Company Warrants shall be reduced by the same number, as applicable. This will result in a decrease in the aggregate number of shares of Parent Common Stock reserved for issuance upon exercise of the Parent Options and Parent Bridge Warrants, and an increase in the number of shares of Parent Common Stock issuable to Company Stockholders at the Effective Time. Accordingly, regardless of the exercise of any Company Warrants, the total number of shares of Parent Common Stock issuable to Company Stockholders, and, upon exercise, to the holders of Parent Options and Parent Warrants, in connection with the Merger (in accordance with Section 1.5 and this Section 1.11) shall remain constant.

1.12 [Intentionally Omitted].

1.13 Certificate of Incorporation and Bylaws.

(a) The certificate of incorporation of the Company in effect immediately prior to the Effective Time shall be the certificate of incorporation of the Surviving Corporation until duly amended or repealed.

(b) The bylaws of the Company in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Corporation until duly amended or repealed.

1.14 No Further Rights. From and after the Effective Time, no Company Shares shall be deemed to be outstanding, and holders of Certificates shall cease to have any rights with respect thereto, except as provided herein or by law.

1.15 Closing of Transfer Books. At the Effective Time, the stock transfer books of the Company shall be closed and no transfer of Company Shares shall thereafter be made. If, after the Effective Time, Certificates are presented to the Parent or the Surviving Corporation, they shall be cancelled and exchanged for Merger Shares in accordance with Section 1.8, subject to applicable law in the case of Dissenting Shares.

1.16 Post-Closing Adjustment. In the event that, during the period commencing from the Closing Date and ending on the second anniversary of the Closing Date, the Parent or the Surviving Corporation incurs any Loss (as defined below) with respect to, in connection with, or arising from any Parent Liabilities (as defined below), then promptly following the filing by the Parent with the Securities and Exchange Commission (the "SEC") of a quarterly report relating to the most recent completed quarter for which such determination has been made, the Parent shall issue to the Company Stockholders and/or their designees such number of shares of Parent Common Stock as would result from dividing (x) the whole dollar amount representing such Losses by (y) the PPO Price, rounded to the nearest whole number (with 0.5 shares rounded upwards to the nearest whole number). The limit on the aggregate number of shares of Parent Common Stock issuable under this Section 1.16 shall be 3,100,000 shares. As used in this Section 1.16: (a) "Loss" shall mean any and all costs and expenses, including reasonable attorneys' fees, court costs, reasonable accountants' fees, and damages and losses, net of any insurance proceeds actually received by the Party suffering the Loss with respect thereto; (b) "Claims" shall include, but are not limited to, any claim, notice, suit, action, investigation, other proceedings (whether actual or threatened); and (c) "Parent Liabilities" shall mean all Claims against and liabilities, obligations or indebtedness of any nature whatsoever of Split-Off Subsidiary, whenever accruing, and of the Parent and the Acquisition Subsidiary, accruing on or before the Closing Date (whether primary, secondary, direct, indirect, liquidated, unliquidated or contingent, matured or unmatured), including, but not limited to (i) any litigation threatened, pending or for which a basis exists against the Parent or any Parent Subsidiary (as defined in this Agreement); (ii) any and all outstanding debts owed by the Parent or any Parent Subsidiary; (iii) any and all internal or employee related disputes, arbitrations or administrative proceedings threatened, pending or otherwise outstanding, (iv) any and all liens, foreclosures, settlements, or other threatened, pending or otherwise outstanding financial, legal or similar obligations of the Parent or any Parent Subsidiary, (v) any and all Taxes for which Parent or any of its direct or indirect assets may be liable or subject, for any taxable period (or portion thereof) ending on or before the Closing Date, including, without limitation, any and all Taxes resulting from or attributable to Parent's ownership or operation of the Split-Off Subsidiary assets, (vi) any and all Taxes for which Parent or its direct or indirect assets may be liable or subject (including, without limitation, the interests and assets of the Surviving Corporation and any Parent Subsidiary) as a consequence of Parent's acquisition, formation, capitalization, ownership, and Split-Off of Split-Off Subsidiary, whether related to a taxable period (or portion thereof) ending on or after the Closing Date, and (vii) all fees and expenses incurred in connection with effecting the adjustments contemplated by this Section 1.16, as such Parent Liabilities are determined by the Parent's independent auditors, on a quarterly basis. Any shares of Parent Common Stock that are issued under this Section 1.16 shall be issued to the Company Stockholders pro rata according to their respective holdings of the Merger Shares.

1.17 Exemption From Registration. Parent and the Company intend that the shares of Parent Common Stock to be issued pursuant to Section 1.8 hereof or upon exercise of Parent Options and Parent Warrants granted pursuant to Section 1.11 hereof or upon the provisions of Section 1.16 hereof in each case in connection with the Merger will be issued in a transaction exempt from registration under the Securities Act, by reason of Section 4(2) of the Securities Act, Rule 506 of Regulation D promulgated by the SEC thereunder ("Regulation D") and/or Regulation S promulgated by the SEC ("Regulation S") and that, except as otherwise disclosed in Schedule 1.17 hereof, all recipients of such shares of Parent Common Stock shall either be "accredited investors" or not "U.S. Persons" as such terms are defined under Regulation D and Regulation S, respectively.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Parent that the statements contained in this Article II are true and correct, except as set forth in the disclosure schedule provided by the Company to the Parent on the date hereof and accepted in writing by the Parent (the "Disclosure Schedule"). The Disclosure Schedule shall be arranged in paragraphs corresponding to the numbered and lettered paragraphs contained in this Article II, and except to the extent that it is clear from the context thereof that such disclosure also applies to any other paragraph, the disclosures in any paragraph of the Disclosure Schedule shall qualify only the corresponding paragraph in this Article II. For purposes of this Article II, the phrase "to the knowledge of the Company" or any phrase of similar import shall be deemed to refer to the actual knowledge of the executive officers of the Company, as well as any other knowledge which such executive officers would have possessed had they made reasonable inquiry with respect to the matter in question.

2.1 Organization, Qualification and Corporate Power. The Company is a corporation duly organized, validly existing and in corporate and tax good standing under the laws of the State of Delaware. The Company is duly qualified to conduct business and is in corporate and tax good standing under the laws of each jurisdiction in which the nature of its businesses or the ownership or leasing of its properties requires such qualification, except where the failure to be so qualified or in good standing, individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect (as defined below). The Company has all requisite corporate power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it. The Company has furnished or made available to the Parent complete and accurate copies of its certificate of incorporation and bylaws. The Company is not in default under or in violation of any provision of its certificate of incorporation, as amended to date, or its bylaws, as amended to date. For purposes of this Agreement, "Company Material Adverse Effect" means a material adverse effect on the assets, business, condition (financial or otherwise), results of operations or future prospects of the Company taken as a whole.

2.2 Capitalization. The authorized capital stock of the Company consists of 5,000,510 shares of which 5,000,000 shares are designated as common stock, $0.001 par value per share (the "Company Shares") and 510 shares are designated as preferred stock. As of the date of this Agreement and the Closing, and assuming receipt of the proceeds of the Private Placement Offering and conversion by the holders of all of the Company's convertible notes (the "Convertible Notes"), there are (i) 2,297,884 Company Shares issued and outstanding; (ii) 429,579 Company Options issued and outstanding; and (iii) 43,572 Company Warrants issued and outstanding. Section 2.2 of the Disclosure Schedule sets forth a complete and accurate list of (i) all holders of Company Shares, indicating the number of Company Shares held by each holder; (ii) all holders of Convertible Notes, indicating the amount of Convertible Notes held by each holder and (iii) all holders of Company Options and Company Warrants indicating (A) the number of Company Shares subject to each Company Option and Company Warrant, (B) the exercise price, date of grant, vesting schedule and expiration date for each Company Option or Company Warrant, and (C) any terms regarding the acceleration of vesting, and (iii) all stock option plans and other stock or equity-related plans of the Company. All of the issued and outstanding Company Shares, and all Company Shares that may be issued upon exercise of Company Options or Company Warrants will be (upon issuance in accordance with their terms), duly authorized, validly issued, fully paid, nonassessable and free of all preemptive rights. Other than the Company Options and Company Warrants listed in Section 2.2 of the Disclosure Schedule and except as otherwise discussed in Section 2.2 of the Disclosure Schedule, there are no outstanding or authorized options, warrants, rights, agreements or commitments to which the Company is a party or which are binding upon the Company providing for the issuance or redemption of any of its capital stock. Except as set forth in Section 2.2 of the Disclosure Schedule, there are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to the Company. Except as set forth in Section 2.2 of the Disclosure Schedule, there are no agreements to which the Company is a party or by which it is bound with respect to the voting (including without limitation voting trusts or proxies), registration under the Securities Act, or sale or transfer (including without limitation agreements relating to pre-emptive rights, rights of first refusal, co-sale rights or "drag-along" rights) of any securities of the Company. Except as set forth in Section 2.2 of the Disclosure Schedule, to the knowledge of the Company, there are no agreements among other parties, to which the Company is not a party and by which it is not bound, with respect to the voting (including without limitation voting trusts or proxies) or sale or transfer (including without limitation agreements relating to rights of first refusal, co-sale rights or "drag-along" rights) of any securities of the Company. Except as listed in Section 2.2 of the Disclosure Schedule, all of the issued and outstanding Company Shares and Convertible Notes were issued in compliance with applicable federal and state securities laws.

2.3 Authorization of Transaction. The Company has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery by the Company of this Agreement and, subject to the adoption of this Agreement and the approval of the Merger by no less than a majority of the votes represented by the outstanding Company Shares entitled to vote on this Agreement and the Merger (the "Stockholder Approval"), the consummation by the Company of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of the Company. Without limiting the generality of the foregoing, the board of directors of the Company (i) determined that the Merger is fair and in the best interests of the Company and the Company Stockholders, (ii) adopted this Agreement in accordance with the provisions of the GCL, and (iii) directed that this Agreement and the Merger be submitted to the Company Stockholders for their adoption and approval and resolved to recommend that the Company Stockholders vote in favor of the adoption of this Agreement the approval of the Merger. This Agreement has been duly and validly executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

2.4 Noncontravention. Subject to the receipt of Stockholder Approval and the filing of the Certificate of Merger as required by the GCL, neither the execution and delivery by the Company of this Agreement, nor the consummation by the Company of the transactions contemplated hereby, will (a) conflict with or violate any provision of the certificate of incorporation or bylaws of the Company, as amended to date, (b) require on the part of the Company any filing with, or any permit, authorization, consent or approval of, any court, arbitrational tribunal, administrative agency or commission or other governmental or regulatory authority or agency (a "Governmental Entity"), except for such permits, authorizations, consents and approvals for which the Company is obligated to use its Reasonable Best Efforts (as defined in Section 4.1), to obtain pursuant to Section 4.2(a), (c) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any Party the right to terminate, modify or cancel, or require any notice, consent or waiver under, any contract or instrument to which the Company is a party or by which the Company is bound or to which any of their assets is subject, except for (i) any conflict, breach, default, acceleration, termination, modification or cancellation in any contract or instrument set forth in Section 2.4 of the Disclosure Schedule, for which the Company is obligated to use its Reasonable Best Efforts to obtain waiver, consent or approval pursuant to Section 4.2(b), (ii) any conflict, breach, default, acceleration, termination, modification or cancellation which would not have a Company Material Adverse Effect and would not adversely affect the consummation of the transactions contemplated hereby or (iii) any notice, consent or waiver the absence of which would not have a Company Material Adverse Effect and would not adversely affect the consummation of the transactions contemplated hereby, (d) result in the imposition of any Security Interest (as defined below) upon any assets of the Company or (e) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company or any of its properties or assets. For purposes of this Agreement: "Security Interest" means any mortgage, pledge, security interest, encumbrance, charge or other lien (whether arising by contract or by operation of law), other than (i) mechanic's, materialmen's, and similar liens, (ii) liens arising under worker's compensation, unemployment insurance, social security, retirement, and similar legislation, and (iii) liens on goods in transit incurred pursuant to documentary letters of credit, in each case arising in the Ordinary Course of Business (as defined below) of the Company and not material to the Company; and "Ordinary Course of Business" means the ordinary course of the Company's business, consistent with past custom and practice (including with respect to frequency and amount).

2.5 Subsidiaries. The Company does not have any Subsidiaries. For purposes of this Agreement, a "Subsidiary" shall mean any corporation, partnership, joint venture or other entity in which a Party has, directly or indirectly, an equity interest representing 50% or more of the equity securities thereof or other equity interests therein (collectively, the "Subsidiaries"); "Parent Subsidiary" is a Subsidiary of the Parent. Except as set forth in Section 2.5 of the Disclosure Schedule, the Company does not control directly or indirectly or have any direct or indirect equity participation or similar interest in any corporation, partnership, limited liability company, joint venture, trust or other business association.

2.6 Financial Statements. The Company will provide or make available to the Parent prior to the Closing: (a) the audited consolidated balance sheet of the Company (the "Company Balance Sheet") at December 31, 2008 and December 31, 2009 (December 31, 2009 hereinafter defined as the "Company Balance Sheet Date"), and the related consolidated statements of operations and cash flows for the period from November 28, 2005 (inception) through December 31, 2009 (the "Company Year-End Financial Statements"); and (b) the unaudited balance sheet of the Company (the "Company Interim Balance Sheet") at June 30, 2010 (June 30, 2010 hereinafter defined as the "Company Interim Balance Sheet Date") and the related statement of operations and cash flows for the six months ended June 30, 2010 (the "Company Interim Financial Statements" and together with the Year-End Financial Statements, the "Company Financial Statements"). The Company Financial Statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods covered thereby, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the respective dates thereof and for the periods referred to therein, comply as to form with the applicable rules and regulations of the SEC for inclusion of such Company Financial Statements in the Parent's filings with the SEC as required by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are consistent in all material respects with the books and records of the Company.

2.7 Absence of Certain Changes. Since the Company Interim Balance Sheet Date, and except for the indebtedness incurred in connection with the Bridge Loan or as set forth in Section 2.7 of the Disclosure Schedule, (a) to the knowledge of the Company, there has occurred no event or development which, individually or in the aggregate, has had, or could reasonably be expected to have in the future, a Company Material Adverse Effect, and (b) the Company has not taken any of the actions set forth in paragraphs (a) through (m) of Section 4.4.

2.8 Undisclosed Liabilities. Except as set forth in Section 2.8 of the Disclosure Schedules, the Company does not have any liability (whether known or unknown, whether absolute or contingent, whether liquidated or unliquidated and whether due or to become due), except for (a) liabilities shown on the Company Interim Balance Sheet referred to in Section 2.6, (b) liabilities which have arisen since the Company Interim Balance Sheet Date in the Ordinary Course of Business and (c) contractual and other liabilities incurred in the Ordinary Course of Business which are not required by GAAP to be reflected on a balance sheet.

2.9 Tax Matters.

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) “Taxes” means all taxes, charges, fees, levies or other similar assessments or liabilities, including without limitation income, gross receipts, ad valorem, premium, value-added, excise, real property, personal property, sales, use, transfer, withholding, employment, unemployment insurance, social security, business license, business organization, environmental, workers compensation, payroll, profits, license, lease, service, service use, severance, stamp, occupation, windfall profits, customs, duties, franchise and other taxes imposed by the United States of America or any state, local or foreign government, or any agency thereof, or other political subdivision of the United States or any such government, and any interest, fines, penalties, assessments or additions to tax resulting from, attributable to or incurred in connection with any tax or any contest or dispute thereof.

(ii) “Tax Returns” means all reports, returns, declarations, statements or other information required to be supplied to a taxing authority in connection with Taxes.

(b) The Company has filed on a timely basis all Tax Returns that it was required to file, and all such Tax Returns were complete and accurate in all material respects. The Company has not ever been a member of a group of corporations with which it has filed (or been required to file) consolidated, combined or unitary Tax Returns. The Company has paid on a timely basis all Taxes that were due and payable. The unpaid Taxes of the Company for tax periods through the Company Balance Sheet Date do not exceed the accruals and reserves for Taxes (excluding accruals and reserves for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the Company Balance Sheet. The Company has not had any actual or potential liability for any Tax obligation of any taxpayer (including without limitation any affiliated group of corporations or other entities that included the Company during a prior period). All Taxes that the Company is or was required by law to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Entity.

(c) The Company has delivered or made available to the Parent complete and accurate copies of all federal income Tax Returns, examination reports and statements of deficiencies assessed against or agreed to by the Company since the date of the Company’s incorporation in Delaware (the “Organization Date”). No examination or audit of any Tax Return of the Company by any Governmental Entity is currently in progress or, to the knowledge of the Company, threatened or contemplated. The Company has not been informed by any jurisdiction that the jurisdiction believes that the Company was required to file any Tax Return that was not filed. The Company has not waived any statute of limitations with respect to Taxes or agreed to an extension of time with respect to a Tax assessment or deficiency.

(d) The Company: (i) is not a “consenting corporation” within the meaning of Section 341(f) of the Code, and none of the assets of the Company are subject to an election under Section 341(f) of the Code; (ii) has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(l)(A)(ii) of the Code; (iii) has not made any payments, is not obligated to make any payments, nor is it a party to any agreement that could obligate it to make any payments that may be treated as an “excess parachute payment” under Section 280G of the Code; (iv) has no actual or potential liability for any Taxes of any person (other than the Company) under Treasury Regulation Section 1.1502-6 (or any similar provision of federal, state, local, or foreign law), or as a transferee or successor, by contract, or otherwise; and (v) has not been required to make a basis reduction pursuant to Treasury Regulation Section 1.1502-20(b) or Treasury Regulation Section 1.337(d)-2(b).

(e) None of the assets of the Company: (i) is property that is required to be treated as being owned by any other person pursuant to the provisions of former Section 168(f)(8) of the Code; (ii) is “tax-exempt use property” within the meaning of Section 168(h) of the Code; or (iii) directly or indirectly secures any debt the interest on which is tax exempt under Section 103(a) of the Code.

(f) The Company has not undergone a change in its method of accounting resulting in an adjustment to its taxable income pursuant to Section 481 of the Code.

(g) No state or federal “net operating loss” of the Company determined as of the Closing Date is subject to limitation on its use pursuant to Section 382 of the Code or comparable provisions of state law as a result of any “ownership change” within the meaning of Section 382(g) of the Code or comparable provisions of any state law occurring prior to the Closing Date.

2.10 Assets. The Company owns or leases all tangible assets reasonably necessary for the conduct of its businesses as presently conducted and as presently proposed to be conducted. Except as set forth in Section 2.10 of the Disclosure Schedule, each such tangible asset is free from material defects, has been maintained in accordance with normal industry practice, is in good operating condition and repair (subject to normal wear and tear) and is suitable for the purposes for which it presently is used. No asset of the Company (tangible or intangible) is subject to any Security Interest.

2.11 Owned Real Property. The Company does not own any real property, except as otherwise listed in Section 2.11 of the Disclosure Schedule.

2.12 Real Property Leases. Section 2.12 of the Disclosure Schedule lists all real property leased or subleased to or by the Company and lists the term of such lease, any extension and expansion options, and the rent payable thereunder. The Company has delivered or made available to the Parent complete and accurate copies of the leases and subleases listed in Section 2.12 of the Disclosure Schedule. With respect to each lease and sublease listed in Section 2.12 of the Disclosure Schedule:

(a) the lease or sublease is legal, valid, binding, enforceable and in full force and effect;

(b) the lease or sublease will continue to be legal, valid, binding, enforceable and in full force and effect immediately following the Closing in accordance with the terms thereof as in effect immediately prior to the Closing;

(c) neither the Company nor, to the knowledge of the Company, any other party, is in breach or violation of, or default under, any such lease or sublease, and no event has occurred, is pending or, to the knowledge of the Company, is threatened, which, after the giving of notice, with lapse of time, or otherwise, would constitute a breach or default by the Company or, to the knowledge of the Company, any other party under such lease or sublease;

(d) the Company has not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the leasehold or subleasehold; and

(e) to the knowledge of the Company, there is no Security Interest, easement, covenant or other restriction applicable to the real property subject to such lease, except for recorded easements, covenants and other restrictions which do not materially impair the current uses or the occupancy by the Company of the property subject thereto.

2.13 Contracts.

(a) Section 2.13 of the Disclosure Schedule lists the following agreements (written or oral) to which the Company is a party as of the date of this Agreement:

(i) any agreement (or group of related agreements) for the lease of personal property from or to third parties providing for lease payments in excess of $50,000 per annum or having a remaining term longer than 12 months;

(ii) any agreement (or group of related agreements) for the purchase or sale of products or for the furnishing or receipt of services (A) which calls for performance over a period of more than one year, (B) which involves more than the sum of $50,000, or (C) in which the Company has granted manufacturing rights, “most favored nation” pricing provisions or exclusive marketing or distribution rights relating to any products or territory or has agreed to purchase a minimum quantity of goods or services or has agreed to purchase goods or services exclusively from a certain party;

(iii) any agreement which, to the knowledge of the Company, establishes a partnership or joint venture;

(iv) other than the Bridge Notes and the Convertible Notes, any agreement (or group of related agreements) under which it has created, incurred, assumed or guaranteed (or may create, incur, assume or guarantee) indebtedness (including capitalized lease obligations) involving more than $50,000 or under which it has imposed (or may impose) a Security Interest on any of its assets, tangible or intangible;

(v) any agreement concerning confidentiality or noncompetition;

(vi) any employment or consulting agreement;

(vii) any agreement involving any officer, director or stockholder of the Company or any affiliate, as defined in Rule 12b-2 under Exchange Act, thereof (an “Affiliate”);

(viii) any agreement under which the consequences of a default or termination would reasonably be expected to have a Company Material Adverse Effect;

(ix) any agreement which contains any provisions requiring the Company to indemnify any other party thereto (excluding indemnities contained in agreements for the purchase, sale or license of products entered into in the Ordinary Course of Business);

(x) any other agreement (or group of related agreements) either involving more than $50,000 or not entered into in the Ordinary Course of Business; and

(xi) any agreement, other than as contemplated by this Agreement and the Bridge Loan, relating to the sales of securities of the Company to which the Company is a party.

(b) The Company has delivered or made available to the Parent a complete and accurate copy of each agreement listed in Section 2.13 of the Disclosure Schedule. With respect to each agreement so listed, and except as set forth in Section 2.13 of the Disclosure Schedule: (i) the agreement is legal, valid, binding and enforceable and in full force and effect; (ii) the agreement will continue to be legal, valid, binding and enforceable and in full force and effect immediately following the Closing in accordance with the terms thereof as in effect immediately prior to the Closing; and (iii) the Company is not nor, to the knowledge of the Company, is any other party, in breach or violation of, or default under, any such agreement, and no event has occurred, is pending or, to the knowledge of the Company, is threatened, which, after the giving of notice, with lapse of time, or otherwise, would constitute a breach or default by the Company or, to the knowledge of the Company, any other party under such contract.

2.14 Accounts Receivable. All accounts receivable of the Company reflected on the Company Interim Balance Sheet are valid receivables subject to no setoffs or counterclaims and are current and collectible (within 90 days after the date on which it first became due and payable), net of the applicable reserve for bad debts on the Company Interim Balance Sheet. All accounts receivable reflected in the financial or accounting records of the Company that have arisen since the Company Balance Sheet Date are valid receivables subject to no setoffs or counterclaims and are collectible (within 90 days after the date on which it first became due and payable), net of a reserve for bad debts in an amount proportionate to the reserve shown on the Company Interim Balance Sheet.

2.15 Powers of Attorney. Except as set forth in Section 2.15 of the Disclosure Schedule, there are no outstanding powers of attorney executed on behalf of the Company.

2.16 Insurance. Section 2.16 of the Disclosure Schedule lists each insurance policy (including fire, theft, casualty, general liability, workers compensation, business interruption, environmental, product liability and automobile insurance policies and bond and surety arrangements) to which the Company is a party. Such insurance policies are of the type and in amounts customarily carried by organizations conducting businesses or owning assets similar to those of the Company. There is no material claim pending under any such policy as to which coverage has been questioned, denied or disputed by the underwriter of such policy. All premiums due and payable under all such policies have been paid, the Company may not be liable for retroactive premiums or similar payments, and the Company is otherwise in compliance in all material respects with the terms of such policies. The Company has no knowledge of any threatened termination of, or material premium increase with respect to, any such policy. Each such policy will continue to be enforceable and in full force and effect immediately following the Effective Time in accordance with the terms thereof as in effect immediately prior to the Effective Time

2.17 Litigation. As of the date of this Agreement, there is no action, suit, proceeding, claim, arbitration or investigation before any Governmental Entity or before any arbitrator (a “Legal Proceeding”) which is pending or has been threatened in writing against the Company which (a) seeks either damages in excess of $50,000 individually, or $100,000 in the aggregate or (b) if determined adversely to the Company could have, individually or in the aggregate, a Company Material Adverse Effect.

2.18 Employees.

(a) Section 2.18 of the Disclosure Schedule contains a list of all employees of the Company whose annual rate of compensation exceeds $75,000 per year, along with the position and the annual rate of compensation of each such person. Section 2.18 of the Disclosure Schedule contains a list of all employees of the Company who are a party to a non-competition agreement with the Company; copies of such agreements have previously been delivered to the Parent. To the knowledge of the Company, no key employee or group of employees has any plans to terminate employment with the Company.

(b) The Company is not party to or bound by any collective bargaining agreement, nor has any of them experienced any strikes, grievances, claims of unfair labor practices or other collective bargaining disputes. To the knowledge of the Company, no organizational effort has been made or threatened, either currently or within the past two years, by or on behalf of any labor union with respect to employees of the Company. To the knowledge of the Company there are no circumstances or facts which could individually or collectively give rise to a suit based on discrimination of any kind.

2.19 Employee Benefits.

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) “Employee Benefit Plan” means any “employee pension benefit plan” (as defined in Section 3(2) of ERISA), any “employee welfare benefit plan” (as defined in Section 3(1) of ERISA), and any other written or oral plan, agreement or arrangement involving direct or indirect compensation, including without limitation insurance coverage, severance benefits, disability benefits, deferred compensation, bonuses, stock options, stock purchase, phantom stock, stock appreciation or other forms of incentive compensation or post-retirement compensation.

(ii) “ERISA” means the Employee Retirement Income Security Act of 1974, as amended

(iii) “ERISA Affiliate” means any entity which is, or at any applicable time was, a member of (1) a controlled group of corporations (as defined in Section 414(b) of the Code), (2) a group of trades or businesses under common control (as defined in Section 414(c) of the Code), or (3) an affiliated service group (as defined under Section 414(m) of the Code or the regulations under Section 414(o) of the Code), any of which includes or included the Company.

(b) Section 2.19(b) of the Disclosure Schedule contains a complete and accurate list of all Employee Benefit Plans maintained, or contributed to, by the Company or any ERISA Affiliate. Complete and accurate copies of (i) all Employee Benefit Plans which have been reduced to writing, (ii) written summaries of all unwritten Employee Benefit Plans, (iii) all related trust agreements, insurance contracts and summary plan descriptions, and (iv) all annual reports filed on IRS Form 5500, 5500C or 5500R and (for all funded plans) all plan financial statements for the last five plan years for each Employee Benefit Plan, have been delivered or made available to the Parent. Each Employee Benefit Plan has been administered in all material respects in accordance with its terms and each of the Company and the ERISA Affiliates has in all material respects met its obligations with respect to such Employee Benefit Plan and has made all required contributions thereto. The Company, each ERISA Affiliate and each Employee Benefit Plan are in compliance in all material respects with the currently applicable provisions of ERISA and the Code and the regulations thereunder (including without limitation Section 4980 B of the Code, Subtitle K, Chapter 100 of the Code and Sections 601 through 608 and Section 701 et seq. of ERISA). All filings and reports as to each Employee Benefit Plan required to have been submitted to the Internal Revenue Service or to the United States Department of Labor have been duly submitted.

(c) To the knowledge of the Company, there are no Legal Proceedings (except claims for benefits payable in the normal operation of the Employee Benefit Plans and proceedings with respect to qualified domestic relations orders) against or involving any Employee Benefit Plan or asserting any rights or claims to benefits under any Employee Benefit Plan that could give rise to any material liability.

(d) All the Employee Benefit Plans that are intended to be qualified under Section 401(a) of the Code have received determination letters from the Internal Revenue Service to the effect that such Employee Benefit Plans are qualified and the plans and the trusts related thereto are exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, no such determination letter has been revoked and revocation has not been threatened, and no such Employee Benefit Plan has been amended since the date of its most recent determination letter or application therefor in any respect, and no act or omission has occurred, that would adversely affect its qualification or materially increase its cost. Each Employee Benefit Plan which is required to satisfy Section 401(k)(3) or Section 401(m)(2) of the Code has been tested for compliance with, and satisfies the requirements of, Section 401(k)(3) and Section 401(m)(2) of the Code for each plan year ending prior to the Closing Date.

(e) Neither the Company nor any ERISA Affiliate has ever maintained an Employee Benefit Plan subject to Section 412 of the Code or Title IV of ERISA.

(f) At no time has the Company or any ERISA Affiliate been obligated to contribute to any “multiemployer plan” (as defined in Section 4001(a)(3) of ERISA).

(g) There are no unfunded obligations under any Employee Benefit Plan providing benefits after termination of employment to any employee of the Company (or to any beneficiary of any such employee), including but not limited to retiree health coverage and deferred compensation, but excluding continuation of health coverage required to be continued under Section 4980B of the Code or other applicable law and insurance conversion privileges under state law. The assets of each Employee Benefit Plan which is funded are reported at their fair market value on the books and records of such Employee Benefit Plan.

(h) No act or omission has occurred and no condition exists with respect to any Employee Benefit Plan maintained by the Company or any ERISA Affiliate that would subject the Company or any ERISA Affiliate to (i) any material fine, penalty, tax or liability of any kind imposed under ERISA or the Code or (ii) any contractual indemnification or contribution obligation protecting any fiduciary, insurer or service provider with respect to any Employee Benefit Plan.

(i) No Employee Benefit Plan is funded by, associated with or related to a "voluntary employee's beneficiary association" within the meaning of Section 501(c)(9) of the Code.

(j) Each Employee Benefit Plan is amendable and terminable unilaterally by the Company at any time without liability to the Company as a result thereof and no Employee Benefit Plan, plan documentation or agreement, summary plan description or other written communication distributed generally to employees by its terms prohibits the Company from amending or terminating any such Employee Benefit Plan.

(k) Section 2.19(k) of the Disclosure Schedule discloses each: (i) agreement with any stockholder, director, executive officer or other key employee of the Company (A) the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction involving the Company of the nature of any of the transactions contemplated by this Agreement, (B) providing any term of employment or compensation guarantee or (C) providing severance benefits or other benefits after the termination of employment of such director, executive officer or key employee; (ii) agreement, plan or arrangement under which any person may receive payments from the Company that may be subject to the tax imposed by Section 4999 of the Code or included in the determination of such person's "parachute payment" under Section 280G of the Code; and (iii) agreement or plan binding the Company, including without limitation any stock option plan, stock appreciation right plan, restricted stock plan, stock purchase plan, severance benefit plan or Employee Benefit Plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement. The accruals for vacation, sickness and disability expenses are accounted for on the Company Interim Balance Sheet and are adequate and materially reflect the expenses associated therewith in accordance with GAAP.

2.20 Environmental Matters.

(a) The Company has complied with all applicable Environmental Laws (as defined below), except for violations of Environmental Laws that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect. There is no pending or, to the knowledge of the Company, threatened civil or criminal litigation, written notice of violation, formal administrative proceeding, or investigation, inquiry or information request by any Governmental Entity, relating to any Environmental Law involving the Company, except for litigation, notices of violations, formal administrative proceedings or investigations, inquiries or information requests that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect. For purposes of this Agreement, "Environmental Law" means any federal, state or local law, statute, rule or regulation or the common law relating to the environment, including without limitation any statute, regulation, administrative decision or order pertaining to (i) treatment, storage, disposal, generation and transportation of industrial, toxic or hazardous materials or substances or solid or hazardous waste; (ii) air, water and noise pollution; (iii) groundwater and soil contamination; (iv) the release or threatened release into the environment of industrial, toxic or hazardous materials or substances, or solid or hazardous waste, including without limitation emissions, discharges, injections, spills, escapes or dumping of pollutants, contaminants or chemicals; (v) the protection of wild life, marine life and wetlands, including without limitation all endangered and threatened species; (vi) storage tanks, vessels, containers, abandoned or discarded barrels, and other closed receptacles; (vii) health and safety of employees and other persons; and (viii) manufacturing, processing, using, distributing, treating, storing, disposing, transporting or handling of materials regulated under any law as pollutants, contaminants, toxic or hazardous materials or substances or oil or petroleum products or solid or hazardous waste. As used above, the terms "release" and "environment" shall have the meaning set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA").

(b) Set forth in Section 2.20(b) of the Disclosure Schedule is a list of all documents (whether in hard copy or electronic form) that contain any environmental reports, investigations and audits relating to premises currently or previously owned or operated by the Company (whether conducted by or on behalf of the Company or a third party, and whether done at the initiative of the Company or directed by a Governmental Entity or other third party) which were issued or conducted during the past five years and which the Company has possession of or access to. A complete and accurate copy of each such document has been provided to the Parent.

(c) To the knowledge of the Company, there is no material environmental liability with respect to any solid or hazardous waste transporter or treatment, storage or disposal facility that has been used by the Company.

2.21 Legal Compliance. The Company, and the conduct and operations of its business, is in compliance with each applicable law (including rules and regulations thereunder) of any federal, state, local or foreign government, or any Governmental Entity, except for any violations or defaults that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

2.22 Customers. Section 2.22 of the Disclosure Schedule sets forth a list of each customer that accounted for more than 5% of the consolidated revenues of the Company during the last full fiscal year and the amount of revenues accounted for by such customer during such period. No such customer has notified the Company in writing within the past year that it will stop buying services from the Company.

2.23 Permits. Section 2.23 of the Disclosure Schedule sets forth a list of all material permits, licenses, registrations, certificates, orders or approvals from any Governmental Entity (including without limitation those issued or required under Environmental Laws and those relating to the occupancy or use of owned or leased real property) ("Permits") issued to or held by the Company. Such listed Permits are the only material Permits that are required for the Company to conduct its business as presently conducted except for those the absence of which, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect. Each such Permit is in full force and effect and, to the knowledge of the Company, no suspension or cancellation of such Permit is threatened and, to the knowledge of the Company, there is no reasonable basis for believing that such Permit will not be renewable upon expiration. Each such Permit will continue in full force and effect immediately following the Closing.

2.24 Certain Business Relationships With Affiliates. Except as listed in Section 2.24 of the Disclosure Schedule, no Affiliate of the Company (a) owns any material property or right, tangible or intangible, which is used in the business of the Company, (b) has any claim or cause of action against the Company, or (c) owes any money to, or is owed any money by, the Company. Section 2.24 of the Disclosure Schedule describes any transactions involving the receipt or payment in excess of $50,000 in any fiscal year between the Company and any Affiliate thereof which have occurred or existed since the Organization Date, other than employment agreements.

2.25 Brokers' Fees. The Company does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement, except as listed in Section 2.25 of the Disclosure Schedule.

2.26 Books and Records. The minute books and other similar records of the Company contain complete and accurate records, in all material respects, of all actions taken at any meetings of the Company's stockholders, board of directors or any committees thereof and of all written consents executed in lieu of the holding of any such meetings.

2.27 Intellectual Property.

(a) The Company owns, is licensed or otherwise possesses legally enforceable rights to use, license and exploit all issued patents, copyrights, trademarks, service marks, trade names, trade secrets, and registered domain names and all applications for registration therefor (collectively, the "Intellectual Property Rights") and all computer programs and other computer software, databases, know-how, proprietary technology, formulae, and development tools, together with all goodwill related to any of the foregoing (collectively, the "Intellectual Property"), in each case as is necessary to conduct its business as presently conducted, the absence of which would be considered reasonably likely to result in a Company Material Adverse Effect

(b) Section 2.27(b) of the Disclosure Schedule sets forth, with respect to all issued patents and all registered copyrights, trademarks, service marks and domain names registered with any Governmental Entity or for which an application for registration has been filed with any Governmental Entity, (i) the registration or application number, the date filed and the title, if applicable, of the registration or application and (ii) the names of the jurisdictions covered by the applicable registration or application. Section 2.27(b) of the Disclosure Schedule identifies each agreement currently in effect containing any ongoing royalty or payment obligations of the Company in excess of $50,000 per annum with respect to Intellectual Property Rights and Intellectual Property that are licensed or otherwise made available to the Company.

(c) Except as set forth on Section 2.27(c) of the Disclosure Schedule, all Intellectual Property Rights that have been registered with any Governmental Entity are valid and subsisting, except as would not reasonably be expected to have a Company Material Adverse Effect. As of the Effective Date, in connection with such registered Intellectual Property Rights, all necessary registration, maintenance and renewal fees will have been paid and all necessary documents and certificates will have been filed with the relevant Governmental Entities.

(d) The Company is not nor will, as a result of the consummation of the Merger or other transactions contemplated by this Agreement be, in breach in any material respect of any license, sublicense or other agreement relating to the Intellectual Property Rights, or any licenses, sublicenses or other agreements as to which the Company is a party and pursuant to which the Company uses any patents, copyrights (including software), trademarks or other intellectual property rights of or owned by third parties (the "Third Party Intellectual Property Rights"), the breach of which would be reasonably likely to result in a Company Material Adverse Effect.

(e) Except as set forth on Section 2.27(e) of the Disclosure Schedule, the Company has not been named as a defendant in any suit, action or proceeding which involves a claim of infringement or misappropriation of any Third Party Intellectual Property Right and the Company has not received any notice or other communication (in writing or otherwise) of any actual or alleged infringement, misappropriation or unlawful or unauthorized use of any Third Party Intellectual Property. With respect to its marketed products, the Company does not, to its knowledge, infringe any third party intellectual property rights. With respect to its product candidates and products in research or development, after the same are marketed, the Company will not, to its knowledge, infringe any third party intellectual property rights.

(f) To the knowledge of the Company, except as set forth on Section 2.27(f) of the Disclosure Schedule, no other person is infringing, misappropriating or making any unlawful or unauthorized use of any Intellectual Property Rights in a manner that has a material impact on the business of the Company, except for such infringement, misappropriation or unlawful or unauthorized use as would be reasonably expected to have a Company Material Adverse Effect.

2.28 Disclosure. No representation or warranty by the Company contained in this Agreement, and no statement contained in the Disclosure Schedule or any other document, certificate or other instrument delivered or to be delivered by or on behalf of the Company pursuant to this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading. The Company has disclosed to the Parent all material information relating to the business of the Company or the transactions contemplated by this Agreement.

2.29 Duty to Make Inquiry. To the extent that any of the representations or warranties in this Article II are qualified by “knowledge” or “belief,” the Company represents and warrants that it has made due and reasonable inquiry and investigation concerning the matters to which such representations and warranties relate, including, but not limited to, diligent inquiry by its directors, officers and key personnel.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE PARENT AND THE ACQUISITION SUBSIDIARY

Each of the Parent and the Acquisition Subsidiary represents and warrants to the Company that the statements contained in this Article III are true and correct, except as set forth in the disclosure schedule provided by the Parent and the Acquisition Subsidiary to the Company on the date hereof and accepted in writing by the Company (the “Parent Disclosure Schedule”). The Parent Disclosure Schedule shall be arranged in paragraphs corresponding to the numbered and lettered paragraphs contained in this Article III, and except to the extent that it is clear from the context thereof that such disclosure also applies to any other paragraph, the disclosures in any paragraph of the Parent Disclosure Schedule shall qualify only the corresponding paragraph in this Article III. For purposes of this Article III, the phrase “to the knowledge of the Parent” or any phrase of similar import shall be deemed to refer to the actual knowledge of the executive officers of the Parent, as well as any other knowledge which such executive officers would have possessed had they made reasonable inquiry with respect to the matter in question.

3.1 Organization, Qualification and Corporate Power. Parent is a “shell company” as defined under Section 12(b)(2) of the General Rules and Regulations under the Exchange Act. Each of the Parent and Split-Off Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada, and the Acquisition Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of the Parent and the Parent Subsidiaries is duly qualified to conduct business and is in corporate and tax good standing under the laws of each jurisdiction in which the nature of its businesses or the ownership or leasing of its properties requires such qualification, except where the failure to be so qualified or in good standing would not have a Parent Material Adverse Effect (as defined below). Each of the Parent and the Parent Subsidiaries has all requisite corporate power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it. The Parent has furnished or made available to the Company complete and accurate copies of its articles of incorporation and bylaws, and the organizational documents of the Parent Subsidiaries. Neither the Parent nor any Parent Subsidiary is in default under or in violation of any provision of its articles of incorporation, as amended to date, or its bylaws, as amended to date. For purposes of this Agreement, “Parent Material Adverse Effect” means a material adverse effect on the assets, business, condition (financial or otherwise), results of operations or future prospects of the Parent and its Subsidiaries, taken as a whole.

3.2 Capitalization. The authorized capital stock of the Parent consists of 100,000,000 shares of Parent Common Stock, of which 22,762,027 (11,218,457 pre-split) shares were issued and outstanding as of the date of this Agreement. The Parent Common Stock is presently eligible for quotation and trading on OTC Markets and is not subject to any notice of suspension or delisting. The Parent Common Stock is registered under Section 12(g) of the Exchange Act. All of the issued and outstanding shares of Parent Common Stock are duly authorized, validly issued, fully paid, nonassessable and free of all preemptive rights. Except as contemplated by the Bridge Loan, the Private Placement Offering, the Transaction Documentation (as defined in Section 3.3) or described in Section 3.2 of the Parent Disclosure Schedule, there are no outstanding or authorized options, warrants, rights, agreements or commitments to which the Parent is a party or which are binding upon the Parent providing for the issuance or redemption of any of its capital stock. There are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to the Parent. There are no agreements to which the Parent is a party or by which it is bound with respect to the voting (including without limitation voting trusts or proxies), registration under the Securities Act, or sale or transfer (including without limitation agreements relating to pre-emptive rights, rights of first refusal, co-sale rights or “drag-along” rights) of any securities of the Parent. There are no agreements among other parties, to which the Parent is not a party and by which it is not bound, with respect to the voting (including without limitation voting trusts or proxies) or sale or transfer (including without limitation agreements relating to rights of first refusal, co-sale rights or “drag-along” rights) of any securities of the Parent. All of the issued and outstanding shares of Parent Common Stock were issued in compliance with applicable federal and state securities laws. The approximately 31,647,190 Merger Shares to be issued at the Closing pursuant to Section 1.5 hereof, when issued and delivered in accordance with the terms hereof and of the Certificate of Merger, shall be duly and validly issued, fully paid and nonassessable and free of all preemptive rights and will be issued in compliance with applicable federal and state securities laws. Furthermore, the shares of Parent Common Stock underlying the Parent Options and Parent Warrants have been duly and validly authorized and reserved for issuance, and when issued in accordance with the terms of the Parent Options and Parent Warrants shall be duly and validly issued, fully paid and nonassessable and free of all preemptive rights and will be issued in compliance with applicable federal and state securities laws. Immediately after the Effective Time, without giving effect to the Merger but after giving effect to (i) the surrender of 14,747,555 (7,268,457 pre-split) shares of Parent Common Stock by the Buyers (the “Share Contribution”) in connection with the Split-Off, (ii) a cancellation of 1,014,490 (500,000 pre-split) shares, and (iii) a 2.02898 for 1 forward stock split, there will be 7,000,000 shares of Parent Common Stock issued and outstanding.

3.3 Authorization of Transaction. Each of the Parent and the Acquisition Subsidiary has all requisite power and authority to execute and deliver this Agreement and (in the case of the Parent) the Escrow Agreement and the Split-Off Agreement and to perform its obligations hereunder and thereunder. Split-Off Subsidiary has all requisite power and authority to execute and deliver the Split-Off Agreement and to perform its obligations thereunder. The execution and delivery by the Parent and the Acquisition Subsidiary of this Agreement and (in the case of the Parent) the Split-Off Agreement, and the agreements contemplated hereby and thereby (collectively, the “Transaction Documentation”), and the execution by Split-Off Subsidiary of the Split-Off Agreement and the consummation by the Parent and the Acquisition Subsidiary of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of the Parent, the Acquisition Subsidiary and the Split-Off Subsidiary, respectively. This Agreement has been duly and validly executed and delivered by the Parent and the Acquisition Subsidiary and constitutes a valid and binding obligation of the Parent and the Acquisition Subsidiary, enforceable against them in accordance with its terms.

3.4 Noncontravention. Subject to the filing of the Certificate of Merger as required by the GCL, neither the execution and delivery by the Parent or the Acquisition Subsidiary of this Agreement or the Transaction Documentation, nor the consummation by the Parent or the Acquisition Subsidiary of the transactions contemplated hereby or thereby, will (a) conflict with or violate any provision of the articles or certificate of incorporation or bylaws of the Parent or the Acquisition Subsidiary, (b) require on the part of the Parent or the Acquisition Subsidiary any filing with, or permit, authorization, consent or approval of, any Governmental Entity, (c) conflict with, result in breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any Party any right to terminate, modify or cancel, or require any notice, consent or waiver under, any contract or instrument to which the Parent or the Acquisition Subsidiary is a party or by which either is bound or to which any of their assets are subject, except for (i) any conflict, breach, default, acceleration, termination, modification or cancellation which would not have a Parent Material Adverse Effect and would not adversely affect the consummation of the transactions contemplated hereby or (ii) any notice, consent or waiver the absence of which would not have a Parent Material Adverse Effect and would not adversely affect the consummation of the transactions contemplated hereby, (d) result in the imposition of any Security Interest upon any assets of the Parent or the Acquisition Subsidiary or (e) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Parent or the Acquisition Subsidiary or any of their properties or assets.

3.5 Subsidiaries.

(a) Parent has no Subsidiaries other than the Acquisition Subsidiary and the Split-Off Subsidiary. Each of the Acquisition Subsidiary and the Split-Off Subsidiary is a corporation duly organized, validly existing and in corporate and tax good standing under the laws of the jurisdiction of its incorporation. The Acquisition Subsidiary was formed solely to effectuate the Merger, the Split-Off Subsidiary was formed solely to effectuate the Split-Off, and neither of them has conducted any business operations since its organization. The Parent has delivered or made available to the Company complete and accurate copies of the charter, bylaws or other organizational documents of the Acquisition Subsidiary and the Split-Off Subsidiary. Each of the Acquisition Subsidiary and the Split-Off Subsidiary has no assets other than minimal paid-in capital, it has no liabilities or other obligations, and it is not in default under or in violation of any provision of its charter, bylaws or other organizational documents. All of the issued and outstanding shares of capital stock of the Acquisition Subsidiary and the Split-Off Subsidiary are duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights. All shares of the Acquisition Subsidiary and the Split-Off Subsidiary are owned by Parent, free and clear of any restrictions on transfer (other than restrictions under the Securities Act and state securities laws), claims, Security Interests, options, warrants, rights, contracts, calls, commitments, equities and demands. There are no outstanding or authorized options, warrants, rights, agreements or commitments to which the Parent, the Split-Off Subsidiary or the Acquisition Subsidiary is a party or which are binding on any of them providing for the issuance, disposition or acquisition of any capital stock of any Parent Subsidiary. There are no outstanding stock appreciation, phantom stock or similar rights with respect to the Acquisition Subsidiary or the Split-Off Subsidiary. There are no voting trusts, proxies or other agreements or understandings with respect to the voting of any capital stock of the Acquisition Subsidiary or the Split-Off Subsidiary.

(b) At all times from April 2, 2003, which was the date of incorporation of the Parent, through the date of this Agreement, the business and operations of the Parent have been conducted exclusively through the Parent.

(c) The Parent does not control directly or indirectly or have any direct or indirect participation or similar interest in any corporation, partnership or limited liability company, joint venture, trust or business association which is not a Subsidiary.

3.6 Exchange Act Reports. The Parent has furnished or made available to the Company complete and accurate copies, as amended or supplemented, of its (a) Annual Report on Form 10-K for the fiscal year ended March 31, 2010, as filed with the SEC, which contained audited balance sheets of the Parent as of March 31, 2010 and 2009, and the related statements of operations, changes in shareholders' equity and cash flows for the years then ended; and (b) all other reports filed by the Parent under Section 13 or subsections (a) or (c) of Section 14 of the Exchange Act with the SEC (such reports are collectively referred to herein as the "Parent Reports"). The Parent Reports constitute all of the documents required to be filed by the Parent with the SEC, including under Section 13 or subsections (a) or (c) of Section 14 of the Exchange Act, through the date of this Agreement. The Parent Reports complied in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder when filed. As of the date hereof, there are no outstanding or unresolved comments in comment letters received from the staff of the SEC with respect to any of the Parent Reports. As of their respective dates, the Parent Reports did not contain any 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. No order suspending the effectiveness of the Parent's registration statement on Form SB-2 has been issued by the SEC and, to the Parent's knowledge, no proceedings for that purpose have been initiated or threatened by the SEC.

3.7 Compliance with Laws. Each of the Parent and its Subsidiaries:

(a) and the conduct and operations of their respective businesses, are in compliance with each applicable law (including rules and regulations thereunder) of any federal, state, local or foreign government, or any Governmental Entity, except for any violations or defaults that, individually or in the aggregate, have not had and would not reasonably be expected to have a Parent Material Adverse Effect;

(b) has complied with all federal and state securities laws and regulations, including being current in all of its reporting obligations under such federal and state securities laws and regulations;

(c) has not, and the past and present officers, directors and Affiliates of the Parent have not, been the subject of, nor does any officer or director of the Parent have any reason to believe that Parent or any of its officers, directors or Affiliates will be the subject of, any civil or criminal proceeding or investigation by any federal or state agency alleging a violation of securities laws;

(d) has not been the subject of any voluntary or involuntary bankruptcy proceeding, nor has it been a party to any material litigation;

(e) has not, and the past and present officers, directors and Affiliates have not, been the subject of, nor does any officer or director of the Parent have any reason to believe that the Parent or any of its officers, directors or affiliates will be the subject of, any civil, criminal or administrative investigation or proceeding brought by any federal or state agency having regulatory authority over such entity or person; and

(f) does not and will not on the Closing, have any liabilities, contingent or otherwise, including but not limited to notes payable and accounts payable, and is not a party to any executory agreements.

3.8 Financial Statements; Internal Controls.

(a) The audited financial statements and unaudited interim financial statements of the Parent included in the Parent Reports (collectively, the "Parent Financial Statements") (i) complied as to form in all material respects with applicable accounting requirements and, as appropriate, the published rules and regulations of the SEC with respect thereto when filed, (ii) were prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby (except as may be indicated therein or in the notes thereto, and in the case of quarterly financial statements, as permitted by Form 10-Q under the Exchange Act), (iii) fairly present the consolidated financial condition, results of operations and cash flows of the Parent as of the respective dates thereof and for the periods referred to therein, and (iv) are consistent with the books and records of the Parent.

(b) The Parent has designed and maintains a system of internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) sufficient to provide reasonable assurances regarding the reliability of financial reporting for the Parent and its Subsidiaries. The Parent (i) has designed and maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) to reasonably ensure that material information required to be disclosed by the Parent in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Parent's management as appropriate to allow timely decisions regarding required disclosure and (ii) has disclosed to the Parent's auditors and the Board of Directors of the Parent (and made summaries of such disclosures available to Parent) (A) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect in any material respect the Parent'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 Parent's internal controls over financial reporting. The Parent is in compliance in all material respects with all effective provisions of the Sarbanes-Oxley Act.

(c) Neither the Parent nor any Subsidiary nor, to the knowledge of the Parent, any director, officer, auditor, accountant or representative of the Parent or any Subsidiary has received or otherwise had or obtained knowledge of any substantive complaint, allegation, assertion or claim, whether written or oral, that the Parent or any Subsidiary has engaged in questionable accounting or auditing practices. No current or former attorney representing the Parent or any Subsidiary has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by the Parent or any Subsidiary, or any of their respective officers, directors, employees or agents, to the current Board of Directors of the Parent or any committee thereof or to any current director or executive officer of the Parent.

(d) To the knowledge of the Parent, no employee of the Parent or any Subsidiary has provided or is providing information to any law enforcement agency regarding the commission or possible commission of any crime or the violation or possible violation of any applicable legal requirements of the type described in Section 806 of the Sarbanes-Oxley Act by the Parent or any Subsidiary. Neither the Parent nor any Subsidiary nor, to the knowledge of the Parent, any director, officer, employee, contractor, subcontractor or agent of the Parent or any Subsidiary, has discharged, demoted, suspended, threatened, harassed or in any other manner discriminated against an employee of the Parent or any Parent Subsidiary in the terms and conditions of employment because of any lawful act of such employee described in Section 806 of the Sarbanes-Oxley Act.

3.9 Absence of Certain Changes. Since the date of the balance sheet contained in the most recent Parent Report, (a) there has occurred no event or development which, individually or in the aggregate, has had, or could reasonably be expected to have in the future, a Parent Material Adverse Effect and (b) neither the Parent or the Acquisition Subsidiary has taken any or the actions set forth in paragraphs (a) through (m) of Section 4.6.

3.10 Litigation. Except as disclosed in the Parent Reports, as of the date of this Agreement, there is no Legal Proceeding which is pending or, to the Parent's knowledge, threatened against the Parent or any Subsidiary of the Parent which, if determined adversely to the Parent or such Subsidiary, could have, individually or in the aggregate, a Parent Material Adverse Effect or which in any manner challenges or seeks to prevent, enjoin, alter or delay the transactions contemplated by this Agreement. For purposes of this Section 3.10, any such pending or threatened Legal Proceedings where the amount at issue exceeds or could reasonably be expected to exceed the lesser of $10,000 per Legal Proceeding or $25,000 in the aggregate shall be considered to possibly result in a Parent Material Adverse Effect hereunder.

3.11 Undisclosed Liabilities. None of the Parent and its Subsidiaries has any liability (whether known or unknown, whether absolute or contingent, whether liquidated or unliquidated and whether due or to become due), except for (a) liabilities shown on the balance sheet contained in the most recent Parent Report, (b) liabilities which have arisen since the date of the balance sheet contained in the most recent Parent Report in the Ordinary Course of Business which do not exceed $5,000 and (c) contractual and other liabilities incurred in the Ordinary Course of Business which are not required by GAAP to be reflected on a balance sheet.

3.12 Tax Matters.

(a) Each of the Parent and the Subsidiaries has filed on a timely basis all Tax Returns that it was required to file, and all such Tax Returns were complete and accurate in all material respects. Neither the Parent nor any Subsidiary is or has ever been a member of a group of corporations with which it has filed (or been required to file) consolidated, combined or unitary Tax Returns, other than a group of which only the Parent and the Subsidiaries are or were members. Each of the Parent and the Parent Subsidiaries has paid on a timely basis all Taxes that were due and payable. The unpaid Taxes of the Parent and the Parent Subsidiaries for tax periods through the date of the balance sheet contained in the most recent Parent Report do not exceed the accruals and reserves for Taxes (excluding accruals and reserves for deferred Taxes established to reflect timing differences between book and Tax income) set forth on such balance sheet. Neither the Parent nor any Parent Subsidiary has any actual or potential liability for any Tax obligation of any taxpayer (including without limitation any affiliated group of corporations or other entities that included the Parent or any Parent Subsidiary during a prior period) other than the Parent and the Parent Subsidiaries. All Taxes that the Parent or any Parent Subsidiary is or was required by law to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Entity.

(b) The Parent has delivered or made available to the Company complete and accurate copies of all federal income Tax Returns, examination reports and statements of deficiencies assessed against or agreed to by the Parent or any Subsidiary since April 2, 2003. No examination or audit of any Tax Return of the Parent or any Parent Subsidiary by any Governmental Entity is currently in progress or, to the knowledge of the Parent, threatened or contemplated. Neither the Parent nor any Parent Subsidiary has been informed by any jurisdiction that the jurisdiction believes that the Parent or such Subsidiary was required to file any Tax Return that was not filed. Neither the Parent nor any Parent Subsidiary has waived any statute of limitations with respect to Taxes or agreed to an extension of time with respect to a Tax assessment or deficiency.

(c) Neither the Parent nor any Parent Subsidiary: (i) is a "consenting corporation" within the meaning of Section 341(f) of the Code, and none of the assets of the Parent or the Parent Subsidiaries are subject to an election under Section 341(f) of the Code; (ii) has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(l)(A)(ii) of the Code; (iii) has made any payments, is obligated to make any payments, or is a party to any agreement that could obligate it to make any payments that may be treated as an "excess parachute payment" under Section 280G of the Code; (iv) has any actual or potential liability for any Taxes of any person (other than the Parent and its Subsidiaries) under Treasury Regulation Section 1.1502-6 (or any similar provision of federal, state, local, or foreign law), or as a transferee or successor, by contract, or otherwise; or (v) is or has been required to make a basis reduction pursuant to Treasury Regulation Section 1.1502-20(b) or Treasury Regulation Section 1.337(d)-2(b).

(d) None of the assets of the Parent or any Subsidiary: (i) is property that is required to be treated as being owned by any other person pursuant to the provisions of former Section 168(f)(8) of the Code; (ii) is "tax-exempt use property" within the meaning of Section 168(h) of the Code; or (iii) directly or indirectly secures any debt the interest on which is tax exempt under Section 103(a) of the Code.

(e) Neither the Parent nor any Subsidiary has undergone a change in its method of accounting resulting in an adjustment to its taxable income pursuant to Section 481 of the Code.

(f) No state or federal "net operating loss" of the Parent determined as of the Closing Date is subject to limitation on its use pursuant to Section 382 of the Code or comparable provisions of state law as a result of any "ownership change" within the meaning of Section 382(g) of the Code or comparable provisions of any state law occurring prior to the Closing Date.

3.13 Assets. Each of the Parent and the Acquisition Subsidiary owns or leases all tangible assets necessary for the conduct of its businesses as presently conducted and as presently proposed to be conducted. Each such tangible asset is free from material defects, has been maintained in accordance with normal industry practice, is in good operating condition and repair (subject to normal wear and tear) and is suitable for the purposes for which it presently is used. No asset of the Parent or any Parent Subsidiary (tangible or intangible) is subject to any Security Interest.

3.14 Owned Real Property. Neither the Parent nor any Parent Subsidiary owns any real property.

3.15 Real Property Leases. Section 3.15 of the Parent Disclosure Schedule lists all real property leased or subleased to or by the Parent or any Parent Subsidiary and lists the term of such lease, any extension and expansion options, and the rent payable thereunder. The Parent has delivered or made available to the Company complete and accurate copies of the leases and subleases listed in Section 3.15 of the Parent Disclosure Schedule. With respect to each lease and sublease listed in Section 3.15 of the Parent Disclosure Schedule:

(a) the lease or sublease is legal, valid, binding, enforceable and in full force and effect;

(b) the lease or sublease will continue to be legal, valid, binding, enforceable and in full force and effect immediately following the Closing in accordance with the terms thereof as in effect immediately prior to the Closing;

(c) neither the Parent nor any Parent Subsidiary nor, to the knowledge of the Parent, any other party, is in breach or violation of, or default under, any such lease or sublease, and no event has occurred, is pending or, to the knowledge of the Parent, is threatened, which, after the giving of notice, with lapse of time, or otherwise, would constitute a breach or default by the Parent or any Parent Subsidiary or, to the knowledge of the Parent, any other party under such lease or sublease;

(d) neither the Parent nor any Parent Subsidiary has assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the leasehold or subleasehold; and

(e) the Parent is not aware of any Security Interest, easement, covenant or other restriction applicable to the real property subject to such lease, except for recorded easements, covenants and other restrictions which do not materially impair the current uses or the occupancy by the Parent or a Parent Subsidiary of the property subject thereto.

3.16 Contracts.

(a) Section 3.16 of the Parent Disclosure Schedule lists the following agreements (written or oral) to which the Parent or any Parent Subsidiary is a party as of the date of this Agreement:

(i) any agreement (or group of related agreements) for the lease of personal property from or to third parties;

(ii) any agreement (or group of related agreements) for the purchase or sale of products or for the furnishing or receipt of services;

(iii) any agreement establishing a partnership or joint venture;

(iv) any agreement (or group of related agreements) under which it has created, incurred, assumed or guaranteed (or may create, incur, assume or guarantee) indebtedness (including capitalized lease obligations) involving more than $5,000 or under which it has imposed (or may impose) a Security Interest on any of its assets, tangible or intangible;

(v) any agreement concerning confidentiality or noncompetition;

(vi) any employment or consulting agreement;

(vii) any agreement involving any current or former officer, director or stockholder of the Parent or any Affiliate thereof;

(viii) any agreement under which the consequences of a default or termination would reasonably be expected to have a Parent Material Adverse Effect;

(ix) any agreement which contains any provisions requiring the Parent or any Parent Subsidiary to indemnify any other party thereto (excluding indemnities contained in agreements for the purchase, sale or license of products entered into in the Ordinary Course of Business);

(x) any other agreement (or group of related agreements) either involving more than $5,000 or not entered into in the Ordinary Course of Business; and

(xi) any agreement, other than as contemplated by the Private Placement Offering, this Agreement and the Split-Off, relating to the sales of securities of Parent or any Parent Subsidiary to which the Parent or such Subsidiary is a party.

(b) The Parent has delivered or made available to the Company a complete and accurate copy of each agreement listed in Section 3.16 of the Parent Disclosure Schedule. With respect to each agreement so listed: (i) the agreement is legal, valid, binding and enforceable and in full force and effect; (ii) the agreement will continue to be legal, valid, binding and enforceable and in full force and effect immediately following the Closing in accordance with the terms thereof as in effect immediately prior to the Closing; and (iii) neither the Parent nor any Parent Subsidiary nor, to the knowledge of the Parent, any other party, is in breach or violation of, or default under, any such agreement, and no event has occurred, is pending or, to the knowledge of the Parent, is threatened, which, after the giving of notice, with lapse of time, or otherwise, would constitute a breach or default by the Parent or any Parent Subsidiary or, to the knowledge of the Parent, any other party under such contract.

3.17 Accounts Receivable. All accounts receivable of the Parent and the Subsidiaries reflected on the Parent Reports are valid receivables subject to no setoffs or counterclaims and are current and collectible (within 90 days after the date on which it first became due and payable), net of the applicable reserve for bad debts on the balance sheet contained in the most recent Parent Report. All accounts receivable reflected in the financial or accounting records of the Parent that have arisen since the date of the balance sheet contained in the most recent Parent Report are valid receivables subject to no setoffs or counterclaims and are collectible (within 90 days after the date on which it first became due and payable), net of a reserve for bad debts in an amount proportionate to the reserve shown on the balance sheet contained in the most recent Parent Report.

3.18 Powers of Attorney. There are no outstanding powers of attorney executed on behalf of the Parent or any Parent Subsidiary.

3.19 Insurance. Section 3.19 of the Parent Disclosure Schedule lists each insurance policy (including fire, theft, casualty, general liability, workers compensation, business interruption, environmental, product liability and automobile insurance policies and bond and surety arrangements) to which the Parent or any Parent Subsidiary is a party. Such insurance policies are of the type and in amounts customarily carried by organizations conducting businesses or owning assets similar to those of the Parent and the Parent Subsidiaries. There is no material claim pending under any such policy as to which coverage has been questioned, denied or disputed by the underwriter of such policy. All premiums due and payable under all such policies have been paid, neither the Parent nor any Parent Subsidiary may be liable for retroactive premiums or similar payments, and the Parent and the Parent Subsidiaries are otherwise in compliance in all material respects with the terms of such policies. The Parent has no knowledge of any threatened termination of, or material premium increase with respect to, any such policy. Each such policy will continue to be enforceable and in full force and effect immediately following the Closing in accordance with the terms thereof as in effect immediately prior to the Closing.

3.20 Warranties. No product or service sold or delivered by the Parent or any Parent Subsidiary is subject to any guaranty, warranty, right of credit or other indemnity other than the applicable standard terms and conditions of sale of the Parent or the appropriate Parent Subsidiary, which are set forth in Section 3.20 of the Parent Disclosure Schedule.

3.21 Employees.

(a) The Parent Reports contain all material information concerning the employees of Parent.

(b) Neither the Parent nor any Parent Subsidiary is a party to or bound by any collective bargaining agreement, nor have any of them experienced any strikes, grievances, claims of unfair labor practices or other collective bargaining disputes. The Parent has no knowledge of any organizational effort made or threatened, either currently or since the date of organization of the Parent, by or on behalf of any labor union with respect to employees of the Parent or any Parent Subsidiary.

3.22 Employee Benefits.

(a) Section 3.22(a) of the Parent Disclosure Schedule contains a complete and accurate list of all Employee Benefit Plans maintained, or contributed to, by the Parent, any Parent Subsidiary or any ERISA Affiliate. Complete and accurate copies of (i) all Employee Benefit Plans which have been reduced to writing, (ii) written summaries of all unwritten Employee Benefit Plans, (iii) all related trust agreements, insurance contracts and summary plan descriptions, and (iv) all annual reports filed on IRS Form 5500, 5500C or 5500R and (for all funded plans) all plan financial statements for the last five plan years for each Employee Benefit Plan, have been delivered or made available to the Parent. Each Employee Benefit Plan has been administered in all material respects in accordance with its terms and each of the Parent, the Parent Subsidiaries and the ERISA Affiliates has in all material respects met its obligations with respect to such Employee Benefit Plan and has made all required contributions thereto. The Parent, each Subsidiary of the Parent, each ERISA Affiliate and each Employee Benefit Plan are in compliance in all material respects with the currently applicable provisions of ERISA and the Code and the regulations thereunder (including without limitation Section 4980 B of the Code, Subtitle K, Chapter 100 of the Code and Sections 601 through 608 and Section 701 et seq. of ERISA). All filings and reports as to each Employee Benefit Plan required to have been submitted to the Internal Revenue Service or to the United States Department of Labor have been duly submitted.

(b) To the knowledge of the Parent, there are no Legal Proceedings (except claims for benefits payable in the normal operation of the Employee Benefit Plans and proceedings with respect to qualified domestic relations orders) against or involving any Employee Benefit Plan or asserting any rights or claims to benefits under any Employee Benefit Plan that could give rise to any material liability.

(c) All the Employee Benefit Plans that are intended to be qualified under Section 401(a) of the Code have received determination letters from the Internal Revenue Service to the effect that such Employee Benefit Plans are qualified and the plans and the trusts related thereto are exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, no such determination letter has been revoked and revocation has not been threatened, and no such Employee Benefit Plan has been amended since the date of its most recent determination letter or application therefor in any respect, and no act or omission has occurred, that would adversely affect its qualification or materially increase its cost. Each Employee Benefit Plan which is required to satisfy Section 401(k)(3) or Section 401(m)(2) of the Code has been tested for compliance with, and satisfies the requirements of, Section 401(k)(3) and Section 401(m)(2) of the Code for each plan year ending prior to the Closing Date.

(d) Neither the Parent, any Parent Subsidiary, nor any ERISA Affiliate has ever maintained an Employee Benefit Plan subject to Section 412 of the Code or Title IV of ERISA.

(e) At no time has the Parent, any Parent Subsidiary or any ERISA Affiliate been obligated to contribute to any “multiemployer plan” (as defined in Section 4001(a)(3) of ERISA).

(f) There are no unfunded obligations under any Employee Benefit Plan providing benefits after termination of employment to any employee of the Parent or any Parent Subsidiary (or to any beneficiary of any such employee), including but not limited to retiree health coverage and deferred compensation, but excluding continuation of health coverage required to be continued under Section 4980B of the Code or other applicable law and insurance conversion privileges under state law. The assets of each Employee Benefit Plan which is funded are reported at their fair market value on the books and records of such Employee Benefit Plan.

(g) No act or omission has occurred and no condition exists with respect to any Employee Benefit Plan maintained by the Parent, any Parent Subsidiary or any ERISA Affiliate that would subject the Parent, any Parent Subsidiary or any ERISA Affiliate to (i) any material fine, penalty, tax or liability of any kind imposed under ERISA or the Code or (ii) any contractual indemnification or contribution obligation protecting any fiduciary, insurer or service provider with respect to any Employee Benefit Plan.

(h) No Employee Benefit Plan is funded by, associated with or related to a “voluntary employee’s beneficiary association” within the meaning of Section 501(c)(9) of the Code.

(i) Each Employee Benefit Plan is amendable and terminable unilaterally by the Parent at any time without liability to the Parent as a result thereof and no Employee Benefit Plan, plan documentation or agreement, summary plan description or other written communication distributed generally to employees by its terms prohibits the Parent from amending or terminating any such Employee Benefit Plan

(j) Section 3.22(j) of the Parent Disclosure Schedule discloses each: (i) agreement with any stockholder, director, executive officer or other key employee of the Parent or any Parent Subsidiary (A) the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction involving the Parent or any Parent Subsidiary of the nature of any of the transactions contemplated by this Agreement, (B) providing any term of employment or compensation guarantee or (C) providing severance benefits or other benefits after the termination of employment of such director, executive officer or key employee; (ii) agreement, plan or arrangement under which any person may receive payments from the Parent or any Parent Subsidiary that may be subject to the tax imposed by Section 4999 of the Code or included in the determination of such person’s “parachute payment” under Section 280G of the Code; and (iii) agreement or plan binding the Parent or any Parent Subsidiary, including without limitation any stock option plan, stock appreciation right plan, restricted stock plan, stock purchase plan, severance benefit plan or Employee Benefit Plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement. The accruals for vacation, sickness and disability expenses are accounted for on the Most Recent Balance Sheet and are adequate and materially reflect the expenses associated therewith in accordance with GAAP.

3.23 Environmental Matters.

(a) Each of the Parent and the Parent Subsidiaries has complied with all applicable Environmental Laws, except for violations of Environmental Laws that, individually or in the aggregate, have not had and would not reasonably be expected to have a Parent Material Adverse Effect. There is no pending or, to the knowledge of the Parent, threatened civil or criminal litigation, written notice of violation, formal administrative proceeding, or investigation, inquiry or information request by any Governmental Entity, relating to any Environmental Law involving the Parent or any Parent Subsidiary, except for litigation, notices of violations, formal administrative proceedings or investigations, inquiries or information requests that, individually or in the aggregate, have not had and would not reasonably be expected to have a Parent Material Adverse Effect.

(b) Set forth in Section 3.23(b) of the Parent Disclosure Schedule is a list of all documents (whether in hard copy or electronic form) that contain any environmental reports, investigations and audits relating to premises currently or previously owned or operated by the Parent or a Parent Subsidiary (whether conducted by or on behalf of the Parent or a Parent Subsidiary or a third party, and whether done at the initiative of the Parent or a Parent Subsidiary or directed by a Governmental Entity or other third party) which were issued or conducted during the past five years and which the Parent has possession of or access to. A complete and accurate copy of each such document has been provided to the Parent.

(c) The Parent is not aware of any material environmental liability of any solid or hazardous waste transporter or treatment, storage or disposal facility that has been used by the Parent or any Parent Subsidiary.

3.24 Permits. Section 3.24 of the Parent Disclosure Schedule sets forth a list of all permits, licenses, registrations, certificates, orders or approvals from any Governmental Entity (including without limitation those issued or required under Environmental Laws and those relating to the occupancy or use of owned or leased real property) (“Parent Permits”) issued to or held by the Parent or any Parent Subsidiary. Such listed Permits are the only Parent Permits that are required for the Parent and the Parent Subsidiaries to conduct their respective businesses as presently conducted except for those the absence of which, individually or in the aggregate, have not had and would not reasonably be expected to have a Parent Material Adverse Effect. Each such Parent Permit is in full force and effect and, to the knowledge of the Parent, no suspension or cancellation of such Parent Permit is threatened and there is no basis for believing that such Parent Permit will not be renewable upon expiration. Each such Parent Permit will continue in full force and effect immediately following the Closing.

3.25 Certain Business Relationships With Affiliates. No Affiliate of the Parent or of any Parent Subsidiary (a) owns any property or right, tangible or intangible, which is used in the business of the Parent or any Parent Subsidiary, (b) has any claim or cause of action against the Parent or any Parent Subsidiary, or (c) owes any money to, or is owed any money by, the Parent or any Parent Subsidiary. Section 3.25 of the Parent Disclosure Schedule describes any transactions involving the receipt or payment in excess of $1,000 in any fiscal year between the Parent or a Parent Subsidiary and any Affiliate thereof which have occurred or existed since the beginning of the time period covered by the Parent Financial Statements.

3.26 Tax-Free Reorganization.

(a) The Parent (i) is not an “investment company” as defined in Section 368(a)(2)(F)(iii) and (iv) of the Code; (ii) has no present plan or intention to liquidate the Surviving Corporation or to merge the Surviving Corporation with or into any other corporation or entity, or to sell or otherwise dispose of the stock of the Surviving Corporation which Parent will acquire in the Merger, or to cause the Surviving Corporation to sell or otherwise dispose of its assets, all except in the ordinary course of business or if such liquidation, merger, disposition is described in Section 368(a)(2)(C) or Treasury Regulation Section 1.368-2(d)(4) or Section 1368-2(k); and (iii) has no present plan or intention, following the Merger, to issue any additional shares of stock of the Surviving Corporation or to create any new class of stock of the Surviving Corporation.

(b) The Acquisition Subsidiary is a wholly-owned subsidiary of the Parent, formed solely for the purpose of engaging in the Merger, and will carry on no business prior to the Merger.

(c) Immediately prior to the Merger, the Parent will be in control of Acquisition Subsidiary within the meaning of Section 368(c) of the Code.

(d) Immediately following the Merger, the Surviving Corporation will hold at least 90% of the fair market value of the net assets and at least 70% of the fair market value of the gross assets held by the Company immediately prior to the Merger (for purposes of this representation, amounts used by the Company to pay reorganization expenses, if any, will be included as assets of the Company held immediately prior to the Merger).

(e) The Parent has no present plan or intention to reacquire any of the Merger Shares.

(f) The Acquisition Subsidiary will have no liabilities assumed by the Surviving Corporation and will not transfer to the Surviving Corporation any assets subject to liabilities in the Merger.

(g) Following the Merger, the Surviving Corporation will continue the Company’s historic business or use a significant portion of the Company’s historic business assets in a business as required by Section 368 of the Code and the Treasury Regulations promulgated thereunder.

(h) The Split-Off Agreement will constitute a legally binding obligation among the Parent, the Split-Off Subsidiary and Buyers prior to the Effective Time; immediately following consummation of the Merger, Parent will distribute the stock of the Split-Off Subsidiary to Buyers in cancellation of the Purchase Price Shares (as such term is defined in the Split-Off Agreement); no property other than the capital stock of the Split-Off Subsidiary will be distributed by Parent to Buyer in connection with or following the Merger; upon execution of the Split-Off Agreement, Buyer will have no right to sell or transfer the Purchase Price Shares to any person without Parent’s prior written consent, and Parent will not consent (nor will it permit others to consent) to any such sale or transfer; upon execution of the Split-Off Agreement, there will be no other plan, arrangement, agreement, contract, intention, or understanding, whether written or verbal and whether or not enforceable in law or equity, that would permit Buyer to vote the Purchase Price Shares or receive any property or other distributions from Parent with respect to the Purchase Price Shares other than the capital stock of the Split-Off Subsidiary.

3.27 Split-Off. Immediately after the Effective Time, the Parent will have discontinued all of its business operations which it conducted prior to the Effective Time by closing the transactions contemplated by the Split-Off Agreement. Upon the closing of the transactions contemplated by the Split-Off Agreement, without giving effect to the Merger, the Parent will have no liabilities, contingent or otherwise, of any kind whatsoever, including but not limited to liabilities in any way related to its pre-Effective Time business operations.

3.28 Brokers' Fees. Except as set forth on Section 3.28 of the Parent Disclosure Schedule, neither the Parent nor the Acquisition Subsidiary has any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

3.29 Disclosure. No representation or warranty by the Parent contained in this Agreement or in any of the Transaction Documentation, and no statement contained in the any document, certificate or other instrument delivered or to be delivered by or on behalf of the Parent pursuant to this Agreement or therein, contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading. The Parent has disclosed to the Company all material information relating to the business of the Parent or any Parent Subsidiary or the transactions contemplated by this Agreement.

3.30 Interested Party Transactions. Except for the Split-Off Agreement, to the knowledge of the Parent, no officer, director or stockholder of Parent or any "affiliate" (as such term is defined in Rule 12b-2 under the Exchange Act) or "associate" (as such term is defined in Rule 405 under the Securities Act) of any such person currently has or has had, either directly or indirectly, (a) an interest in any person that (i) furnishes or sells services or products that are furnished or sold or are proposed to be furnished or sold by Parent or any Parent Subsidiary or (ii) purchases from or sells or furnishes to Parent or any Parent Subsidiary any goods or services, or (b) a beneficial interest in any contract or agreement to which Parent or any Parent Subsidiary is a party or by which it may be bound or affected. Neither Parent or any Parent Subsidiary has extended or maintained credit, arranged for the extension of credit, or renewed an extension of credit, in the form of a personal loan to or for any director or executive officer (or equivalent thereof) of the Parent or any Parent Subsidiary.

3.31 Duty to Make Inquiry. To the extent that any of the representations or warranties in this Article III are qualified by "knowledge" or "belief," Parent represents and warrants that it has made due and reasonable inquiry and investigation concerning the matters to which such representations and warranties relate, including, but not limited to, diligent inquiry by its directors, officers and key personnel.

3.32 Accountants. Sherb & Co. LLP ("Sherb"), is and has been the Parent's registered public accounting firm since October 10, 2007. Throughout its engagement by Parent, Sherb has been (a) a registered public accounting firm (as defined in Section 2(a)(12) of the Sarbanes-Oxley Act of 2002), (b) "independent" with respect to Parent within the meaning of Regulation S-X and (c) in compliance with subsections (g) through (l) of Section 10A of the Exchange Act and the related rules of the Commission and the Public Company Accounting Oversight Board. The report of Sherb on the financial statements of Parent for the past fiscal year did not contain an adverse opinion or a disclaimer of opinion, nor was it qualified as to audit scope or accounting principles, although it did express uncertainty as to Parent's ability to continue as a going concern. During Parent's most recent fiscal year and the subsequent interim periods, there were no disagreements with Sherb on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures. None of the reportable events listed in Item 304(a)(1)(iv) of Regulation S-K occurred with respect to Sherb.

3.33 Minute Books. The minute books and other similar records of the Parent and each Parent Subsidiary contain, in all material respects, complete and accurate records of all actions taken at any meetings of directors and stockholders or actions by written consent in lieu of the holding of any such meetings since the time of organization of each such corporation through the date of this Agreement. The Parent has provided true and complete copies of all such minute books, and other similar records to the Company's representatives.

3.34 Board Action. The Parent's Board of Directors (a) has unanimously determined that the Merger is advisable and in the best interests of the Parent's stockholders and is on terms that are fair to such Parent stockholders and (b) has caused the Parent, in its capacity as the sole stockholder of the Acquisition Subsidiary, and the Board of Directors of the Acquisition Subsidiary, to approve the Merger and this Agreement by unanimous written consent.

ARTICLE IV
COVENANTS

4.1 Closing Efforts. Each of the Parties shall use its best efforts, to the extent commercially reasonable ("Reasonable Best Efforts"), to take all actions and to do all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement, including without limitation using its Reasonable Best Efforts to ensure that (i) its representations and warranties remain true and correct in all material respects through the Closing Date and (ii) the conditions to the obligations of the other Parties to consummate the Merger are satisfied.

4.2 Governmental and Third-Party Notices and Consents.

(a) Each Party shall use its Reasonable Best Efforts to obtain, at its expense, all waivers, permits, consents, approvals or other authorizations from Governmental Entities, and to effect all registrations, filings and notices with or to Governmental Entities, as may be required for such Party to consummate the transactions contemplated by this Agreement and to otherwise comply with all applicable laws and regulations in connection with the consummation of the transactions contemplated by this Agreement.

(b) The Company shall use its Reasonable Best Efforts to obtain, at its expense, all such waivers, consents or approvals from third parties, and to give all such notices to third parties, as are required to be listed in Section 2.4 of the Disclosure Schedule.

4.3 Current Report. As soon as reasonably practicable after the execution of this Agreement, the Parties shall prepare a current report on Form 8-K relating to this Agreement and the transactions contemplated hereby (the "Current Report"). Each of the Company and Parent shall use its Reasonable Best Efforts to cause the Current Report to be filed with the SEC within four business days of the execution of this Agreement and to otherwise comply with all requirements of applicable federal and state securities laws.

4.4 Operation of Business. Except as contemplated by this Agreement, during the period from the date of this Agreement to the Effective Time, the Company shall conduct its operations in the Ordinary Course of Business and in material compliance with all applicable laws and regulations and, to the extent consistent therewith, use its Reasonable Best Efforts to preserve intact its current business organization, keep its physical assets in good working condition, keep available the services of its current officers and employees and preserve its relationships with customers, suppliers and others having business dealings with it to the end that its goodwill and ongoing business shall not be impaired in any material respect. Without limiting the generality of the foregoing, prior to the Effective Time, the Company shall not, without the written consent of the Parent (which shall not be unreasonably withheld or delayed):

(a) issue or sell, or redeem or repurchase, any stock or other securities of the Company or any Company Warrants, Company Options or other rights to acquire any such stock or other securities (except pursuant to the conversion or exercise of convertible securities or Company Options or Company Warrants outstanding on the date hereof), or amend any of the terms of (including without limitation the vesting of) any such convertible securities or Company Options or Company Warrants;

(b) split, combine or reclassify any shares of its capital stock; declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock;

(c) create, incur or assume any indebtedness (including obligations in respect of capital leases) except in the Ordinary Course of Business or in connection with the transactions contemplated by this Agreement or the Bridge Loan; assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person or entity; or make any loans, advances or capital contributions to, or investments in, any other person or entity;

(d) enter into, adopt or amend any Employee Benefit Plan or any employment or severance agreement or arrangement or (except for normal increases in the Ordinary Course of Business for employees who are not Affiliates) increase in any manner the compensation or fringe benefits of, or materially modify the employment terms of, its directors, officers or employees, generally or individually, or pay any bonus or other benefit to its directors, officers or employees;

(e) acquire, sell, lease, license or dispose of any assets or property (including without limitation any shares or other equity interests in or securities of any corporation, partnership, association or other business organization or division thereof), other than purchases and sales of assets in the Ordinary Course of Business;

(f) mortgage or pledge any of its property or assets or subject any such property or assets to any Security Interest;

(g) discharge or satisfy any Security Interest or pay any obligation or liability other than in the Ordinary Course of Business;

(h) amend its charter, by-laws or other organizational documents;

(i) change in any material respect its accounting methods, principles or practices, except insofar as may be required by a generally applicable change in GAAP;

(j) enter into, amend, terminate, take or omit to take any action that would constitute a violation of or default under, or waive any rights under, any material contract or agreement;

(k) institute or settle any Legal Proceeding;

(l) take any action or fail to take any action permitted by this Agreement with the knowledge that such action or failure to take action would result in (i) any of the representations and warranties of the Company set forth in this Agreement becoming untrue or (ii) any of the conditions to the Merger set forth in Article V not being satisfied; or

(m) agree in writing or otherwise to take any of the foregoing actions.

4.5 Access to Information.

(a) The Company shall permit representatives of the Parent to have full access (at all reasonable times, and in a manner so as not to interfere with the normal business operations of the Company) to all premises, properties, financial and accounting records, contracts, other records and documents, and personnel, of or pertaining to the Company.

(b) Each of the Parent and the Acquisition Subsidiary (i) shall treat and hold as confidential any Company Confidential Information (as defined below), (ii) shall not use any of the Company Confidential Information except in connection with this Agreement, and (iii) if this Agreement is terminated for any reason whatsoever, shall return to the Company all tangible embodiments (and all copies) thereof which are in its possession. For purposes of this Agreement, "Company Confidential Information" means any information of the Company that is furnished to the Parent or the Acquisition Subsidiary by the Company in connection with this Agreement; provided, however, that it shall not include any information (A) which, at the time of disclosure, is available publicly other than as a result of disclosure by the Parent, the Acquisition Subsidiary or their respective directors, officers, employees, agents or advisors, (B) which, after disclosure, becomes available publicly through no fault of the Parent or the Acquisition Subsidiary or their respective directors, officers, employees, agents or advisors, (C) which the Parent or the Acquisition Subsidiary knew or to which the Parent or the Acquisition Subsidiary had access prior to disclosure, provided that the source of such information is not known by the Parent or the Acquisition Subsidiary to be bound by a confidentiality obligation to the Company, or (D) which the Parent or the Acquisition Subsidiary rightfully obtains from a source other than the Company provided that the source of such information is not known by the Parent or the Acquisition Subsidiary to be bound by a confidentiality obligation to the Company.

4.6 Operation of Business. Except as contemplated by this Agreement, during the period from the date of this Agreement to the Effective Time, the Parent shall (and shall cause each Parent Subsidiary to) conduct its operations in the Ordinary Course of Business and in material compliance with all applicable laws and regulations and, to the extent consistent therewith, use its Reasonable Best Efforts to preserve intact its current business organization, keep its physical assets in good working condition, keep available the services of its current officers and employees and preserve its relationships with customers, suppliers and others having business dealings with it to the end that its goodwill and ongoing business shall not be impaired in any material respect. Without limiting the generality of the foregoing, prior to the Effective Time, the Parent shall not (and shall cause each Parent Subsidiary not to), without the written consent of the Company:

(a) issue or sell, or redeem or repurchase, any stock or other securities of the Parent or any rights, warrants or options to acquire any such stock or other securities, except as contemplated by, and in connection with, the Private Placement Offering and the Merger;

(b) split, combine or reclassify any shares of its capital stock; declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, except as contemplated by, and in connection with, the Stock Split;

(c) create, incur or assume any indebtedness (including obligations in respect of capital leases); assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person or entity; or make any loans, advances or capital contributions to, or investments in, any other person or entity;

(d) enter into, adopt or amend any Employee Benefit Plan or any employment or severance agreement or arrangement or (except for normal increases in the Ordinary Course of Business for employees who are not Affiliates) increase in any manner the compensation or fringe benefits of, or materially modify the employment terms of, its directors, officers or employees, generally or individually, or pay any bonus or other benefit to its directors, officers or employees, except for the adoption of Parent's 2010 Stock Option Plan (the "Parent Option Plan") covering 3,500,000 shares of Parent Common Stock;

(e) acquire, sell, lease, license or dispose of any assets or property (including without limitation any shares or other equity interests in or securities of any Parent Subsidiary or any corporation, partnership, association or other business organization or division thereof), except as contemplated by, and in connection with, the Split-Off;

(f) mortgage or pledge any of its property or assets or subject any such property or assets to any Security Interest;

(g) discharge or satisfy any Security Interest or pay any obligation or liability other than in the Ordinary Course of Business;

(h) amend its charter, by-laws or other organizational documents except that Parent shall adopt such new by-laws as shall be mutually agreed to by the Parent and the Company.

(i) change in any material respect its accounting methods, principles or practices, except insofar as may be required by a generally applicable change in GAAP;

(j) enter into, amend, terminate, take or omit to take any action that would constitute a violation of or default under, or waive any rights under, any material contract or agreement;

(k) institute or settle any Legal Proceeding;

(l) take any action or fail to take any action permitted by this Agreement with the knowledge that such action or failure to take action would result in (i) any of the representations and warranties of the Parent and/or the Acquisition Subsidiary set forth in this Agreement becoming untrue in any material respect or (ii) any of the conditions to the Merger set forth in Article V not being satisfied; or

(m) agree in writing or otherwise to take any of the foregoing actions.

4.7 <u>Access to Information</u>.

(a) The Parent shall (and shall cause the Acquisition Subsidiary to) permit representatives of the Company to have full access (at all reasonable times, and in a manner so as not to interfere with the normal business operations of the Parent and the Acquisition Subsidiary) to all premises, properties, financial and accounting records, contracts, other records and documents, and personnel, of or pertaining to the Parent and the Acquisition Subsidiary.

(b) The Company (i) shall treat and hold as confidential any Parent Confidential Information (as defined below), (ii) shall not use any of the Parent Confidential Information except in connection with this Agreement, and (iii) if this Agreement is terminated for any reason whatsoever, shall return to the Parent all tangible embodiments (and all copies) thereof which are in its possession. For purposes of this Agreement, "Parent Confidential Information" means any information of the Parent or any Parent Subsidiary that is furnished to the Company by the Parent or the Acquisition Subsidiary in connection with this Agreement; <u>provided</u>, <u>however</u>, that it shall not include any information (A) which, at the time of disclosure, is available publicly other than as a result of disclosure by the Company or its directors, officers, employees, agents or advisors, (B) which, after disclosure, becomes available publicly through no fault of the Company or its directors, officers, employees, agents or advisors, (C) which the Company knew or to which the Company had access prior to disclosure, provided that the sources of such information is not known by the Company to be bound by a confidentiality obligation to Parent or any Parent Subsidiary or (D) which the Company rightfully obtains from a source other than the Parent or an Parent Subsidiary, provided that the source of such information is not known by the Company to be bound by a confidentiality obligation to Parent or any Parent Subsidiary.

4.8 Expenses. The costs and expenses of the Parent and the Company (including legal fees and expenses of Parent and the Company) incurred in connection with this Agreement and the transactions contemplated hereby shall be payable at Closing from the proceeds of the Private Placement Offering with the exception of Placement Agent legal fees and expenses that will be payable from the Placement Agent's 3% non-accountable expense allowance. The Parent's legal fees shall be limited to $145,000 in the aggregate. The Parent's expenses shall be limited to reasonable expenses actually incurred.

4.9 Indemnification.

(a) Except as otherwise contemplated by this Agreement, the Parent shall not, for a period of three years after the Effective Time, take any action to alter or impair any exculpatory or indemnification provisions now existing in the certificate of incorporation or bylaws of the Company for the benefit of any individual who served as a director or officer of the Company at any time prior to the Effective Time, except for any changes which may be required to conform with changes in applicable law and any changes which do not affect the application of such provisions to acts or omissions of such individuals prior to the Effective Time.

(b) From and after the Effective Time, the Parent agrees that it will, and will cause the Surviving Corporation to, indemnify and hold harmless each present and former director and officer of the Company (the "Indemnified Executives") against any costs or expenses (including attorneys' fees), judgments, fines, losses, claims, damages, liabilities or amounts paid in settlement incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, to the fullest extent permitted under Nevada or Delaware law, as applicable (and the Parent and the Surviving Corporation shall also advance expenses as incurred to the fullest extent permitted under Nevada or Delaware law, as applicable, provided the Indemnified Executive to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such Indemnified Executive is not entitled to indemnification).

4.10 Quotation of Merger Shares. The Parent shall take whatever steps are necessary to cause the Merger Shares (and any shares of Parent Common Stock that may be issued pursuant to Section 1.16) to be eligible for quotation on OTC Markets.

4.11 Split-Off. The Parent shall take whatever steps are necessary to enable it to effect the Split-Off immediately after the Effective Time.

4.12 Stock Option Plan. The Board of Directors of Parent shall adopt, prior to or as of the Effective Time, the 2010 Option Plan, subject to stockholder approval, reserving for issuance 3,500,000 shares of Parent Common Stock.

4.13 Information Provided to Company Stockholders. The Company shall prepare, with the cooperation of the Parent, information to be sent to the holders of Company Shares in connection with receiving their approval of the Merger, this Agreement and related transactions. Such information shall constitute a disclosure of the offer and issuance of the shares of Parent Common Stock to be received by the Company Stockholders in the Merger. The Parent and the Company shall each use Reasonable Best Efforts to cause information provided to such holders to comply with applicable federal and state securities and business corporation law requirements. Each of the Parent and the Company agrees to provide promptly to the other such information concerning its business and financial statements and affairs as, in the reasonable judgment of the providing party or its counsel, may be required or appropriate for inclusion in the information sent, or in any amendments or supplements thereto, and to cause its counsel and auditors to cooperate with the other's counsel and auditors in the preparation of the information to be sent to the holders of Company Shares. The Company will promptly advise the Parent, and the Parent will promptly advise the Company, in writing if at any time prior to the Effective Time either the Company or the Parent shall obtain knowledge of any facts that might make it necessary or appropriate to amend or supplement the information sent in order to make the statements contained or incorporated by reference therein not misleading or to comply with applicable law. The information sent shall contain the recommendation of the Board of Directors of the Company that the holders of Company Shares approve the Merger and this Agreement and the conclusion of the Board of Directors of the Company that the terms and conditions of the Merger are advisable and fair and reasonable to the such holders. Anything to the contrary contained herein notwithstanding, the Company shall not include in the information sent to such holders any information with respect to the Parent or its affiliates or associates, the form and content of which information shall not have been approved by the Parent prior to such inclusion.

4.14 No Shorting. The Parent and the Company shall use their Reasonable Best Efforts to ensure that each officer and director of Parent and each Stockholder of Parent beneficially owning 5% or more of the Parent Common Stock after giving effect to the Merger, Split-Off and Private Placement Offering, agrees that it will not, for a period commencing on the date hereof and terminating one year after the Effective Time, directly or indirectly, effect or agree to effect any short sale (as defined in Rule 200 under Regulation SHO of the Exchange Act), whether or not against the box, establish any "put equivalent position" (as defined in Rule 16a-1(h) under the Exchange Act) with respect to the Parent Common Stock, borrow or pre-borrow any shares of Parent Common Stock, or grant any other right (including, without limitation, any put or call option) with respect to the Parent Common Stock or with respect to any security that includes, relates to or derives any significant part of its value from the Parent Common Stock or otherwise seek to hedge its position in the Parent Common Stock (each, a "Prohibited Transaction").

ARTICLE V
CONDITIONS TO CONSUMMATION OF MERGER

5.1 Conditions to Each Party's Obligations. The respective obligations of each Party to consummate the Merger are subject to the satisfaction of the following conditions:

(a) this Agreement and the Merger shall have received the approval of at least 80% of the votes represented by the outstanding Company Shares entitled to vote on this Agreement and the Merger;

(b) the completion of the offer and sale of the Private Placement Offering;

(c) satisfactory completion by Parent and Company of all necessary legal due diligence;

(d) consummation of all required definitive instruments and agreements including, but not limited to, the Merger Agreement, in forms acceptable to the Company and Parent;

(e) the Company and Parent obtaining all necessary board, shareholder, and third party consents; and

(f) that there be no injunction or order in effect by any governmental authority prohibiting the Merger.

5.2 Conditions to Obligations of the Parent and the Acquisition Subsidiary. The obligation of each of the Parent and the Acquisition Subsidiary to consummate the Merger is subject to the satisfaction (or waiver by the Parent) of the following additional conditions:

(a) the number of Dissenting Shares shall not exceed 20% of the number of outstanding Company Shares as of the Effective Time;

(b) the Company shall have obtained (and shall have provided copies thereof to the Parent) all waivers, permits, consents, approvals or other authorizations, and effected all of the registrations, filings and notices, referred to in Section 4.2 which are required on the part of the Company, except for any the failure of which to obtain or effect does not, individually or in the aggregate, have a Company Material Adverse Effect or a material adverse effect on the ability of the Parties to consummate the transactions contemplated by this Agreement;

(c) the representations and warranties of the Company set forth in this Agreement (when read without regard to any qualification as to materiality or Material Adverse Effect contained therein) shall be true and correct as of the date of this Agreement and shall be true and correct as of the Effective Time as though made as of the Effective Time (provided, however, that to the extent such representation and warranty expressly relates to an earlier date, such representation and warranty shall be true and correct as of such earlier date), except for any untrue or incorrect representation and warranty that, individually or in the aggregate, does not have a Company Material Adverse Effect or a material adverse effect on the ability of the Parties to consummate the transactions contemplated by this Agreement;

(d) the Company shall have performed or complied in all material respects with its agreements and covenants required to be performed or complied with under this Agreement as of or prior to the Effective Time;

(e) no Legal Proceeding shall be pending wherein an unfavorable judgment, order, decree, stipulation or injunction would (i) prevent consummation of any of the transactions contemplated by this Agreement, or (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation, and no such judgment, order, decree, stipulation or injunction shall be in effect;

(f) the Company shall have delivered to the Parent and the Acquisition Subsidiary a certificate (the "Company Certificate") to the effect that each of the conditions specified in clauses (a) and (c) (with respect to the Company's due diligence of the Parent) of Section 5.1 and clauses (a) through (e) (insofar as clause (e) relates to Legal Proceedings involving the Company) of this Section 5.2 is satisfied in all respects;

(g) the Company's officers, directors and 5% shareholders shall enter into lock-up agreements with the Parent pursuant to which they shall have agreed to certain restrictions on the sale or other disposition of the Parent Common Stock acquired by them prior to the Merger for a term equal to the earlier of (i) twelve months from the Closing Date; or (ii) six months following the effective date of the Registration Statement;

(h) the Company Stockholders shall have agreed not to engage in any Prohibited Transactions;

(i) the Parent shall have received from Meister Seelig & Fein LLP, counsel to the Company, an opinion with respect to the matters set forth in Exhibit C attached hereto, addressed to the Parent and the Placement Agent and dated as of the Closing Date;

(j) that there have been no material adverse changes to the Company's business since the date of this Agreement; and

(k) the Company shall have provided audited financial statements from an independent accounting firm, qualified to conduct public company audits, for the year ended December 31, 2009 and the operating results and period end financial condition reflected therein shall not have been materially different from the unaudited financial statements already provided for the same period.

5.3 Conditions to Obligations of the Company. The obligation of the Company to consummate the Merger is subject to the satisfaction of the following additional conditions:

(a) the Parent shall have obtained (and shall have provided copies thereof to the Company) all of the waivers, permits, consents, approvals or other authorizations, and effected all of the registrations, filings and notices, referred to in Section 4.2 which are required on the part of the Parent, except for any the failure of which to obtain or effect does not, individually or in the aggregate, have a Parent Material Adverse Effect or a material adverse effect on the ability of the Parties to consummate the transactions contemplated by this Agreement;

(b) the representations and warranties of the Parent set forth in this Agreement (when read without regard to any qualification as to materiality or Material Adverse Effect contained therein) shall be true and correct as of the date of this Agreement and shall be true and correct as of the Effective Time as though made as of the Effective Time (provided, however, that to the extent such representation or warranty expressly relates to an earlier date, such representation and warranty shall be true and correct as of such earlier date), except for any untrue or incorrect representation and warranty that, individually or in the aggregate, do not have a Parent Material Adverse Effect or a material adverse effect on the ability of the Parties to consummate the transactions contemplated by this Agreement;

(c) each of the Parent and the Acquisition Subsidiary shall have performed or complied with its agreements and covenants required to be performed or complied with under this Agreement as of or prior to the Effective Time;

(d) no material Legal Proceedings shall be pending or threatened against Parent or the Acquisition Subsidiary and no Legal Proceeding shall be pending wherein an unfavorable judgment, order, decree, stipulation or injunction would (i) prevent consummation of any of the transactions contemplated by this Agreement, or (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation, and no such judgment, order, decree, stipulation or injunction shall be in effect;

(e) the Parent shall have delivered to the Company a certificate (the "Parent Certificate") to the effect that each of the conditions specified in clauses (b) and (c) (with respect to the Parent's due diligence of the Company) of Section 5.1 and clauses (a) through (d) (insofar as clause (d) relates to Legal Proceedings involving the Parent and its Subsidiaries) of this Section 5.3 is satisfied in all respects;

(f) the Company shall have received from Gottbetter & Partners, LLP, counsel to the Parent and the Acquisition Subsidiary, an opinion with respect to the matters set forth in Exhibit D attached hereto, addressed to the Company and the Placement Agent and dated as of the Closing Date;

(g) the total number of shares of Parent Common Stock issued and outstanding immediately after the Effective Time, shall equal 7,000,000 shares, after giving effect to a 2.02898 for 1 forward stock split, the Split-Off, and the cancellation of 500,000 pre-split shares, but excluding (i) the shares of Parent Common Stock to be issued to investors in the Private Placement Offering, (ii) the issuance of the Merger Shares to be issued to Company Stockholders and the holders of the Parent Options and Parent Bridge Warrants (upon the exercise of such Parent Options and Parent Bridge Warrants) in connection with the Merger; and (iii) the issuance of shares of Parent Common Stock underlying warrants (A) to be issued to investors in the Private Placement Offering (upon the exercise thereof); and (B) to be issued to the Placement agent in the Private Placement Offering (upon the exercise of warrants to be issued to the Placement Agent in connection with the sale of units under the Private Placement Offering).

(h) Frank Reynolds shall have an employment agreement mutually satisfactory to the Company, the Parent and Mr. Reynolds;

(i) the Parent shall have adopted the Parent Option Plan;

(j) the Company shall have received a certificate of Parent's transfer agent and registrar certifying that as of the Closing Date there are 22,762,027 post-split shares of Parent Common Stock issued and outstanding (without giving effect to the cancellation of 1,014,490 shares of Parent Common Stock and the retirement, pursuant to the Split-Off, of 14,747,555 post-split shares of Parent Common Stock, such transactions to be effected immediately after the Effective Time, after which cancelation and retirement there will be 7,000,000 shares of Parent Common Stock issued and outstanding);

(k) contemporaneously with the closing of the Merger, the Parent, the Split-Off Subsidiary, and the Buyer shall execute the Split-Off Agreement, which Split-Off shall be effective immediately following the Closing of the Merger;

(l) after giving prior effect to the Split-Off, the Parent shall have no liabilities;

(m) the Parent shall have filed with the SEC and transmitted to its shareholders of record at least 10 days prior to the Closing the information required by Rule 14f-1 under the Exchange Act; and

(n) that there have been no material adverse changes to the Parent's business since the date of this Agreement.

ARTICLE VI
INDEMNIFICATION

6.1 Indemnification by the Company. The Company shall indemnify the Parent in respect of, and hold it harmless against, any and all Damages incurred or suffered by the Parent resulting from, relating to or constituting any misrepresentation, breach of warranty or failure to perform any covenant or agreement of the Company contained in this Agreement or the Company Certificate.

6.2 Indemnification by the Parent. The Parent shall indemnify the Company in respect of, and hold it harmless against, any and all Damages incurred or suffered by the Company resulting from, relating to or constituting any misrepresentation, breach of warranty or failure to perform any covenant or agreement of the Parent or the Acquisition Subsidiary contained in this Agreement or the Parent Certificate.

6.3 Indemnification Claims by the Parties.

(a) In the event that a Party is entitled, or seeks to assert rights, to indemnification under this Article VI, the Party seeking indemnification (the "Indemnitee") shall give written notification to the Party from whom indemnification is sought (the "Indemnitor") of the commencement of any suit or proceeding relating to a third party claim for which indemnification pursuant to this Article VI may be sought. Such notification shall be given within 20 business days after receipt by the Indemnitee of notice of such suit or proceeding, and shall describe in reasonable detail (to the extent known by the Indemnitee) the facts constituting the basis for such suit or proceeding and the amount of the claimed damages; provided, however, that no delay on the part of the Indemnitee in notifying the Indemnitor shall relieve the Indemnitor of any liability or obligation hereunder except to the extent of any damage or liability caused by or arising out of such failure. Within 20 days after delivery of such notification, the Indemnitor may, upon written notice thereof to the Indemnitee, assume control of the defense of such suit or proceeding with counsel reasonably satisfactory to the Indemnitee; provided that the Indemnitor may not assume control of the defense of a suit or proceeding involving criminal liability or in which equitable relief is sought against the Indemnitee. If the Indemnitor does not so assume control of such defense, the Indemnitee shall control such defense. The party not controlling such defense (the "Non-Controlling Party") may participate therein at its own expense; provided that if the Indemnitor assumes control of such defense and the Indemnitee reasonably concludes that the Indemnitor and the Indemnitee have conflicting interests or different defenses available with respect to such suit or proceeding, the reasonable fees and expenses of counsel to the Indemnitee shall be considered "Damages" for purposes of this Agreement. The party controlling such defense (the "Controlling Party") shall keep the Non-Controlling Party advised of the status of such suit or proceeding and the defense thereof and shall consider in good faith recommendations made by the Non-Controlling Party with respect thereto. The Non-Controlling Party shall furnish the Controlling Party with such information as it may have with respect to such suit or proceeding (including copies of any summons, complaint or other pleading which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and shall otherwise cooperate with and assist the Controlling Party in the defense of such suit or proceeding. The Indemnitor shall not agree to any settlement of, or the entry of any judgment arising from, any such suit or proceeding without the prior written consent of the Indemnitee, which shall not be unreasonably withheld or delayed; provided that the consent of the Indemnitee shall not be required if the Indemnitor agrees in writing to pay any amounts payable pursuant to such settlement or judgment and such settlement or judgment includes a complete release of the Indemnitee from further liability and has no other materially adverse effect on the Indemnitee. The Indemnitee shall not agree to any settlement of, or the entry of any judgment arising from, any such suit or proceeding without the prior written consent of the Indemnitor, which shall not be unreasonably withheld or delayed.

(b) In order to seek indemnification under this Article VI, Indemnitee shall give written notification (a "Claim Notice") to the Indemnitor which contains (i) a description and the amount (the "Claimed Amount") of any Damages incurred or reasonably expected to be incurred by the Indemnitee, (ii) a statement that the Indemnitee is entitled to indemnification under this Article VI for such Damages and a reasonable explanation of the basis therefor, and (iii) a demand for payment (in the manner provided in paragraph (c) below) in the amount of such Claimed Amount.

(c) Within 20 days after delivery of a Claim Notice, the Indemnitor shall deliver to the Indemnitee a written response (the "Response") in which Indemnitor shall: (i) agree that the Indemnitee is entitled to receive all of the Claimed Amount, (ii) agree that the Indemnitee is entitled to receive part, but not all, of the Claimed Amount (the "Agreed Amount"), or (iii) dispute that the Indemnitee is entitled to receive any of the Claimed Amount. If the Indemnitor in the Response disputes its liability for all or part of the Claimed Amount, the Indemnitor and the Indemnitee shall follow the procedures set forth in Section 6.3(d) for the resolution of such dispute (a "Dispute").

(d) During the 60-day period following the delivery of a Response that reflects a Dispute, the Indemnitor and the Indemnitee shall use good faith efforts to resolve the Dispute. If the Dispute is not resolved within such 60-day period, the Indemnitor and the Indemnitee shall discuss in good faith the submission of the Dispute to a mutually acceptable alternative dispute resolution procedure (which may be non-binding or binding upon the parties, as they agree in advance) (the "ADR Procedure"). In the event the Indemnitor and the Indemnitee agree upon an ADR Procedure, such parties shall, in consultation with the chosen dispute resolution service (the "ADR Service"), promptly agree upon a format and timetable for the ADR Procedure, agree upon the rules applicable to the ADR Procedure, and promptly undertake the ADR Procedure. The provisions of this Section 6.3(d) shall not obligate the Indemnitor and the Indemnitee to pursue an ADR Procedure or prevent either such party from pursuing the Dispute in a court of competent jurisdiction; provided that, if the Indemnitor and the Indemnitee agree to pursue an ADR Procedure, neither the Indemnitor nor the Indemnitee may commence litigation or seek other remedies with respect to the Dispute prior to the completion of such ADR Procedure. Any ADR Procedure undertaken by the Indemnitor and the Indemnitee shall be considered a compromise negotiation for purposes of federal and state rules of evidence, and all statements, offers, opinions and disclosures (whether written or oral) made in the course of the ADR Procedure by or on behalf of the Indemnitor, or any of the Indemnifying Stockholders, the Indemnitee or the ADR Service shall be treated as confidential and, where appropriate, as privileged work product. Such statements, offers, opinions and disclosures shall not be discoverable or admissible for any purposes in any litigation or other proceeding relating to the Dispute (provided that this sentence shall not be construed to exclude from discovery or admission any matter that is otherwise discoverable or admissible). The fees and expenses of any ADR Service used by the Indemnitor and the Indemnitee shall be considered Damages.

(e) Notwithstanding the other provisions of this Section 6.3, if a third party asserts (other than by means of a lawsuit) that the Indemnitee is liable to such third party for a monetary or other obligation which may constitute or result in Damages for which such Indemnitee may be entitled to indemnification pursuant to this Article VI, and the Indemnitee reasonably determines in good faith that it has a valid business reason to fulfill such obligation, then (i) Indemnitee shall be entitled to satisfy such obligation, with prior notice to but without prior consent from the Indemnitor, (ii) Indemnitee may subsequently make a claim for indemnification in accordance with the provisions of this Article VI, and (iii) Indemnitee shall be reimbursed, in accordance with the provisions of this Article VI, for any such Damages for which it is entitled to indemnification pursuant to this Article VI (subject to the right of the Indemnitor to dispute the Indemnitee's entitlement to indemnification, or the amount for which it is entitled to indemnification, under the terms of this Article VI).

6.4 Survival of Representations and Warranties. All representations and warranties contained in this Agreement, the Company Certificate or the Parent Certificate shall (a) survive the Closing and any investigation at any time made by or on behalf of Parent or the Company and (b) shall expire on the date two years following the Closing Date. If Parent delivers to an Indemnifying Stockholders, before expiration of a representation or warranty, either a Claim Notice based upon a breach of such representation or warranty, or a notice that, as a result a legal proceeding instituted by or written claim made by a third party, the Parent reasonably expects to incur Damages as a result of a breach of such representation or warranty (an "Expected Claim Notice"), then such representation or warranty shall survive until, but only for purposes of, the resolution of the matter covered by such Expected Claim Notice. If the legal proceeding or written claim with respect to which an Expected Claim Notice has been given is definitively withdrawn or resolved in favor of the Parent, the Parent shall promptly so notify the Indemnifying Stockholders; and if the Parent has delivered a copy of the Expected Claim Notice to the Escrow Agent and Escrow Shares have been retained in escrow after the Termination Date (as defined in the Escrow Agreement) with respect to such Expected Claim Notice, the Indemnifying Stockholders and the Parent shall promptly deliver to the Escrow Agent a written notice executed by both parties instructing the Escrow Agent to distribute such retained Escrow Shares to the Indemnifying Stockholders in accordance with the terms of the Escrow Agreement.

6.5 Limitations on Claims for Indemnification.

(a) Notwithstanding anything to the contrary herein, no Party shall be entitled to recover, or be indemnified for, Damages arising out of a misrepresentation or breach of warranty set forth in Article II unless and until the aggregate of all such Damages paid or payable by the Indemnitor collectively exceeds $50,000 (the "Damages Threshold") and then, if such aggregate threshold is reached, the Indemnitee shall only be entitled to recover for Damages in excess of such respective threshold; and in no event shall any Indemnitor be liable under this Article VI for an aggregate amount in excess of $250,000.

ARTICLE VII
DEFINITIONS

For purposes of this Agreement, each of the following defined terms is defined in the Section of this Agreement indicated below.

Defined Term	Section
Acquisition Subsidiary	Introduction
ADR Procedure	6.3(d)
ADR Service	6.3(d)
Affiliate	2.13(a)(vii)
Agreed Amount	6.3(c)
Agreement	Introduction
Buyers	Introduction
CERCLA	2.20(a)
Certificate of Merger	1.1
Certificates	1.10
Claim Notice	6.3(b)
Claimed Amount	6.3(b)
Claims	1.16
Closing	1.5
Closing Date	1.5
Code	Introduction
Common Conversion Ratio	1.8(b)
Company	Introduction
Company Balance Sheet	2.6
Company Balance Sheet Date	2.6
Company Certificate	5.2(f)
Company Confidential Information	4.5(b)
Company Financial Statements	2.6
Company Material Adverse Effect	2.1
Company Options	1.11(a)
Company Shares	1.6(d)
Company Stockholders	1.6(d)
Company Warrants	1.11(d)
Contemplated Transactions	8.3
Controlling Party	6.3(a)
Convertible Notes	2.2
Current Report	4.3
Damages	6.1
Damages Threshold	6.5(a)
Defaulting Party	8.6
Disclosure Schedule	Article II
Dispute	6.3(c)

Defined Term	Section
Dissenting Shares	1.9(a)
Effective Time	1.1
Employee Benefit Plan	2.19(a)(i)
Environmental Law	2.20(a)
ERISA	2.19(a)(ii)
ERISA Affiliate	2.19(a)(iii)
Escrow Agent	1.6(g)
Escrow Agreement	1.6(g)
Escrow Shares	1.8(b)
Exchange Act	2.6
Expected Claim Notice	6.4
GAAP	2.6
GCL	1.1
Governmental Entity	2.4
Indemnified Executives	4.9(b)
Intellectual Property	2.27(a)
Intellectual Property Rights	2.27(a)
Legal Proceeding	2.17
Loss	1.16
Merger	Introduction
Merger Shares	1.8(b)
Non-Controlling Party	6.3(a)
Non-Defaulting Party	8.6
Ordinary Course of Business	2.4
Organization Date	2.9(c)
OTCBB	3.2
Parent	Introduction
Parent Bridge Warrants	1.4
Parent Certificate	5.3(e)
Parent Common Stock	1.8(a)
Parent Confidential Information	4.7(b)
Parent Disclosure Schedule	Article III
Parent Financial Statements	3.8
Parent Liabilities	1.16
Parent Material Adverse Effect	3.1
Parent Options	1.8(a)
Parent Option Plan	4.6(d)
Parent PPO Warrants	1.2
Parent Reports	3.6
Parent Subsidiary	2.5
Party	Introduction
Permits	2.23
Prohibited Transaction	4.15
PPO Price	Introduction
Private Placement Offering	Introduction

Defined Term	Section
Reasonable Best Efforts	4.1
Registration Statement	1.2
Response	6.3(c)
SEC	1.16
Securities Act	1.3(c)
Security Interest	2.4
Share Contribution	3.2
Split-Off	Introduction
Split-Off Agreement	Introduction
Split-Off Subsidiary	Introduction
Stockholder Approval	2.3
Subsidiary	2.5
Surviving Corporation	1.1
Tax Returns	2.9(a)(ii)
Taxes	2.9(a)(i)
Transaction Documentation	3.3
2010 Plan	1.11(a)
Value	6.3(c)

ARTICLE VIII
TERMINATION

8.1 Termination by Mutual Agreement. This Agreement may be terminated at any time by mutual written consent of the Parties.

8.2 Termination for Failure to Close. This Agreement shall be automatically terminated if the Closing Date shall not have occurred by December 31, 2010, unless such date is extended by mutual written consent of the Parties.

8.3 Termination by Operation of Law. This Agreement may be terminated by any Party hereto if there shall be any statute, rule or regulation that renders consummation of the transactions contemplated by this Agreement (the "Contemplated Transactions) illegal or otherwise prohibited, or a court of competent jurisdiction or any government (or governmental authority) shall have issued an order, decree or ruling, or has taken any other action restraining, enjoining or otherwise prohibiting the consummation of such transactions and such order, decree, ruling or other action shall have become final and nonappealable.

8.4 Termination for Failure to Perform Covenants or Conditions. This Agreement may be terminated prior to the Effective Time:

(a) by the Parent and the Acquisition Subsidiary if: (i) any of the representations and warranties made in this Agreement by the Company shall not be materially true and correct, when made or at any time prior to consummation of the Contemplated Transactions as if made at and as of such time; (ii) any of the conditions set forth in Section 5.2 hereof have not been fulfilled in all material respects by the Closing Date; (iii) the Company shall have failed to observe or perform any of its material obligations under this Agreement; or (iv) as otherwise set forth herein; or

(b) by the Company if: (i) any of the representations and warranties of the Parent or the Acquisition Subsidiary shall not be materially true and correct when made or at any time prior to consummation of the Contemplated Transactions as if made at and as of such time; (ii) any of the conditions set forth in Section 5.3 hereof have not been fulfilled in all material respects by the Closing Date; (iii) the Parent or the Acquisition Subsidiary shall have failed to observe or perform any of their material respective obligations under this Agreement; or (iv) as otherwise set forth herein.

8.5 Effect of Termination or Default; Remedies. In the event of termination of this Agreement as set forth above, this Agreement shall forthwith become void and there shall be no liability on the part of any Party hereto, provided that such Party is a Non-Defaulting Party (as defined below). The foregoing shall not relieve any Party from liability for damages actually incurred as a result of such Party's breach of any term or provision of this Agreement.

8.6 Remedies; Specific Performance. In the event that any Party shall fail or refuse to consummate the Contemplated Transactions or if any default under or beach of any representation, warranty, covenant or condition of this Agreement on the part of any Party (the "Defaulting Party") shall have occurred that results in the failure to consummate the Contemplated Transactions, then in addition to the other remedies provided herein, the non-defaulting Party (the "Non-Defaulting Party") shall be entitled to seek and obtain money damages from the Defaulting Party, or may seek to obtain an order of specific performance thereof against the Defaulting Party from a court of competent jurisdiction, provided that the Non-Defaulting Party seeking such protection must file its request with such court within forty-five (45) days after it becomes aware of the Defaulting Party's failure, refusal, default or breach. In addition, the Non-Defaulting Party shall be entitled to obtain from the Defaulting Party court costs and reasonable attorneys' fees incurred in connection with or in pursuit of enforcing the rights and remedies provided hereunder.

ARTICLE IX
MISCELLANEOUS

9.1 Press Releases and Announcements. No Party shall issue any press release or public announcement relating to the subject matter of this Agreement without the prior written approval of the other Parties; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable law, regulation or stock market rule (in which case the disclosing Party shall use reasonable efforts to advise the other Parties and provide them with a copy of the proposed disclosure prior to making the disclosure).

9.2 No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any person other than the Parties and their respective successors and permitted assigns; provided, however, that (a) the provisions in Article I concerning issuance of the Merger Shares and Article VI concerning indemnification are intended for the benefit of the Company Stockholders , (b) the provisions in Section 4.9 concerning indemnification are intended for the benefit of the individuals specified therein and their successors and assigns, and (c) the provisions of Articles II and III covering the representations and warranties of the Company to the Parent and the Parent and Acquisition Subsidiary to the Company are also intended for the benefit of the Placement Agent.

9.3 Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, with respect to the subject matter hereof.

9.4 Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other Parties; provided that the Acquisition Subsidiary may assign its rights, interests and obligations hereunder to a wholly-owned subsidiary of the Parent.

9.5 Counterparts and Facsimile Signature. 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 be executed by facsimile signature.

9.6 Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

9.7 Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly delivered four business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent for next business day delivery via a reputable nationwide overnight courier service, in each case to the intended recipient as set forth below:

If to the Company or the Parent (subsequent to the Closing):

InVivo Therapeutics Corporation
One Broadway, 14th Floor
Cambridge, Ma. 02142
Attn: Frank M. Reynolds, President
Facsimile: (617) 225-4430

Copy to (which copy shall not constitute notice hereunder):

Meister Selig & Fein LLP
Two Grand Central Tower
140 East 45th Street, 19th Floor
New York, NY 10017
Attn: Mitchell L. Lampert
Facsimile: (212) 655-3535

If to the Parent or the Acquisition Subsidiary (prior to the Closing):

InVivo Therapeutics Holdings Corp.
100 Europa Drive, Suite 455
Chapel Hill, NC 27517
Attn: Peter Reichard, President
Facsimile: (919) 933-2730

Copy to (which copy shall not constitute notice hereunder):

Gottbetter & Partners, LLP
488 Madison Avenue, 12th Floor
New York, NY 10022
Attn: Adam S. Gottbetter, Esq.
Facsimile: (212) 400-6901

Any Party may give any notice, request, demand, claim or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the Party for whom it is intended. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

9.8 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of Delaware.

9.9 Amendments and Waivers. The Parties may mutually amend any provision of this Agreement at any time prior to the Effective Time. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by all of the Parties. No waiver of any right or remedy hereunder shall be valid unless the same shall be in writing and signed by the Party giving such waiver. No waiver by any Party with respect to any default, misrepresentation or breach of warranty or covenant hereunder shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

9.10 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the Parties agree that the court making the determination of invalidity or unenforceability shall have the power to limit the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

9.11 Submission to Jurisdiction. Each of the Parties (a) submits to the jurisdiction of any state or federal court sitting in the County of New York in the State of New York in any action or proceeding arising out of or relating to this Agreement, (b) agrees that all claims in respect of such action or proceeding may be heard and determined in any such court, and (c) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court. Each of the Parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of any other Party with respect thereto. Any Party may make service on another Party by sending or delivering a copy of the process to the Party to be served at the address and in the manner provided for the giving of notices in Section 9.7. Nothing in this Section 9.11, however, shall affect the right of any Party to serve legal process in any other manner permitted by law.

9.12 Construction.

(a) The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

(b) Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

[SIGNATURE PAGE FOLLOWS]

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

PARENT:
INVIVO THERAPEUTICS HOLDINGS CORP.

By: /s/ Peter Reichard
Name: Peter Reichard
Title: President and Chief Executive Officer

ACQUISITION SUBSIDIARY:
INVIVO THERAPEUTICS ACQUISITION CORP.

By: /s/ Peter Reichard
Name: Peter Reichard
Title: President and Chief Executive Officer

COMPANY:
INVIVO THERAPEUTICS CORPORATION

By: /s/ Frank Reynolds
Name: Frank Reynolds
Title: Chief Executive Officer

EXHIBIT A
SPLIT-OFF AGREEMENT

This **SPLIT-OFF AGREEMENT**, dated as of October 26, 2010 (this "Agreement"), is entered into by and among InVivo Therapeutics Holding Corp. (f/k/a Design Source, Inc.), a Nevada corporation ("Seller"), DSource Split Corp., a Delaware corporation ("Split-Off Subsidiary") and Peter Reichard, Peter Coker and Lawrence Reichard ("Buyers").

RECITALS:

WHEREAS, Seller is the owner of all of the issued and outstanding capital stock of Split-Off Subsidiary; Split-Off Subsidiary is a wholly-owned subsidiary of Seller which will acquire the business assets and liabilities previously held by Seller; and Seller has no other businesses or operations prior to the Merger (as defined herein);

WHEREAS, contemporaneously with the execution of this Agreement, Seller, InVivo Therapeutics Corporation, a Delaware corporation ("InVivo"), and a newly-formed wholly-owned Nevada subsidiary of Seller, InVivo Therapeutics Acquisition Corp. ("Acquisition Subsidiary"), will enter into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") pursuant to which Acquisition Subsidiary will merge with and into InVivo with InVivo remaining as the surviving entity (the "Merger"); and the equity holders of InVivo will receive securities of Seller in exchange for their equity interests in InVivo;

WHEREAS, the execution and delivery of this Agreement is required by InVivo as a condition to its execution of the Merger Agreement and the consummation of the assignment, assumption, purchase and sale transactions contemplated by this Agreement is also a condition to the completion of the Merger pursuant to the Merger Agreement, and Seller has represented to InVivo in the Merger Agreement that the transactions contemplated by this Agreement will be consummated in conjunction with the closing of the Merger, and InVivo relied on such representation in entering into the Merger Agreement;

WHEREAS, Buyers desire to purchase the Shares (as defined in Section 2.1) from Seller, and to assume, as between Seller and Buyers, all responsibility for any debts, obligations and liabilities of Seller (prior to the Merger) and Split-Off Subsidiary, on the terms and subject to the conditions specified in this Agreement; and

WHEREAS, Seller desires to sell and transfer the Shares to Buyers, on the terms and subject to the conditions specified in this Agreement;

NOW, THEREFORE, in consideration of the premises and the covenants, promises and agreements herein set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending legally to be bound, agree as follows:

I. **ASSIGNMENT AND ASSUMPTION OF SELLER'S ASSETS AND LIABILITIES.**

Subject to the terms and conditions provided below:

1.1 *Assignment of Assets.* Seller hereby contributes, assigns, conveys and transfers to Split-Off Subsidiary, and Split-Off Subsidiary hereby receives, acquires and accepts, all assets and properties of Seller as of the Effective Time, including but not limited to the following, but excluding in all cases (i) the right, title and assets of Seller in, to and under the Transaction Documentation and (ii) the capital stock of InVivo, Acquisition Subsidiary and Split-Off Subsidiary:

(a) all cash and cash equivalents;

(b) all accounts receivable;

(c) all inventories of raw materials, work in process, parts, supplies and finished products;

(d) all of Seller's rights, title and interests in, to and under all contracts, agreements, leases, licenses (including software licenses), supply agreements, consulting agreements, commitments, purchase orders, customer orders and work orders, and including all of Seller's rights thereunder to use and possess equipment provided by third parties, and all representations, warranties, covenants and guarantees related to the foregoing (provided that to the extent any of the foregoing or any claim or right or benefit arising thereunder or resulting therefrom is not assignable by its terms, or the assignment thereof shall require the consent or approval of another party thereto, this Agreement shall not constitute an assignment thereof if an attempted assignment would be in violation of the terms thereof or if such consent is not obtained prior to the Effective Time, and in lieu thereof Seller shall reasonably cooperate with Split-Off Subsidiary in any reasonable arrangement designed to provide Split-Off Subsidiary the benefits thereunder or any claim or right arising thereunder);

(e) all intellectual property, including but not limited to issued patents, patent applications (whether or not patents are issued thereon and whether modified, withdrawn or resubmitted), unpatented inventions, product designs, copyrights (whether registered or unregistered), know-how, technology, trade secrets, technical information, notebooks, drawings, software, computer coding (both object and source) and all documentation, manuals and drawings related thereto, trademarks or service marks and applications therefor, unregistered trademarks or service marks, trade names, logos and icons and all rights to sue or recover for the infringement or misappropriation thereof;

(f) all fixed assets, including but not limited to the machinery, equipment, furniture, vehicles, office equipment and other tangible personal property owned or leased by Seller;

(g) all customer lists, business records, customer records and files, customer financial records, and all other files and information related to customers, all customer proposals, all open service agreements with customers and all uncompleted customer contracts and agreements; and

(h) to the extent legally assignable, all licenses, permits, certificates, approvals and authorizations issued by Governmental Entities and necessary to own, lease or operate the assets and properties of Seller and to conduct Seller's business as it is presently conducted;

all of the foregoing being referred to herein as the "Assigned Assets."

1.2 *Assignment and Assumption of Liabilities*. Seller hereby assigns to Split-Off Subsidiary, and Split-Off Subsidiary hereby assumes and agrees to pay, honor and discharge all debts, adverse claims, liabilities, judgments and obligations of Seller as of the Effective Time, whether accrued, contingent or otherwise and whether known or unknown, including those arising under any law (including the common law) or any rule or regulation of any Governmental Entity or imposed by any court or any arbitrator in a binding arbitration resulting from, arising out of or relating to the assets, activities, operations, actions or omissions of Seller, or products manufactured or sold thereby or services provided thereby, or under contracts, agreements (whether written or oral), leases, commitments or undertakings thereof, but excluding in all cases the obligations of Seller under the Transaction Documentation (all of the foregoing being referred to herein as the "Assigned Liabilities").

The assignment and assumption of Seller's assets and liabilities provided for in this Article I is referred to as the "Assignment."

II. **PURCHASE AND SALE OF STOCK**.

2.1 *Purchased Shares*. Subject to the terms and conditions provided below, Seller shall sell and transfer to Buyers and Buyers shall purchase from Seller, on the Closing Date (as defined in Section 3.1), all of the issued and outstanding shares of capital stock of Split-Off Subsidiary (the "Shares").

2.2 *Purchase Price*. The purchase price for the Shares shall be the transfer and delivery by Buyers to Seller of the type and number of shares of common stock and other securities of Seller that Buyers own (the "Purchase Price Securities"), as set forth in Exhibit A attached hereto, deliverable as provided in Section 3.3.

III. **CLOSING**.

3.1 *Closing*. The closing of the transactions contemplated in this Agreement (the "Closing") shall take place as soon as practicable following the execution of this Agreement; *provided, however,* that the Closing must occur simultaneously with the closing of the Merger. The date on which the Closing occurs shall be referred to herein as the "Closing Date."

3.2 *Transfer of Shares*. At the Closing, Seller shall deliver to Buyers certificates representing the Shares purchased by Buyers, duly endorsed to Buyers or as directed by Buyers, which delivery shall vest Buyers with good and marketable title to such Shares, free and clear of all liens and encumbrances.

3.3 *Payment of Purchase Price*. At the Closing, Buyers shall deliver to Seller a certificate or certificates representing Buyers' Purchase Price Securities duly endorsed to Seller, which delivery shall vest Seller with good and marketable title to the Purchase Price Securities, free and clear of all liens and encumbrances.

3.4 *Transfer of Records*. On or before the Closing, Seller shall transfer to Split-Off Subsidiary all existing corporate books and records in Seller's possession relating to Split-Off Subsidiary and its business, including but not limited to all agreements, litigation files, real estate files, personnel files and filings with governmental agencies; *provided*, *however*, when any such documents relate to both Seller and Split-Off Subsidiary, only copies of such documents need be furnished. On or before the Closing, Buyers and Split-Off Subsidiary shall transfer to Seller all existing corporate books and records in the possession of Buyers or Split-Off Subsidiary relating to Seller, including but not limited to all corporate minute books, stock ledgers, certificates and corporate seals of Seller and all agreements, litigation files, real property files, personnel files and filings with governmental agencies; *provided*, *however*, when any such documents relate to both Seller and Split-Off Subsidiary or its business, only copies of such documents need be furnished.

3.5 *Instruments of Assignment*. At the Closing, Seller and Split-Off Subsidiary shall deliver to each other such instruments providing for the Assignment as the other may reasonably request (the "Instruments of Assignment").

IV. **BUYERS' REPRESENTATIONS AND WARRANTIES**. Buyers represent and warrant that:

4.1 *Capacity and Enforceability*. Buyers have the legal capacity to execute and deliver this Agreement and the documents to be executed and delivered by Buyers at the Closing pursuant to the transactions contemplated hereby. This Agreement and all such documents constitute valid and binding agreements of Buyers, enforceable in accordance with their terms.

4.2 *Compliance*. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby by Buyers will result in the breach of any term or provision of, or constitute a default under, or violate any agreement, indenture, instrument, order, law or regulation to which Buyers are a party or by which Buyers are bound.

4.3 _Purchase for Investment_. Buyers are financially able to bear the economic risks of acquiring the Shares and the other transactions contemplated hereby, and have no need for liquidity in their investment in the Shares. Buyers have such knowledge and experience in financial and business matters in general, and with respect to businesses of a nature similar to the business of Split-Off Subsidiary (after giving effect to the Assignment), so as to be capable of evaluating the merits and risks of, and making an informed business decision with regard to, the acquisition of the Shares and the other transactions contemplated hereby. Buyers are “accredited investors” within the meaning of Rule 501 of Regulation D under the Securities Act. Buyers are acquiring the Shares solely for their own account and not with a view to or for resale in connection with any distribution or public offering thereof, within the meaning of any applicable securities laws and regulations, unless such distribution or offering is registered under the Securities Act of 1933, as amended (the “Securities Act”), or an exemption from such registration is available. Buyers have (i) received all the information they have deemed necessary to make an informed decision with respect to the acquisition of the Shares and the other transactions contemplated hereby; (ii) had an opportunity to make such investigation as they have desired pertaining to Split-Off Subsidiary (after giving effect to the Assignment) and the acquisition of an interest therein and the other transactions contemplated hereby, and to verify the information which is, and has been, made available to them; and (iii) had the opportunity to ask questions of Seller concerning Split-Off Subsidiary (after giving effect to the Assignment). Buyers acknowledge that due to their affiliation with Seller and Split-Off Subsidiary that they have actual knowledge of the business, operations and financial affairs of Split-Off Subsidiary (after giving effect to the Assignment). Buyers have received no public solicitation or advertisement with respect to the offer or sale of the Shares. Buyers realize that the Shares are “restricted securities” as that term is defined in Rule 144 promulgated by the Securities and Exchange Commission under the Securities Act, the resale of the Shares is restricted by federal and state securities laws and, accordingly, the Shares must be held indefinitely unless their resale is subsequently registered under the Securities Act or an exemption from such registration is available for their resale. Buyers understand that any resale of the Shares by them must be registered under the Securities Act (and any applicable state securities law) or be effected in circumstances that, in the opinion of counsel for Split-Off Subsidiary at the time, create an exemption or otherwise do not require registration under the Securities Act (or applicable state securities laws). Buyers acknowledge and consent that certificates now or hereafter issued for the Shares will bear a legend substantially as follows:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAWS (THE “STATE ACTS”), HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND QUALIFICATION UNDER THE STATE ACTS OR PURSUANT TO EXEMPTIONS FROM SUCH REGISTRATION OR QUALIFICATION REQUIREMENTS (INCLUDING, IN THE CASE OF THE SECURITIES ACT, THE EXEMPTIONS AFFORDED BY SECTION 4(1) OF THE SECURITIES ACT AND RULE 144 THEREUNDER). AS A PRECONDITION TO ANY SUCH TRANSFER, THE ISSUER OF THESE SECURITIES SHALL BE FURNISHED WITH AN OPINION OF COUNSEL OPINING AS TO THE AVAILABILITY OF EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION AND/OR SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY THERETO THAT ANY SUCH TRANSFER WILL NOT VIOLATE THE SECURITIES LAWS.

Buyers understand that the Shares are being sold to them pursuant to the exemption from registration contained in Section 4(1) of the Securities Act and that Seller is relying upon the representations made herein as one of the bases for claiming the Section 4(1) exemption.

4.4 *Liabilities*. Following the Closing, Seller will have no liability for any debts, liabilities or obligations of Split-Off Subsidiary or its business or activities, and there are no outstanding guaranties, performance or payment bonds, letters of credit or other contingent contractual obligations that have been undertaken by Seller directly or indirectly in relation to Split-Off Subsidiary or its business and that may survive the Closing.

4.5 *Title to Purchase Price Securities*. Buyers are the sole record and beneficial owner of their respective Purchase Price Securities. At Closing, Buyers will have good and marketable title to their respective Purchase Price Securities, which Purchase Price Securities are, and at the Closing will be, free and clear of all options, warrants, pledges, claims, liens and encumbrances, and any restrictions or limitations prohibiting or restricting transfer to Seller, except for restrictions on transfer as contemplated by applicable securities laws.

V. **SELLER'S AND SUBSIDIARY'S REPRESENTATIONS AND WARRANTIES**. Seller and Split-Off Subsidiary, jointly and severally, represent and warrant to Buyers that:

5.1 *Organization and Good Standing*. Each of Seller and Split-Off Subsidiary is a corporation duly incorporated, validly existing, and in good standing under the laws of their respective states of incorporation.

5.2 *Authority and Enforceability*. The execution and delivery of this Agreement and the documents to be executed and delivered at the Closing pursuant to the transactions contemplated hereby, and performance in accordance with the terms hereof and thereof, have been duly authorized by Seller and all such documents constitute valid and binding agreements of Seller enforceable in accordance with their terms.

5.3 *Title to Shares*. Seller is the sole record and beneficial owner of the Shares. At Closing, Seller will have good and marketable title to the Shares, which Shares are, and at the Closing will be, free and clear of all options, warrants, pledges, claims, liens and encumbrances, and any restrictions or limitations prohibiting or restricting transfer to Buyers, except for restrictions on transfer as contemplated by Section 4.3 above. The Shares constitute all of the issued and outstanding shares of capital stock of Split-Off Subsidiary.

5.4 *WARN Act*. Split-Off Subsidiary does not have a sufficient number of employees to make it subject to the Worker Adjustment and Retraining Notification Act.

5.5 *Representations in Merger Agreement*. Split-Off Subsidiary represents and warrants that all of the representations and warranties by Seller, insofar as they relate to Split-Off Subsidiary, contained in the Merger Agreement are true and correct.

VI. **OBLIGATIONS OF BUYERS PENDING CLOSING**. Buyers covenant and agree that between the date hereof and the Closing:

6.1 *Not Impair Performance*. Buyers shall not take any intentional action that would cause the conditions upon the obligations of the parties hereto to effect the transactions contemplated hereby not to be fulfilled, including, without limitation, taking or causing to be taken any action that would cause the representations and warranties made by any party herein not to be true, correct and accurate as of the Closing, or in any way impairing the ability of Seller to satisfy its obligations as provided in Article VII.

6.2 *Assist Performance*. Buyers shall exercise their reasonable best efforts to cause to be fulfilled those conditions precedent to Seller's obligations to consummate the transactions contemplated hereby which are dependent upon actions of Buyers and to make and/or obtain any necessary filings and consents in order to consummate the sale transaction contemplated by this Agreement.

VII. **OBLIGATIONS OF SELLER PENDING CLOSING**. Seller covenants and agrees that between the date hereof and the Closing:

7.1 *Business as Usual*. Split-Off Subsidiary shall operate and Seller shall cause Split-Off Subsidiary to operate in accordance with past practices and shall use best efforts to preserve its goodwill and the goodwill of its employees, customers and others having business dealings with Split-Off Subsidiary. Without limiting the generality of the foregoing, from the date of this Agreement until the Closing Date, Split-Off Subsidiary shall preserve and maintain Split-Off Subsidiary's assets in their current operating condition and repair, ordinary wear and tear excepted. From the date of this Agreement until the Closing Date, Split-Off Subsidiary shall not (i) amend, terminate or surrender any material franchise, license, contract or real property interest, or (ii) sell or dispose of any of its assets except in the ordinary course of business. Neither Split-Off Subsidiary nor Buyers shall take or omit to take any action that results in Seller incurring any liability or obligation prior to or in connection with the Closing.

7.2 *Not Impair Performance*. Seller shall not take any intentional action that would cause the conditions upon the obligations of the parties hereto to effect the transactions contemplated hereby not to be fulfilled, including, without limitation, taking or causing to be taken any action which would cause the representations and warranties made by any party herein not to be materially true, correct and accurate as of the Closing, or in any way impairing the ability of Buyers to satisfy her obligations as provided in Article VI.

7.3 *Assist Performance*. Seller shall exercise its reasonable best efforts to cause to be fulfilled those conditions precedent to Buyers' obligations to consummate the transactions contemplated hereby which are dependent upon the actions of Seller and to work with Buyers to make and/or obtain any necessary filings and consents. Seller shall cause Split-Off Subsidiary to comply with its obligations under this Agreement.

VIII. **<u>SELLER’S AND SPLIT-OFF SUBSIDIARY’S CONDITIONS PRECEDENT TO CLOSING</u>**. The obligations of Seller and Split-Off Subsidiary to close the transactions contemplated by this Agreement are subject to the satisfaction at or prior to the Closing of each of the following conditions precedent (any or all of which may be waived by Seller and InVivo in writing):

8.1 *<u>Representations and Warranties; Performance</u>*. All representations and warranties of Buyers contained in this Agreement shall have been true and correct, in all material respects, when made and shall be true and correct, in all material respects, at and as of the Closing, with the same effect as though such representations and warranties were made at and as of the Closing. Buyers shall have performed and complied with all covenants and agreements and satisfied all conditions, in all material respects, required by this Agreement to be performed or complied with or satisfied by Buyers at or prior to the Closing.

8.2 *<u>Additional Documents</u>*. Buyers shall deliver or cause to be delivered such additional documents as may be necessary in connection with the consummation of the transactions contemplated by this Agreement and the performance of their obligations hereunder.

8.3 *<u>Release by Buyers and Split-Off Subsidiary</u>*. At the Closing, Buyers and Split-Off Subsidiary shall execute and deliver to Seller a general release which in substance and effect releases Seller and InVivo from any and all liabilities and obligations that Seller and InVivo may owe to Buyers or Split-Off Subsidiary in any capacity, and from any and all claims that Buyers or Split-Off Subsidiary may have against Seller, InVivo or their respective managers, members, officers, directors, stockholders, employees and agents (other than those arising pursuant to this Agreement or any document delivered in connection with this Agreement).

IX. **<u>BUYERS’ CONDITIONS PRECEDENT TO CLOSING</u>**. The obligation of Buyers to close the transactions contemplated by this Agreement is subject to the satisfaction at or prior to the Closing of each of the following conditions precedent (any and all of which may be waived by Buyers in writing):

9.1 *<u>Representations and Warranties; Performance</u>*. All representations and warranties of Seller and Split-Off Subsidiary contained in this Agreement shall have been true and correct, in all material respects, when made and shall be true and correct, in all material respects, at and as of the Closing with the same effect as though such representations and warranties were made at and as of the Closing. Seller and Split-Off Subsidiary shall have performed and complied with all covenants and agreements and satisfied all conditions, in all material respects, required by this Agreement to be performed or complied with or satisfied by them at or prior to the Closing.

X. **<u>OTHER AGREEMENTS</u>**.

10.1 *<u>Expenses</u>*. Each party hereto shall bear its expenses separately incurred in connection with this Agreement and with the performance of its obligations hereunder.

10.2 *Confidentiality*. Buyers shall not make any public announcements concerning this transaction without the prior written agreement of InVivo, other than as may be required by applicable law or judicial process. If for any reason the transactions contemplated hereby are not consummated, then Buyers shall return any information received by Buyers from Seller or Split-Off Subsidiary, and Buyers shall cause all confidential information obtained by Buyers concerning Split-Off Subsidiary and its business to be treated as such.

10.3 *Brokers' Fees*. In connection with the transaction specifically contemplated by this Agreement, no party to this Agreement has employed the services of a broker and each agrees to indemnify the other against all claims of any third parties for fees and commissions of any brokers claiming a fee or commission related to the transactions contemplated hereby.

10.4 *Access to Information Post-Closing; Cooperation*.

(a) Following the Closing, Buyers and Split-Off Subsidiary shall afford to Seller and its authorized accountants, counsel and other designated representatives, reasonable access (and including using reasonable efforts to give access to persons or firms possessing information) and duplicating rights during normal business hours to allow records, books, contracts, instruments, computer data and other data and information (collectively, "Information") within the possession or control of Buyers or Split-Off Subsidiary insofar as such access is reasonably required by Seller. Information may be requested under this Section 10.4(a) for, without limitation, audit, accounting, claims, litigation and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations and performing this Agreement and the transactions contemplated hereby. No files, books or records of Split-Off Subsidiary existing at the Closing Date shall be destroyed by Buyers or Split-Off Subsidiary after Closing but prior to the expiration of any period during which such files, books or records are required to be maintained and preserved by applicable law without giving Seller at least 30 days' prior written notice, during which time Seller shall have the right to examine and to remove any such files, books and records prior to their destruction.

(b) Following the Closing, Seller shall afford to Split-Off Subsidiary and its authorized accountants, counsel and other designated representatives reasonable access (including using reasonable efforts to give access to persons or firms possessing information) duplicating rights during normal business hours to Information within Seller's possession or control relating to the business of Split-Off Subsidiary. Information may be requested under this Section 10.4(b) for, without limitation, audit, accounting, claims, litigation and tax purposes as well as for purposes of fulfilling disclosure and reporting obligations and for performing this Agreement and the transactions contemplated hereby. No files, books or records of Split-Off Subsidiary existing at the Closing Date shall be destroyed by Seller after Closing but prior to the expiration of any period during which such files, books or records are required to be maintained and preserved by applicable law without giving Buyers at least 30 days prior written notice, during which time Buyers shall have the right to examine and to remove any such files, books and records prior to their destruction.

(c) At all times following the Closing, Seller, Buyers and Split-Off Subsidiary shall use their reasonable efforts to make available to the other party on written request, the current and former officers, directors, employees and agents of Seller or Split-Off Subsidiary for any of the purposes set forth in Section 10.4(a) or (b) above or as witnesses to the extent that such persons may reasonably be required in connection with any legal, administrative or other proceedings in which Seller or Split-Off Subsidiary may from time to be involved.

(d) The party to whom any Information or witnesses are provided under this Section 10.4 shall reimburse the provider thereof for all out-of-pocket expenses actually and reasonably incurred in providing such Information or witnesses.

(e) Seller, Buyers, Split-Off Subsidiary and their respective employees and agents shall each hold in strict confidence all Information concerning the other party in their possession or furnished by the other or the other's representative pursuant to this Agreement with the same degree of care as such party utilizes as to such party's own confidential information (except to the extent that such Information is (i) in the public domain through no fault of such party or (ii) later lawfully acquired from any other source by such party), and each party shall not release or disclose such Information to any other person, except such party's auditors, attorneys, financial advisors, bankers, other consultants and advisors or persons with whom such party has a valid obligation to disclose such Information, unless compelled to disclose such Information by judicial or administrative process or, as advised by its counsel, by other requirements of law.

(f) Seller, Buyers and Split-Off Subsidiary shall each use their best efforts to forward promptly to the other party all notices, claims, correspondence and other materials which are received and determined to pertain to the other party.

10.5 *Guarantees, Surety Bonds and Letter of Credit Obligations*. In the event that Seller is obligated for any debts, obligations or liabilities of Split-Off Subsidiary by virtue of any outstanding guarantee, performance or surety bond or letter of credit provided or arranged by Seller on or prior to the Closing Date, Buyers and Split-Off Subsidiary shall use their best efforts to cause to be issued replacements of such bonds, letters of credit and guarantees and to obtain any amendments, novations, releases and approvals necessary to release and discharge fully Seller from any liability thereunder following the Closing. Buyers and Split-Off Subsidiary, jointly and severally, shall be responsible for, and shall indemnify, hold harmless and defend Seller from and against, any costs or losses incurred by Seller arising from such bonds, letters of credits and guarantees and any liabilities arising therefrom and shall reimburse Seller for any payments that Seller may be required to pay pursuant to enforcement of its obligations relating to such bonds, letters of credit and guarantees.

10.6 *Filings and Consents*. Buyers, at their risk, shall determine what, if any, filings and consents must be made and/or obtained prior to Closing to consummate the purchase and sale of the Shares. Buyers shall indemnify the Seller Indemnified Parties (as defined in Section 12.1 below) against any Losses (as defined in Section 12.1 below) incurred by such Seller Indemnified Parties by virtue of the failure to make and/or obtain any such filings or consents. Recognizing that the failure to make and/or obtain any filings or consents may cause Seller to incur Losses or otherwise adversely affect Seller, Buyers and Split-Off Subsidiary confirm that the provisions of this Section 10.6 will not limit Seller's right to treat such failure as the failure of a condition precedent to Seller's obligation to close pursuant to Article VIII above.

10.7 *Insurance*. Buyers acknowledge that on the Closing Date, effective as of the Closing, any insurance coverage and bonds provided by Seller for Split-Off Subsidiary, and all certificates of insurance evidencing that Split-Off Subsidiary maintains any required insurance by virtue of insurance provided by Seller, will terminate with respect to any insured damages resulting from matters occurring subsequent to Closing.

10.8 *Agreements Regarding Taxes*.

(a) *Tax Sharing Agreements*. Any tax sharing agreement between Seller and Split-Off Subsidiary is terminated as of the Closing Date and will have no further effect for any taxable year (whether the current year, a future year or a past year).

(b) *Returns for Periods Through the Closing Date*. Seller will include the income and loss of Split-Off Subsidiary (including any deferred income triggered into income by Reg. §1.1502-13 and any excess loss accounts taken into income under Reg. §1.1502-19) on Seller's consolidated federal income tax returns for all periods through the Closing Date and pay any federal income taxes attributable to such income. Seller and Split-Off Subsidiary agree to allocate income, gain, loss, deductions and credits between the period up to Closing (the "Pre-Closing Period") and the period after Closing (the "Post-Closing Period") based on a closing of the books of Split-Off Subsidiary, and both Seller and Split-Off Subsidiary agree not to make an election under Reg. §1.1502-76(b)(2)(ii) to ratably allocate the year's items of income, gain, loss, deduction and credit. Seller, Split-Off Subsidiary and Buyers agree to report all transactions not in the ordinary course of business occurring on the Closing Date after Buyers' purchase of the Shares on Split-Off Subsidiary's tax returns to the extent permitted by Reg. §1.1502-76(b)(1)(ii)(B). Buyers agrees to indemnify Seller for any additional tax owed by Seller (including tax owned by Seller due to this indemnification payment) resulting from any transaction engaged in by Split-Off Subsidiary during the Pre-Closing Period or on the Closing Date after Buyers' purchase of the Shares. Split-Off Subsidiary will furnish tax information to Seller for inclusion in Seller's consolidated federal income tax return for the period which includes the Closing Date in accordance with Split-Off Subsidiary's past custom and practice.

(c) *Audits*. Seller will allow Split-Off Subsidiary and its counsel to participate at Split-Off Subsidiary's expense in any audits of Seller's consolidated federal income tax returns to the extent that such audit raises issues that relate to and increase the tax liability of Split-Off Subsidiary. Seller shall have the absolute right, in its sole discretion, to engage professionals and direct the representation of Seller in connection with any such audit and the resolution thereof, without receiving the consent of Buyers or Split-Off Subsidiary or any other party acting on behalf of Buyers or Split-Off Subsidiary, provided that Seller will not settle any such audit in a manner which would materially adversely affect Split-Off Subsidiary after the Closing Date unless such settlement would be reasonable in the case of a person that owned Split-Off Subsidiary both before and after the Closing Date. In the event that after Closing any tax authority informs Buyers or Split-Off Subsidiary of any notice of proposed audit, claim, assessment or other dispute concerning an amount of taxes which pertain to Seller, or to Split-Off Subsidiary during the period prior to Closing, Buyers or Split-Off Subsidiary must promptly notify Seller of the same within 15 calendar days of the date of the notice from the tax authority. In the event Buyers or Split-Off Subsidiary does not notify Seller within such 15 day period, Buyers and Split-Off Subsidiary, jointly and severally, will indemnify Seller for any incremental interest, penalty or other assessments resulting from the delay in giving notice. To the extent of any conflict or inconsistency, the provisions of this Section 10.8 shall control over the provisions of Section 12.2 below.

(d) *Cooperation on Tax Matters*. Buyers, Seller and Split-Off Subsidiary shall cooperate fully, as and to the extent reasonably requested by any party, in connection with the filing of tax returns pursuant to this Section and any audit, litigation or other proceeding with respect to taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Split-Off Subsidiary shall (i) retain all books and records with respect to tax matters pertinent to Split-Off Subsidiary relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Seller, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (ii) give Seller reasonable written notice prior to transferring, destroying or discarding any such books and records and, if Seller so requests, Buyers agree to cause Split-Off Subsidiary to allow Seller to take possession of such books and records.

10.9 *ERISA*. Effective as of the Closing Date, Split-Off Subsidiary shall terminate its participation in, and withdraw from, any employee benefit plans sponsored by Seller, and Seller and Buyers shall cooperate fully in such termination and withdrawal. Without limitation, Split-Off Subsidiary shall be solely responsible for (i) all liabilities under those employee benefit plans notwithstanding any status as an employee benefit plan sponsored by Seller, and (ii) all liabilities for the payment of vacation pay, severance benefits, and similar obligations, including, without limitation, amounts which are accrued but unpaid as of the Closing Date with respect thereto. Buyers and Split-Off Subsidiary acknowledge that Split-Off Subsidiary is solely responsible for providing continuation health coverage, as required under the Consolidated Omnibus Reconciliation Act of 1985, as amended ("COBRA"), to each person, if any, participating in an employee benefit plan subject to COBRA with respect to such employee benefit plan as of the Closing Date, including, without limitation, any person whose employment with Split-Off Subsidiary is terminated after the Closing Date.

XI. **TERMINATION**. This Agreement may be terminated at, or at any time prior to, the Closing by mutual written consent of Seller, Buyers and InVivo.

If this Agreement is terminated as provided herein, it shall become wholly void and of no further force and effect and there shall be no further liability or obligation on the part of any party except to pay such expenses as are required of such party.

XII. **INDEMNIFICATION**.

12.1 *Indemnification by Buyers*. Buyers covenant and agree to indemnify, defend, protect and hold harmless Seller and InVivo, and their respective officers, directors, employees, stockholders, agents, representatives and Affiliates (collectively, the “Seller Indemnified Parties”) at all times from and after the date of this Agreement from and against all losses, liabilities, damages, claims, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys’ fees and expenses of investigation), whether or not involving a third party claim and regardless of any negligence of any Seller Indemnified Party (collectively, “Losses”), incurred by any Seller Indemnified Party as a result of or arising from (i) any breach of the representations and warranties of Buyers set forth herein or in certificates delivered in connection herewith, (ii) any breach or nonfulfillment of any covenant or agreement (including any other agreement of Buyers to indemnify set forth in this Agreement) on the part of Buyers under this Agreement, (iii) any Assigned Asset or Assigned Liability or any other debt, liability or obligation of Split-Off Subsidiary, (iv) the conduct and operations, whether before or after Closing, of (A) the business of Seller pertaining to the Assigned Assets and Assigned Liabilities or (B) the business of Split-Off Subsidiary, (v) claims asserted, whether before or after Closing, (A) against Split-Off Subsidiary or (B) pertaining to the Assigned Assets and Assigned Liabilities, or (vi) any federal or state income tax payable by Seller or InVivo and attributable to the transactions contemplated by this Agreement. The obligations of Buyers under this Section, as between Buyers and the Seller Indemnified Parties, are joint and several.

12.2 *Third Party Claims*.

(a) *Defense*. If any claim or liability (a “Third-Party Claim”) should be asserted against any of the Seller Indemnified Parties (the “Indemnitee”) by a third party after the Closing for which Buyers have an indemnification obligation under the terms of Section 12.1, then the Indemnitee shall notify Buyers (the “Indemnitors”) within 20 days after the Third-Party Claim is asserted by a third party (said notification being referred to as a “Claim Notice”) and give the Indemnitor a reasonable opportunity to take part in any examination of the books and records of the Indemnitee relating to such Third-Party Claim and to assume the defense of such Third-Party Claim and in connection therewith and to conduct any proceedings or negotiations relating thereto and necessary or appropriate to defend the Indemnitee and/or settle the Third-Party Claim. The expenses (including reasonable attorneys’ fees) of all negotiations, proceedings, contests, lawsuits or settlements with respect to any Third-Party Claim shall be borne by the Indemnitors. If the Indemnitors agree to assume the defense of any Third-Party Claim in writing within 20 days after the Claim Notice of such Third-Party Claim has been delivered, through counsel reasonably satisfactory to Indemnitee, then the Indemnitors shall be entitled to control the conduct of such defense, and any decision to settle such Third-Party Claim, and shall be responsible for any expenses of the Indemnitee in connection with the defense of such Third-Party Claim so long as the Indemnitors continue such defense until the final resolution of such Third-Party Claim. The Indemnitors shall be responsible for paying all settlements made or judgments entered with respect to any Third-Party Claim the defense of which has been assumed by the Indemnitors. Except as provided on subsection (b) below, both the Indemnitor and the Indemnitee must approve any settlement of a Third-Party Claim. A failure by the Indemnitee to timely give the Claim Notice shall not excuse Indemnitor from any indemnification liability except only to the extent that the Indemnitors are materially and adversely prejudiced by such failure.

(b) *Failure to Defend*. If the Indemnitors shall not agree to assume the defense of any Third-Party Claim in writing within 20 days after the Claim Notice of such Third-Party Claim has been delivered, or shall fail to continue such defense until the final resolution of such Third-Party Claim, then the Indemnitee may defend against such Third-Party Claim in such manner as it may deem appropriate and the Indemnitee may settle such Third-Party Claim, in its sole discretion, on such terms as it may deem appropriate. The Indemnitors shall promptly reimburse the Indemnitee for the amount of all settlement payments and expenses, legal and otherwise, incurred by the Indemnitee in connection with the defense or settlement of such Third-Party Claim. If no settlement of such Third-Party Claim is made, then the Indemnitors shall satisfy any judgment rendered with respect to such Third-Party Claim before the Indemnitee is required to do so, and pay all expenses, legal or otherwise, incurred by the Indemnitee in the defense against such Third-Party Claim.

12.3 *Non-Third-Party Claims*. Upon discovery of any claim for which Buyers has an indemnification obligation under the terms of Section 12.1 which does not involve a claim by a third party against the Indemnitee, the Indemnitee shall give prompt notice to Buyers of such claim and, in any case, shall give Buyers such notice within 30 days of such discovery. A failure by Indemnitee to timely give the foregoing notice to Buyers shall not excuse Buyers from any indemnification liability except to the extent that Buyers is materially and adversely prejudiced by such failure.

12.4 *Survival*. Except as otherwise provided in this Section 12.4, all representations and warranties made by Buyers, Split-Off Subsidiary and Seller in connection with this Agreement shall survive the Closing. Anything in this Agreement to the contrary notwithstanding, the liability of all Indemnitors under this Article XII shall terminate on the fourth (4^{th}) anniversary of the Closing Date, except with respect to (a) liability for any item as to which, prior to the fourth (4^{th}) anniversary of the Closing Date, any Indemnitee shall have asserted a Claim in writing, which Claim shall identify its basis with reasonable specificity, in which case the liability for such Claim shall continue until it shall have been finally settled, decided or adjudicated, (b) liability of any party for Losses for which such party has an indemnification obligation, incurred as a result of such party’s breach of any covenant or agreement to be performed by such party after the Closing, (c) liability of Buyers for Losses incurred by a Seller Indemnified Party due to breaches of their representations and warranties in Article IV of this Agreement, and (d) liability of Buyers for Losses arising out of Third-Party Claims for which Buyers have an indemnification obligation, which liability shall survive until the statute of limitation applicable to any third party’s right to assert a Third-Party Claim bars assertion of such claim.

XIII. **MISCELLANEOUS**.

13.1 *Definitions*. Capitalized terms used herein without definition have the meanings ascribed to them in the Merger Agreement.

13.2 *Notices*. All notices and communications required or permitted hereunder shall be in writing and deemed given when received by means of the United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or personal delivery, or overnight courier, as follows:

(a) If to Seller, addressed to:

InVivo Therapeutics Holding Corp.
One Broadway, 14th Floor
Cambridge, MA 02142
Attention: Frank M. Reynolds
Facsimile: (617) 225-4430

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

Meister Seelig & Fein, LLP
140 East 45th Street
New York, NY 10017
Attention: Mitchell Lampert, Esq.
Facsimile: (646) 539-3675

(b) If to Buyers or Split-Off Subsidiary, addressed to:

Peter Reichard
100 Europa Drive, Suite 455
Chapel Hill, NC 27515-4321
Facsimile: (919) 933-2730

or to such other address as any party hereto shall specify pursuant to this Section 13.2 from time to time.

13.3 *Exercise of Rights and Remedies*. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

13.4 *Time*. Time is of the essence with respect to this Agreement.

13.5 *Reformation and Severability*. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

13.6 *Further Acts and Assurances*. From and after the Closing, Seller, Buyers and Split-Off Subsidiary agree that each will act in a manner supporting compliance, including compliance by its Affiliates, with all of its obligations under this Agreement and, from time to time, shall, at the request of another party hereto, and without further consideration, cause the execution and delivery of such other instruments of conveyance, transfer, assignment or assumption and take such other action or execute such other documents as such party may reasonably request in order more effectively to convey, transfer to and vest in Buyers, and to put Split-Off Subsidiary in possession of, all Assigned Assets and Assigned Liabilities, and to convey, transfer to and vest in Seller and Buyers, and to them in possession of, the Purchase Price Securities and the Shares (respectively), and, in the case of any contracts and rights that cannot be effectively transferred without the consent or approval of other Persons that is unobtainable, to use its best reasonable efforts to ensure that Split-Off Subsidiary receives the benefits thereof to the maximum extent permissible in accordance with applicable law or other applicable restrictions, and shall perform such other acts which may be reasonably necessary to effectuate the purposes of this Agreement.

13.7 *Entire Agreement; Amendments*. This Agreement contains the entire understanding of the parties relating to the subject matter contained herein. This Agreement cannot be amended or changed except through a written instrument signed by all of the parties hereto and by InVivo. No provisions of this Agreement or any rights hereunder may be waived by any party without the prior written consent of InVivo.

13.8 *Assignment*. No party may assign his, her or its rights or obligations hereunder, in whole or in part, without the prior written consent of the other parties.

13.9 *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to principles of conflicts or choice of laws thereof.

13.10 *Counterparts*. This Agreement may be executed in one or more counterparts, with the same effect as if all parties had signed the same document. Each such counterpart shall be an original, but all such counterparts taken together shall constitute a single agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature page was an original thereof.

13.11 *Section Headings and Gender*. The Section headings used herein are inserted for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. All personal pronouns used in this Agreement shall include the other genders, whether used in the masculine, feminine or neuter, and the singular shall include the plural, and *vice versa*, whenever and as often as may be appropriate.

13.12 *Third-Party Beneficiary*. Each of Seller, Buyers and Split-Off Subsidiary acknowledges and agrees that this Agreement is entered into for the express benefit of InVivo, and that InVivo is relying hereon and on the consummation of the transactions contemplated by this Agreement in entering into and performing its obligations under the Merger Agreement, and that InVivo shall be in all respects entitled to the benefit hereof and to enforce this Agreement as a result of any breach hereof.

13.13 *Specific Performance; Remedies*. Each of Seller, Buyers and Split-Off Subsidiary acknowledge and agree that InVivo would be damaged irreparably if any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached. Accordingly, each of Seller, Buyers and Split-Off Subsidiary agrees that InVivo will be entitled to seek an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and its terms and provisions in any action instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter, subject to Section 13.9, in addition to any other remedy to which InVivo may be entitled, at law or in equity. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and are in addition to any other rights, obligations or remedies otherwise available at law or in equity, and nothing herein will be considered an election of remedies.

13.14 *Submission to Jurisdiction; Process Agent; No Jury Trial*.

(a) Each party to the Agreement hereby submits to the jurisdiction of any state or federal court sitting in the State of New York in any action arising out of or relating to this Agreement and agrees that all claims in respect of the action may be heard and determined in any such court. Each party to the Agreement also agrees not to bring any action arising out of or relating to this Agreement in any other court. Each party to the Agreement agrees that a final judgment in any action so brought will be conclusive and may be enforced by action on the judgment or in any other manner provided at law or in equity. Each party to the Agreement waives any defense of inconvenient forum to the maintenance of any action so brought and waives any bond, surety or other security that might be required of any other party with respect thereto.

(b) EACH PARTY TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RIGHTS TO JURY TRIAL OF ANY DISPUTE BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OTHER AGREEMENTS RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT OR ANY DEALINGS AMONG THEM RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. The scope of this waiver is intended to be all encompassing of any and all actions that may be filed in any court and that relate to the subject matter of the transactions, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party to the Agreement hereby acknowledges that this waiver is a material inducement to enter into a business relationship and that they will continue to rely on the waiver in their related future dealings. Each party to the Agreement further represents and warrants that it has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED ORALLY OR IN WRITING, AND THE WAIVER WILL APPLY TO ANY AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING HERETO. In the event of commencement of any action, this Agreement may be filed as a written consent to trial by a court.

13.15 *Construction*. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties hereto and no presumption or burden of proof will arise favoring or disfavoring any party because of the authorship of any provision of this Agreement. Any reference to any federal, state, local or foreign law will be deemed also to refer to law as amended and all rules and regulations promulgated thereunder, unless the context requires otherwise. The words “include,” “includes,” and “including” will be deemed to be followed by “without limitation.” The words “this Agreement,” “herein,” “hereof,” “hereby,” “hereunder,” and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The parties hereto intend that each representation, warranty and covenant contained herein will have independent significance. If any party hereto has breached any representation, warranty or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) which that party has not breached will not detract from or mitigate the fact that such party is in breach of the first representation, warranty or covenant.

[Signature page follows this page.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Split-Off Agreement as of the day and year first above written.

INVIVO THERAPEUTICS HOLDING CORP.

By: ______________________________

Name: Peter Reichard
Title: President

DSOURCE SPLIT CORP.

By: ______________________________

Name: Peter Reichard
Title: President

BUYERS

____
Peter Reichard

____
Lawrence Reichard

____
Peter Coker

Buyers	Purchase Price Security	Number
Peter Reichard	Common Stock	6,644,910
Lawrence Reichard	Common Stock	405,796
Peter Coker	Common Stock	7,696,848

* As adjusted to reflect the 2.02898-for-1 forward stock split of the common stock of Seller, in the form of a dividend.

EXHIBIT B
FORM OF OPINION OF COUNSEL TO THE COMPANY

October 26, 2010

InVivo Therapeutics Holdings Corp.
100 Europa Drive, Suite 455
Chapel Hill, North Carolina 27517

Spencer Trask Ventures, Inc.
535 Madison Avenue, 18th Floor
New York, NY 10022

Re: Opinion Letter

Ladies and Gentlemen:

We have acted as special counsel for InVivo Therapeutics Corporation (the "Company") in connection with the transactions contemplated by the (i) Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), dated October 26, 2010, by and among the Company, InVivo Therapeutics Holdings Corp. (formerly known as Design Source, Inc. ("Pubco") and InVivo Therapeutics Acquisition Corp. and (ii) the Placement Agency Agreement, dated as October 4, 2010 (the "Placement Agency Agreement"), by and among the Company, Pubco and Spencer Trask Ventures, Inc. ("Spencer Trask"). This opinion (this "Opinion Letter") is being delivered to you pursuant to Section 5.2(i) of the Merger Agreement and Section 6(h) of the Placement Agency Agreement. Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned to such terms in the Merger Agreement and the Placement Agency Agreement.

In our capacity as special counsel, we have examined the following instruments and documents, each of which, unless otherwise stated, is dated as of the date hereof:

(a) Merger Agreement;

(b) Split-Off Agreement by and among Pubco, Split-Off Subsidiary, the Buyers and the Company;

(c) General Release Agreement by and among the Company, Split-Off Subsidiary, the Buyers and Pubco;

(d) Placement Agency Agreement;

(e) Registration Rights Agreement by and among Pubco and the investors signatory thereto;

(f) Escrow Deposit Agreement among the Company, Pubco, Spencer Trask and Signature Bank, dated October 4, 2010;

(g) Subscription Agreement among Pubco and the investors signatory thereto;

(h) Agent Warrant;

(i) Warrants to be issued to the investors pursuant to the Memorandum;

(Items (a) through (i) being collectively referred to herein as the "Transaction Documents");

(j) the certified copy of the Certificate of Incorporation of the Company, together with all amendments thereto, certified by Secretary of State of the State of Delaware on October 12, 2010 (the "Certificate of Incorporation");

(k) the Certificate as to the Company issued by the Secretary of State of the State of Delaware dated October 21, 2010 (the "Delaware Certificate");

(l) the Certificate as to the Company issued by the Secretary of the Commonwealth of Massachusetts dated October 20, 2010 (the "Massachusetts Certificate");

(m) the Unanimous Written Consents of the Board of Directors of the Company dated as of September 1, 2010, September 30, 2010, October 2, 2010 and October 4, 2010;

(n) the Written Consent of the holders of a majority of the outstanding Common Stock of the Company;

(o) the By-Laws of the Company, as in effect as of the date hereof (the "By-Laws");

(Items (j) through (o) being collectively referred to herein as the "Company Organizational Documents"); and

(i) the Memorandum.

We have examined the originals or copies, certified or otherwise identified to our satisfaction, of such documents and records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for the purpose of rendering this opinion. As to various questions of fact, we have relied upon a certificate of the Company, a copy of which is annexed hereto as Exhibit A, and made a part hereof (the "Certificate").

For purposes of this opinion letter, we have assumed, without independent investigation, (i) the genuineness of all signatures (other than the Company), (ii) the authenticity of all documents submitted to us as originals, (iii) the conformity to original documents of all documents submitted to us as copies, and (iv) the correctness and accuracy of all facts, representations and warranties, set forth in all the Transaction Documents and certificates and reports delivered pursuant thereto and the binding effect of the Transaction Documents with respect to the parties thereto other than the Company, (v) that value has been given for the obligations incurred by the Company, and (vi) that the parties thereto other than the Company are bound by the Transaction Documents. The opinions hereinafter expressed are also subject to the foregoing and qualifications and conditions set forth hereafter.

Based upon the foregoing and subject to the qualifications, limitations, exceptions and assumption set forth herein, we are of the following opinion:

1. Based solely upon our review of the Company Organizational Documents, the Company is duly organized as a corporation and is validly existing and in good standing under the laws of the State of Delaware as of the date of the Delaware Certificate. Based solely upon our review of the Company Organizational Documents, the Company is qualified to do business in the Commonwealth of Massachusetts as of the date set forth in the Massachusetts Certificate.

2. Based solely upon our review of the Certificate of Incorporation, the authorized capital stock of the Company on the date hereof consists of (i) 5,000,000 shares of Common Stock, $0.001 par value per share, and (ii) 510 shares of Preferred Stock, $0.001 par value per share. Based solely upon the Certificate, upon the closing of the Offering, assuming full conversion of all of the Company's outstanding convertible promissory notes ("Convertible Notes") (exclusive of the $500,000 principal amount of convertible promissory notes issued in the Bridge Note Offering) in accordance with their terms, immediately prior to the closing of the Merger, 2,297,884 shares of the Company's common stock and no shares of the Company's preferred stock will be issued and outstanding.

3. Except as set forth in the Transaction Documents or the Memorandum and except for the Company's 2007 Stock Option Plan, to our actual knowledge, based solely on the Certificate there are no outstanding or authorized options, warrants, rights agreements or commitments to which the Company is a party or which are binding upon the Company providing for the issuance or redemption of any of its respective capital stock.

4. The execution, delivery and performance by the Company of the Transaction Documents to which it is a party and the consummation by the Company of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Company and have been duly executed and delivered by the Company. Each of the Transaction Documents to which the Company is a party constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

5. The execution, delivery and performance by the Company of the Transaction Documents to which it is a party and the consummation by the Company of the transactions contemplated thereby will not: (i) violate the provisions of the Delaware General Corporation Law or any United States federal or state law, rule or regulation known to us to be currently applicable to the Company; (ii) violate the provisions of the Company's Certificate of Incorporation or By-Laws; (iii) to our actual knowledge, violate any judgment, decree, order or award of any court, governmental body or arbitrator having jurisdiction over the Company; or (iv) to our actual knowledge, result in the breach or termination of any material term or provision of an agreement to which the Company is a party, except in any such case where the breach or violation would not have a material adverse effect upon the business (as currently conducted), financial condition, prospects or results of operation of the Company or its ability to perform its obligations under the Transaction Documents.

6. No consent, approval or authorization of, or other action by, and no notice to or filing with, any United States federal or state governmental authority on the part of the Company is required in connection with the valid execution and delivery of the Transaction Documents to which it is a party and the consummation by the Company of the transactions contemplated thereunder, except for (A) the notices and filings required by state and federal securities laws, (B) the Certificate of Merger to be filed with the Delaware Secretary of State, (C) any filings relating to public disclosure of the transactions contemplated by the Transaction Documents, (D) any required consent, approval, authorization, action or filing that has been obtained, performed or made by the Company, or (E) the provision following the Effective Date to those stockholders of the Company who did not consent to the Merger of the notice required by Section 262(d)(2) of the Delaware General Corporate Law.

Our opinions are also further subject to and limited by the following qualifications:

A. We express no opinion to the extent that the validity or enforceability of any provision of the Transaction Documents may be subject to or affected by (i) applicable bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement or assignment for the benefit of creditors, fraudulent transfer or conveyance, or similar state or federal laws and judicially developed doctrines relevant to any such laws, affecting the rights and remedies of creditors generally, (ii) general principles of equity (including, without limitation, the remedies of specific performance and injunctive relief) and public policy considerations (including, without limitation, principles of commercial reasonableness, good faith and fair dealing) whether applied in proceedings in equity or at law, (iii) the discretion of the court or body before which any proceeding therefore may be brought, and (iv) the order of any court or body or any contractual relationship of which we have no knowledge.

B. We have assumed (without making independent investigation thereof) the due and proper execution of the Transaction Documents by all parties (other than the Company).

C. We have assumed that Pubco, Spencer Trask and any other party to the Transaction Documents (other than the Company) has legal existence, all requisite power and authority and has taken all necessary action for the due authorization, execution and delivery of the Transaction Documents to which it is a party and the other documents to which any person or entity is a party and to effect the transaction contemplated thereby and perform its respective obligations thereunder and with respect to all such persons (other than the Company) that such obligations are the legal valid and binding obligations of each such person, enforceable against it in accordance with their respective terms. We have assumed that each party to the Transaction Documents (other than the Company) has complied with all legal requirements pertaining to its status as such status relates to its rights to enforce any of such documents to which it is a party. We have further assumed the full legal capacity of all individuals in connection with the execution, delivery of and performance under the Transaction Documents and the documents and transactions contemplated thereby, it being understood that we have no knowledge (having made no investigation thereof) that any signatory lacks such legal capacity.

D. In rendering this opinion letter we are acting solely in our capacity as special counsel to the Company in connection with the Merger and the Offering. Any reference to "our knowledge", "knowledge", "actual knowledge" or to any matters "known to us", "our understanding," "coming to our attention" or "of which we are aware" or any variation of any of the foregoing, shall mean the actual knowledge of those attorneys who are presently employees or partners of this firm who have rendered legal services to the Company in connection with the representation described in the introductory paragraph of this opinion letter. We have not undertaken any independent investigation to determine the existence or absence of any facts, and no inference as to our knowledge of the existence or absence of such facts should be drawn from the fact of our representation of the Company in connection with these transactions. Moreover, without limiting the generality of the foregoing, we have not searched any computerized or electronic data bases or the dockets or records of any court, regulatory body or governmental authority or agency or other filing office in any jurisdiction or made any special or independent investigation or review of any judgments, decrees, franchises, certificates, permits or the like, and have made no independent search of the records of any judicial authority or governmental agency affecting the parties to whom (or which) we are counsel. In addition, we have made no independent examination or investigation to verify the accuracy or completeness of any financial, accounting or other information furnished to any party or with respect to any other accounting or financial matters or provisions involving computations and express no opinion with respect thereto.

E. Our opinions hereinafter expressed are limited solely to the Delaware General Corporation Law, the laws of the State of New York, and the federal laws of the United States of America, and we express no opinion as to the laws of any other jurisdiction or the effect on the matters covered by the opinions contained herein of the laws of any other jurisdiction.

F. We have assumed that either (i) no consent, approval or authorization of, or other action by, and no notice to or filing with, any United States federal or state governmental authority on the part of the Company is required in connection with the valid execution and delivery of the Transaction Documents to which it is a party and the consummation by the Company of the transactions contemplated thereunder, except for (A) the notices and filings required by state and federal securities laws, (B) the Certificate of Merger to be filed with the Delaware Secretary of State, and (C) any filings relating to public disclosure of the transactions contemplated by the Transaction Documents, or (ii) any required consent, approval, authorization, action or filing has been obtained, performed or made by the Company.

G. We have assumed that there are no other agreements or understandings among the parties to any of the Transaction Documents or other documents contemplated thereby, written or oral, and there is no usage of trade or course of prior dealing among the parties thereto that would, in either case, define, supplement or qualify the terms of any such documents, except as expressly set forth in the Transaction Documents.

H. No opinion is expressed as to the applicability of any federal, state, local or foreign tax or laws or regulations to the transactions contemplated by the Transaction Documents, or the characterization or effectiveness of any such agreements or provisions thereof for tax purposes, or the applicability of, compliance with or waiver of any tax laws or filings.

I. No opinion is expressed as to the applicability of any federal, state, local or foreign securities laws or regulations to the transactions contemplated by the Transaction Documents, or the characterization or effectiveness of any such agreements or provisions thereof for securities purposes, except with regard to the opinion expressed in paragraph 6 above.

J. We render no opinion with respect to (i) the compliance with or impact of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 (as amended) on the transactions contemplated by the Transaction Documents, (ii) whether the Company or any beneficial owner of an interest therein is a person or an entity with whom Spencer Trask is restricted from doing business under (a) regulations of the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") including, without limitation, any person listed on the Specifically Designated Nationals and Blocked Person List maintained by OFAC (or any similar list maintained by OFAC, collectively, the "OFAC List"), or (b) any similar regulations, statutes, laws, lists, or executive orders established or promulgated by the United States government or any agency thereof (the regulations, statutes, laws, lists and executive orders referred to in clauses (a) and (b) above are collectively referred to as the "Regulations") and (iii) whether the Company will directly or indirectly, conduct any business with or engage in any transaction with any person named on the OFAC List, any person included in, owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with, any person named on the OFAC List, or any other person with whom Spencer Trask is restricted from doing business under any Regulations.

K. Certain remedies, waivers and other provisions or requirements of the Transaction Documents may not be enforceable or may be subject to certain procedural requirements therein. No opinion is expressed as to the validity, legally binding nature or enforceability of (i) any provision contained in any Transaction Document with respect to indemnification or contribution to the extent the enforcement thereof contravenes public policy, (ii) any non-competition, non-disclosure or non-interference provision contained in any Transaction Document, (iii) any provision contained in any Transaction Document purporting to allow the collection of attorneys' fees or the expenses incurred by any party in enforcing its rights under such Transaction Document, (iv) any provisions contained in any Transaction Document relating to waiver of remedies (or the delay or omission of enforcement thereof) or the availability of specific performance as an available remedy, or (v) any provision contained in any Transaction Document purporting to modify or toll an applicable statute of limitations.

The opinions expressed herein are based upon currently existing statutes, rules, regulations and judicial decisions and are rendered as of the date hereof, and we disclaim any obligation to advise you of any change in any of the foregoing sources of law or subsequent developments in law or changes in facts or circumstances which might affect any matters or opinions expressed herein. This Opinion Letter is limited solely to the matters set forth above. No other opinion is intended, nor should any other opinion be inferred herefrom. This Opinion Letter is rendered only to the addressees and is solely for the addressees' benefit in connection with the transactions contemplated by the Transaction Documents.

This Opinion Letter may not be relied upon by the addressees for any other purpose without our prior express written consent.

Very truly yours,

/s/ Meister Seelig & Fein LLP

MEISTER SEELIG & FEIN LLP

Exhibit C

Gottbetter & Partners, LLP

488 Madison Ave, 12th Floor
New York, NY 10022-5718
www.gottbetter.com

T: 212.400.6900
F: 212.400.6901

October 26, 2010

InVivo Therapeutics Holdings Corp.
100 Europa Drive, Suite 455
Chapel Hill, NC 27517

Spencer Trask Ventures, Inc.
535 Madison Avenue, 12th Floor
New York, NY 10022

Re: InVivo Therapeutics Holdings Corp.
InVivo Therapeutics Corporation

Ladies and Gentlemen:

This opinion is being furnished in connection with (i) that certain Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), dated October 26, 2010, among InVivo Therapeutics Holdings Corp. (f/k/a Design Source, Inc.), a Nevada corporation (the "Parent"), InVivo Therapeutics Acquisition Corp., a Delaware corporation (the "Acquisition Subsidiary"), and InVivo Therapeutics Corporation, a Delaware corporation (the "Company"), and (ii) that certain Placement Agency Agreement (the "PA Agreement"), dated October 4, 2010, among the Parent, the Company and Spencer Trask Ventures, Inc. (the "Placement Agent"). We have acted as counsel to the Parent, the Acquisition Subsidiary, and DSource Split Corp. (the "Split-Off Subsidiary) as applicable, in connection with the Merger Agreement, the merger (the "Merger") which is the subject of the Merger Agreement, the private placement offering ("PPO") which is the subject of the PA Agreement, and related transactions (collectively with the Merger and PPO, the "Transactions") conducted in connection therewith. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to them in the Merger Agreement and/or the PA Agreement.

As counsel to the Parent and the Acquisition Subsidiary, we have examined and are familiar with and have relied upon the following documents:

(a) the Articles of Incorporation and Bylaws of the Parent and the Certificate of Incorporation and Bylaws of the Acquisition Subsidiary, each as amended to date;

(b) certificates of the Secretary of State of the States of Nevada and Delaware, dated as of a recent date, attesting to the continued legal existence and corporate good standing of the Parent and the Acquisition Subsidiary in Nevada and Delaware, respectively (the "State Certificates");

(c) the Unanimous Written Consents of Parent's Board of Directors dated October 4, 2010, as of October 4, 2010, and October 26, 2010;

(d) the Unanimous Written Consent of Acquisition Subsidiary's Board of Directors dated as of October 7, 2010;

(e) the Written Consent of the shareholders of the Acquisition Subsidiary dated October 25, 2010;

(f) the Unanimous Written Consent of the Split-Off Subsidiary's Board of Directors dated as of October 8, 2010;

(g) the Memorandum;

(h) an Officer's Certificate from the Parent and the Acquisition Subsidiary to Gottbetter & Partners, LLP, dated as of the date hereof (the "Officer's Certificate"), a copy of which is attached hereto as Exhibit A;

(i) the Merger Agreement;

(j) the PA Agreement,

(k) the Split-Off Agreement by and among Parent, the Split-Off Subsidiary, and Peter A. Reichard, Peter L. Coker and Lawrence Reichard;

(l) the General Release Agreement by and among Parent, the Split-Off Subsidiary, and Peter A. Reichard, Peter L. Coker and Lawrence Reichard;

(m) the Registration Rights Agreement by and among Parent and (i) subscribers to the PPO; and (ii) persons exchanging Company bridge warrants for Pubco warrants;

(n) the Escrow Deposit Agreement dated October 4, 2010 among Parent, the Company, the Placement Agent and Signature Bank;

(o) the Subscription Agreements among Parent and the PPO subscribers;

(p) the form of the certificate representing the Parent Common Stock;

(q) the form of the Agent Warrant;

(r) the form of the Investor Warrant; and

(s) such other documents, instruments and certificates (including but not limited to certificates of public officials) as we have considered necessary for purposes of this opinion.

The Merger Agreement and the PA Agreement (the Merger Agreement and the PA Agreement, together with all other documents and instruments contemplated by the Merger and PPO including, but not limited to, the Escrow Deposit Agreement, Investor Warrants, Agent

Warrants, Parent Bridge Warrants, Registration Rights Agreement, Split-Off Agreement, General Release Agreement, and the Subscription Agreements, are hereinafter referred to collectively as the “Transaction Documents”).

In our examination of the documents described above, we have assumed the genuineness of all signatures (other than those of the Parent, Acquisition Subsidiary and Split-Off Subsidiary), the legal capacity of all individual signatories, the completeness of all corporate records provided to us, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, and the authenticity of the originals of such latter documents.

In rendering this opinion, we have relied, as to all questions of fact material to this opinion, upon certificates of public officials and the Officer’s Certificate. We have not attempted to verify independently such facts, although nothing has come to our attention which would lead us to question the accuracy of such certificates or representations and warranties. We have also assumed, without independent investigation, that no addressee of this opinion letter has any actual knowledge that any of our factual assumptions or opinions is inaccurate.

Any reference herein to “our knowledge,” or to any matter “known to us,” “coming to our attention” or “of which we are aware,” or any variation of any of the foregoing shall mean the conscious awareness of the attorneys in this firm who have rendered substantive attention to the Transactions of the existence or absence of any facts which would contradict our opinions set forth below. We have not undertaken any independent investigation to determine the existence or absence of such facts, and no inference as to our knowledge of the existence or absence of such facts should be drawn from the fact of our representation of the Parent and the Acquisition Subsidiary. Without limiting the foregoing, we have not conducted a search of any electronic databases or the dockets of any court, administrative or regulatory body, agency or other filing office in any jurisdiction.

Our opinions set forth below are qualified to the extent that they may be subject to or affected by (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws relating to or affecting the rights of creditors generally, (ii) statutory or decisional law concerning recourse by creditors to security in the absence of notice or hearing, and (iii) duties and standards imposed on creditors and parties to contracts, including, without limitation, requirements of good faith, reasonableness and fair dealing. Furthermore, we express no opinion as to the availability of any equitable or specific remedy upon any breach of any of the agreements as to which we are opining herein, or any of the agreements, documents or obligations referred to therein, or to the successful assertion of any equitable defenses, inasmuch as the availability of such remedies or the success of any equitable defense may be subject to the discretion of a court.

Our opinions expressed, insofar as they relate to the due organization, valid existence and good standing of the Parent and Acquisition Subsidiary, are based solely on the State Certificates, and are limited accordingly, and, as to such matters, our opinions are rendered as of the respective dates of such certificates. We express no opinion as to the tax good standing of the Parent or the Acquisition Subsidiary in any jurisdiction.

We are expressing no opinion herein with respect to compliance by the Parent or the Acquisition Subsidiary with state or provincial securities or "blue sky" laws, or with any state, provincial or federal securities antifraud laws.

We are opining herein solely as to the state laws of the State of New York and the federal laws of the United States of America. To the extent that any other laws govern any of the matters as to which we are opining below, we have assumed, with your permission and without independent investigation, that such laws are identical to the state laws of the State of New York, and we express no opinion as to whether such assumption is reasonable or correct.

For purposes of our opinions rendered below, we have assumed that the facts and law governing the future performance by the Parent and the Acquisition Subsidiary of their respective obligations will be identical to the facts and law governing its performance on the date of this opinion.

Based upon and subject to the foregoing, we are of the opinion that:

1. Each of the Parent, the Acquisition Subsidiary and the Split-Off Subsidiary (a) is a corporation incorporated, in good standing and existing under the Laws of its jurisdiction of incorporation, (b) has the corporate power to own, lease and operate its properties and carry on its business as described in its Articles/Certificate of Incorporation and in Parent's Annual Report on Form 10-K for the year ended March 31, 2010, and (c) has authority to enter into and perform its obligations under the Merger Agreement, the PA Agreement and each of the other Transaction Documents to which it is a party. Each of the Parent, the Acquisition Subsidiary and the Split-Off Subsidiary is duly qualified, licensed or registered to carry on business in each jurisdiction in which the nature of its business or assets requires it to be qualified, licensed or registered, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on its business (as currently conducted) or financial condition, prospects or results of operations (a "Material Adverse Effect").
2. To our knowledge, the Parent has filed all reports required to be filed by it under the Securities Exchange Act of 1934 (the "Exchange Act"), including pursuant to Section 13(a) or 15(d) thereof.
3. The authorized capital stock of the Parent on the date hereof consists of 100,000,000 shares of Parent Common Stock, $0.00001 par value per share, of which 22,762,027 shares were issued and outstanding as of the date of the Merger Agreement, after giving effect to a 2.02898-for-1 forward stock split in the form of a stock dividend (the "Stock Split") to stockholders of record on October   , 2010, but without giving effect to the Merger, the PPO, the cancellation of 1,014,490 shares of Parent Common Stock and the surrender and cancellation, pursuant to the Split-Off, of 14,747,555 shares of Parent Common Stock. All of the issued and outstanding shares of capital stock of the Parent are duly authorized, validly issued, fully paid, non-assessable and free of any statutory or,

to our knowledge, contractual or other preemptive rights. Except as set forth in the Transaction Documents and as contemplated by the PPO, to the best of our knowledge, there are no outstanding or authorized options, warrants, rights, agreements or commitments to which the Parent or the Acquisition Subsidiary is a party or which are binding upon the Parent or the Acquisition Subsidiary providing for the issuance or redemption of any of their respective capital stock. All of the issued and outstanding shares of capital stock of the Parent were issued in compliance with the registration requirements under the Securities Act of 1933, as amended (the “Securities Act”), or valid exemptions therefrom.

4. The execution, delivery and performance by each of the Parent, the Acquisition Subsidiary and the Split-Off Subsidiary of each of the Transaction Documents to which it is a party and the consummation by each of them of the Transactions contemplated thereby:

   a. have been duly authorized by all necessary corporate action on the part of each of Parent and the Acquisition Subsidiary;

   b. do not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) result in a breach or a violation of, result in the termination of or conflict with, or allow any other Person to exercise any rights under any of the terms or provisions of its Articles/Certificate of Incorporation or by-laws or any material contract known to us to which it is a party;

   c. will not result in the violation of any Law; and

   d. will not violate any judgment, decree, order or award known to us of any court, governmental body or arbitrator having jurisdiction over the Parent or Acquisition Subsidiary.

5. Each of the Transaction Documents to which the Parent and the Acquisition Subsidiary are a party has been duly executed and delivered by the Parent or the Acquisition Subsidiary, as the case may be, and constitutes the legal, valid and binding obligation of the Parent or the Acquisition Subsidiary, as the case may be, enforceable against it in accordance with its terms.

6. To our knowledge, there is no litigation or legal proceeding pending or threatened (a) against (i) the Parent or Acquisition Subsidiary that could have, individually or in the aggregate, a Material Adverse Effect on the Parent or Acquisition Subsidiary or (ii) any Affiliate of the Parent or Acquisition Subsidiary, which litigation or legal proceeding could have a Material Adverse Effect on the Parent or Acquisition Subsidiary or wherein such Affiliate has an interest in the litigation or proceeding that is adverse to the Parent’s or Acquisition Subsidiary’s interest, or (b) that challenges or seeks to prevent, enjoin or otherwise delay the Transactions.

7. The 31,647,190 shares of Parent Common Stock to be issued pursuant to the Merger will, when so issued, be validly issued, fully paid and non-assessable.

8. The 5,915,615 shares of Parent Common Stock reserved for issuance upon the exercise of Parent Options to be issued in connection with the Merger will, when so issued and delivered against payment therefor as provided in the Parent Options, be validly issued, fully-paid and non-assessable.

9. The 600,000 shares of Parent Common Stock to be issued upon the exercise of the Parent Bridge Warrants will, when so issued and delivered against payment therefor as provided in the Parent Bridge Warrants, be validly issued, fully-paid and non-assessable.

10. The shares of Parent Common Stock to be issued in the PPO will, when so issued, sold and delivered against payment therefore in accordance with the provisions of the Subscription Agreements, be validly issued, fully-paid and non-assessable. The shares of Parent Common Stock to be issued upon the exercise of the Investor Warrants and Agent Warrants, will, when so issued and delivered, against payment therefor as provided in the Investor Warrants or Agent Warrants, as applicable, be validly issued, fully-paid and non-assessable.

11. The shares of Parent Common Stock to be issued pursuant to the Merger (including the shares issuable upon the exercise of the Parent Options and the Parent Bridge Warrants) and the shares of Parent Common Stock to be issued in the PPO (including the shares of Parent Common Stock to be issued upon the exercise of the Investor Warrants and Agent Warrants), assuming that they are offered and sold in the manner contemplated by the Memorandum will be issued pursuant to valid exemptions from the registration requirements of the Securities Act, will not be registered under the Securities Act and will constitute “restricted securities” thereunder. The certificates representing these shares will contain legends restricting their transfer under the Securities Act.

12. The PPO Shares, the Parent Bridge Warrants, the Investor Warrants, the Agent Warrants, and the shares of Common Stock issuable upon exercise of the Parent Bridge Warrants, Investor Warrants and the Agent Warrants, have been duly authorized for issuance by all necessary corporate action on the part of the Parent. The issuance of the PPO Shares, the Parent Bridge Warrants, the Investor Warrants and the Agent Warrants and the shares of Common Stock issuable upon exercise of the Parent Bridge Warrants, Investor Warrants and the Agent Warrants are not subject to any statutory or, to our knowledge, contractual or other preemptive rights. A sufficient number of authorized but unissued shares of Parent Common Stock have been reserved for issuance upon exercise of the Parent Bridge Warrants, Investor Warrants and the Agent Warrants.

13. Either (i) no consent, approval or authorization of, or other action by, and no notice to or filing with, any United States federal or state governmental authority on the part of the Parent is required in connection with the valid execution and

delivery of the Transaction Documents to which it is a party and the consummation by the Parent of the transactions contemplated thereunder, except for (A) the filing of a Form D that may be filed with the United States Securities and Exchange Commission; (B) any filings under the securities laws of the various jurisdictions in which the Shares, Investor Warrants and Agent Warrants are being offered and sold in the PPO; (C) the Certificate of Merger to be filed with the Delaware Secretary of State; and (D) any filings relating to public disclosure of the transactions contemplated by the Transaction Documents, or (ii) any required consent, approval, authorization, action or filing has been obtained, performed or made by the Parent.

This opinion is provided to you as a legal opinion only and not as a guaranty or warranty of the matters discussed herein. This opinion is based upon currently existing statutes, rules, regulations and judicial decisions and is rendered as of the date hereof, and we disclaim any obligation to advise you of any change in any of the foregoing sources of law or subsequent .developments in law or changes in facts or circumstances which might affect any matters or opinions set forth herein.

This opinion is rendered only to you and is solely for your benefit in connection with the Transaction Documents and the Transactions. This opinion may not be relied upon by you for any other purpose, nor may this opinion be provided to, quoted to or relied upon by any other person or entity for any purpose without our prior written consent. Notwithstanding the foregoing, this opinion may be relied upon by. Continental Stock Transfer & Trust Company of New York (the “Transfer Agent”) in its capacity as the Parent’s transfer agent.

Very truly yours,

Gottbetter & Partners, LLP

GOTTBETTER & PARTNERS, LLP

EXHIBIT 2.3

STATE OF DELAWARE
CERTIFICATE OF MERGER OF
DOMESTIC CORPORATIONS

Pursuant to Title 8, Section 251(c) of the Delaware General Corporation Law, the undersigned corporation executed the following Certificate of Merger:

FIRST: The name of the surviving corporation is InVivo Therapeutics Corporation, a Delaware corporation, and the name of the corporation being merged into this surviving corporation is InVivo Therapeutics Acquisition Corp., a Delaware corporation.

SECOND: The Agreement of Merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations.

THIRD: The name of the surviving corporation is InVivo Therapeutics Corporation, a Delaware corporation.

FOURTH: The Certificate of Incorporation of the surviving corporation shall be its Certificate of Incorporation.

FIFTH: The merger is to become effective upon filing with the Secretary of State of the State of Delaware.

SIXTH: The Agreement of Merger is on file at One Broadway, 14th Floor, Cambridge, MA 02142, the place of business of the surviving corporation.

SEVENTH: A copy of the Agreement of Merger will be furnished by the surviving corporation on request, without cost, to any stockholder of the constituent corporations.

IN WITNESS WHEREOF, said surviving corporation has caused this certificate to be signed by an authorized officer, the 26th day of October 2010.

By: /s/ Frank M. Reynolds
Authorized Officer

Name: Frank M. Reynolds
Print or Type

Title: President

Exhibit 5.1

BRL Law Group LLC
425 Boylston Street, 3rd Floor
Boston, Massachusetts 02116

May 19, 2011

InVivo Therapeutics Holdings Corp.
One Broadway, 14th Floor
Cambridge, MA 02142

Ladies and Gentlemen:

This opinion is furnished to you in connection with a Registration Statement on Form S-1 (the “Registration Statement”) filed with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Securities Act”) on the date hereof, for the registration of an aggregate of (i) 12,848,600 shares of Common Stock, $0.00001 par value per share (the “Common Stock”) of InVivo Therapeutics Holdings Corp., a Nevada corporation (the “Company”) (the “Common Shares”) and (ii) 13,198,600 shares of Common Stock issuable upon the exercise of warrants (the “Warrant Shares”), for a total of 26,047,200 shares of Common Stock and such indeterminate number of shares of Common Stock that may be issued as a result of stock splits, stock dividends, recapitalizations or similar events (the “Shares”), all of which Shares, if and when sold, will be sold by the selling stockholders named in the Registration Statement.

We have examined signed copies of the Registration Statement as filed with the Commission. We have also examined and relied upon minutes of meetings of the Board of Directors of the Company as provided to us by the Company, and the Articles of Incorporation and Bylaws of the Company, each as restated and/or amended to date, and such other documents as we have deemed necessary for purposes of rendering the opinions hereinafter set forth.

In our examination of the foregoing documents, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, the authenticity of the originals of such latter documents and the legal competence of all signatories to such documents.

We express no opinion herein as to the laws of any state or jurisdiction other than the state laws of the Commonwealth of Massachusetts, the state laws of Nevada and the federal laws of the United States of America.

Based upon and subject to the foregoing, we are of the opinion that the Shares have been duly authorized, and the Common Shares are, and when issued upon exercise of the Company’s warrants in accordance with the terms thereof, the Warrant Shares will be, validly issued, fully paid and non-assessable.

Please note that we are opining only as to the matters expressly set forth herein, and no opinion should be inferred as to any other matters. This opinion is based upon currently existing statutes, rules, regulations and judicial decisions.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act and to the use of this Firm’s name therein and in the related Prospectus under the caption “Legal Matters.” In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

/s/ BRL LAW GROUP LLC

BRL Law Group LLC

FORM OF SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (the "Agreement") is made as of the __ day of August, 2010, by and between InVivo Therapeutics Corporation, a Delaware corporation (the "Company"), and the investors listed on the Schedule of Investors attached hereto (each an "Investor" and collectively, the "Investors").

WITNESSETH:

WHEREAS, the Company desires to sell to the Investors, and the Investors desire to purchase from the Company, units comprised of (a) 6% convertible promissory notes in the aggregate principal amount of up to $500,000 (each a "Note and collectively, the "Notes"), in the form attached as Exhibit A hereto, and (b) a warrant (each a "Warrant" and collectively, the "Warrants"), in the form attached as Exhibit B hereto, to purchase a number of shares of the Company's common stock, $0.001 par value per share (the "Common Stock") equal to the principal amount of the Notes divided by the exercise price of $13.7706 per share, pursuant to the provisions of this Agreement at a purchase price per unit equal to the principal amount of the Notes included in such unit; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

1. Purchase and Sale of Notes and Warrants.

1.1 Issuance and Sale of Notes and Warrants. Subject to the terms and conditions of this Agreement, the Investors severally and not jointly agree to purchase at the Closing (as hereafter defined), and the Company agrees to issue and sell to the Investors at the Closing, the amount of Notes and the Warrants based on the purchase price set forth opposite each Investor's name on the Signature Page hereto, for an aggregate purchase price of up to Five Hundred Thousand ($500,000) Dollars (the "Aggregate Offering Amount"; and the offering of the Notes and Warrants being offered hereunder referred to as the "Offering").

1.2 Payment. The Investor is enclosing with its delivery of its Signature Page hereto a check payable to, or will promptly immediately make a wire transfer payment to, "InVivo Therapeutics Corporation" in the full amount of the purchase price of the Notes and Warrants being subscribed for ("Purchase Price"). Wire instructions are as follows:

Domestic Wiring

Routing: 026009593
Account: 004604684378
InVivo Therapeutics Corporation
Bank of America
226 Main St.
Cambridge, MA 02142

International Wiring

Routing: 026009593
Account: 004604684378
InVivo Therapeutics Corporation
One Broadway, 14th Floor
Cambridge, MA 02142
CEO Name: Francis M Reynolds
SWIFT Code: BOFAUS3N

For both domestic and international:

FBO: Investor Name
Social Security Number
Address

All payments made by check as provided in Section 1.2 hereof shall be promptly deposited by the Company or Spencer Trask Ventures, Inc. (in its capacity as the "Finder") with the aforementioned bank, and all payments hereunder shall be held in a non-interest-bearing account (the "Account") until the earliest to occur of (a) the Closing (as defined below), (b) the rejection of such proposed investment by the Company or the Finder and (c) the termination of the Offering by the Company or the Finder.

1.3 Closing.

(a) The initial closing of the purchase and sale of Notes and Warrants under this Agreement (the "Initial Closing") shall be held at the offices of the Company, One Broadway, 14th Floor, Cambridge, MA 02142 (or remotely via the exchange of documents and signatures), on or before September 30, 2010, subject to the Company's right to extend the Offering until October 31, 2010 (the date of the Initial Closing is hereinafter referred to as the "Initial Closing Date"). The subsequent closing(s) of the purchase and sale of Notes (up to Aggregate Offering Amount) and Warrants under this Agreement (the "Subsequent Closing(s)") shall take place at a time agreed upon by the Company and the Finder (the date(s) of the Subsequent Closing(s) is hereinafter referred to as the "Subsequent Closing Date(s)"), all of which shall occur in any event no later than October 31, 2010. The Investors agree that any additional persons or entities that acquire Notes and Warrants at any Subsequent Closing shall become Investors under this Agreement with all rights and obligations attendant thereto, upon their execution of this Agreement without further action by any other Investor. For purposes of this Agreement, the terms "Closing" and "Closing Date", unless otherwise indicated, refer to the applicable closing and closing date of the Initial Closing or the Subsequent Closing(s), as the case may be.

(b) At each Closing, the Company shall deliver the Notes and the Warrants to the Investors against payment of the Purchase Price to the Company as described above, along with delivery by the Investors of an Accredited Investor Certification and Investor Profile to the Company.

2. Representations and Warranties of the Company. The Company hereby represents and warrants to the Investors, except as set forth on a Schedule of Exceptions to Representations and Warranties attached hereto as Exhibit C (the "Schedule of Exceptions"), the following:

2.1 Subsidiaries. The Company does not presently own or control, directly or indirectly, any interest in any other corporation, association, or other business entity (as hereinafter defined) (each, a "Subsidiary" and collectively, the "Subsidiaries"). Unless the context requires otherwise, all references herein to the "Company" shall refer to the Company and its Subsidiaries. The Company is not a party to any joint venture, partnership, or similar arrangement.

2.2 Organization, Good Standing, and Qualification. The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to carry on its business as now conducted. The Subsidiaries are duly organized in their respective jurisdictions of organization, validly existing and in good standing in such respective jurisdictions and each has the power and authority to carry on its respective business as now conducted. The Company and the Subsidiaries are duly qualified to transact business and are in good standing in each jurisdiction in which the failure so to qualify would have a Material Adverse Effect (as hereafter defined) on the Company's business or properties.

2.3 Capitalization and Voting Rights. The authorized capital stock of the Company consists of 5,000,000 shares of Common Stock and 510 shares of preferred stock, $0.001 par value per share ("Preferred Stock"). As of the date of this Agreement, there was issued and outstanding (i)1,986,956 shares of Common Stock; (ii) $2,945,000 principal amount of convertible promissory notes ("Convertible Notes") that are convertible into 264,215 shares of common stock; and (iii) no shares of Preferred Stock. As of the date of this Agreement, there were issued and outstanding options ("Options") to purchase 322,456 shares of Common Stock and no warrants. It is contemplated that the Company will be issuing an additional 33,041 options to a CFO it anticipates hiring during fiscal 2010. All of the issued and outstanding shares of Common Stock, and all shares of Common Stock that may be issued upon exercise or conversion of Options, Convertible Notes or Warrants will be (upon issuance in accordance with their terms), duly authorized, validly issued, fully paid, nonassessable and free of all preemptive rights with respect to the transactions contemplated by this Agreement. Other than such Options, Convertible Notes and Outstanding Warrants, there are no outstanding or authorized options, warrants, rights, agreements or commitments to which the Company is a party or which are binding upon the Company providing for the issuance or redemption of any of its capital stock. There are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to the Company. The Company and the shareholders of the Company are parties to a shareholders' agreement which contains certain customary rights of first refusal, drag-long and tag-along rights and super-majority voting requirements amongst the shareholders for approving certain corporate actions**.** All of the issued and shares of Common Stock were issued in compliance with applicable federal and state securities laws.

2.4 Authorization. All corporate action on the part of the Company, its officers, directors, and shareholders necessary for the authorization, execution and delivery of this Agreement, the Notes and the Warrants (collectively, the “Transaction Documents”), the performance of all obligations of the Company hereunder and thereunder and the authorization, issuance (or reservation for issuance) and delivery of the Notes and the Warrants being sold hereunder and the Common Stock issuable upon exercise of the Warrants (collectively, the “Securities”), has been taken or will be taken prior to the Closing, and the Transaction Documents constitute valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, except (i) as limited by 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) to the extent the indemnification provisions contained in the Transaction Documents may be limited by applicable federal or state laws.

2.5 Valid Issuance of Notes, Warrants and Common Stock.

(a) The Notes and the Warrants are being purchased by the Investors hereunder, when issued, sold, and delivered in accordance with the terms hereof for the consideration provided for herein, will be duly and validly issued, and, based in part upon the representations of the Investors in this Agreement, will be issued in compliance with all applicable federal and state securities laws. The equity securities issuable upon exercise of the Warrant have been duly and validly reserved for issuance and, upon issuance in accordance with the terms of the Warrant (and upon payment of the exercise price as required by the Warrant), shall be duly and validly issued, fully paid and nonassessable, and issued in compliance with all applicable securities laws, as presently in effect, of the United States and each of the states whose securities laws govern the issuance of the Warrants hereunder.

(b) All outstanding shares of Common Stock of the Company are duly and validly authorized and issued, fully paid and nonassessable, and were issued in compliance with all applicable federal and state securities laws.

2.6 Filings, Consents and Approvals. Neither the Company nor any Subsidiary is 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) a proper Form D in accordance with Regulation D promulgated under the Securities Act of 1933, as amended (the "Act"), and applicable Blue Sky filings and (ii) in all other cases where the failure to obtain such consent, waiver, authorization or order, or to give such notice or make such filing or registration could not have or result in, individually or in the aggregate, a material and adverse effect on the results, operations, properties, prospects or financial condition of the Company and its Subsidiaries taken as a whole ("Material Adverse Effect").

2.7 Litigation. There is no action, suit, proceeding, claim or investigation pending or, to the knowledge of the Company, currently threatened against the Company which questions the validity of the Transaction Documents, or the right of the Company to enter into any of them, or to consummate the transactions contemplated hereby or thereby, or which might result, either individually or in the aggregate, in any material adverse changes in the assets, condition, affairs, or prospects of the Company, financially or otherwise, or any change in the current equity ownership of the Company, nor is the Company aware that there is any basis for the foregoing, other than a claim by a single holder of $200,000 of Convertible Notes relating to the Company's valuation on conversion of his Convertible Notes. The foregoing includes, without limitation, actions, pending or threatened (or any basis therefor known to the Company), involving the prior employment of any of the Company's employees, their use in connection with the Company's business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment, or decree of any court or government agency or instrumentality.

2.8 Compliance with Other Instruments. The Company is not in violation or default of any provisions of its Certificate of Incorporation, as amended to date, or Bylaws or, to its knowledge, of any instrument, judgment, order, writ, decree, mortgage, indenture, lease, license or contract to which it is a party or by which it is bound or, to its knowledge, of any provision of federal, state, or local statute, rule, or regulation applicable to the Company, except as would not reasonably be expected, singly or in the aggregate, to have a Material Adverse Effect. The execution, delivery, and performance of the Transaction Documents and the consummation of the transactions contemplated thereby will not, to the Company's knowledge, result in any such violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision, instrument, judgment, order, writ, decree or contract, or an event which results in the creation of any lien, charge, or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization, or approval applicable to the Company, its business or operations, or any of its assets or properties, except as would not reasonably be expected, singly or in the aggregate, to have a Material Adverse Effect.

2.9 Compliance with Laws. The conduct of business by the Company and each Subsidiary as presently and proposed to be conducted is not subject to continuing oversight, supervision, regulation or examination by any governmental official or body of the United States or any other jurisdiction wherein the Company or any Subsidiary conducts or proposes to conduct such business, except such regulation as is applicable to commercial enterprises generally. Neither the Company nor any of the Subsidiaries has received any notice of any violation of or noncompliance with, any federal, state, local or foreign laws, ordinances, regulations and orders (including, without limitation, those relating to environmental protection, occupational safety and health, federal securities laws, equal employment opportunity, consumer protection, credit reporting, "truth-in-lending", and warranties and trade practices) applicable to its business or to the business of any Subsidiary, the violation of, or noncompliance with, which would have a materially adverse effect on either the Company's business or operations, or that of any Subsidiary, and the Company knows of no facts or set of circumstances which would give rise to such a notice.

2.10. Insurance. The Company has in full force and effect fire and casualty insurance policies, with extended coverage, sufficient in amount (subject to reasonable deductibles) to allow it to replace any of its properties that might be damaged or destroyed, and the Company has insurance against other hazards, risks, and liabilities to persons and property to the extent and in the manner customary for companies in similar businesses similarly situated.

3. Representations and Warranties of the Investors. Each of the Investors, severally and not jointly, hereby represents and warrants that:

3.1 Authorization. The Transaction Documents constitute valid and legally binding obligations of the Investor enforceable in accordance with their terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.2 Purchase Entirely for Own Account. The Securities to be purchased by the Investor will be acquired for investment for the Investor's own account and not with a view to the resale or distribution of any part thereof, and such Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. Such Investor does not have any contract, undertaking, agreement, or arrangement with any person to sell, transfer, or grant participation to any person with respect to any of the Securities. Investor represents that it has full power and authority to enter into this Agreement.

3.3 Disclosure of Information. The Investor acknowledges that it has received all the information that it has requested relating to the Company and the purchase of the Notes and the Warrants. The Investor further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Notes and the Warrants. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 2 of this Agreement or the right of the Investor to rely thereon.

3.4 Investment Experience. Investor is an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Securities. If other than an individual, Investor also represents it has not been organized for the purpose of acquiring the Securities.

3.5 Accredited Investor. The Investor is an “accredited investor” within the meaning of Rule 501 of Regulation D of the Securities and Exchange Commission (the “SEC”), as presently in effect as more particularly specified in the Accredited Investor Certification and Investor Profile that the Investor is delivering to the Company prior to the Closing.

3.6 Restricted Securities. Investor understands that the Notes and the Warrants (and the equity securities issuable upon conversion of the Notes and Common Stock issuable upon exercise of the Warrant) that it is purchasing are characterized as “restricted securities” under the 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 Act, only in certain limited circumstances. In this connection, the Investor represents that it is familiar with SEC Rule 144, as presently in effect, and understands the resale limitations imposed thereby and by the Act.

3.7 High Risk and Speculative Investment. Investor recognizes that the purchase of the Notes involves a high degree of risk including, but not limited to, the following: (a) the Company requires funds in addition to the proceeds to be derived from the sale of the Notes; (b) an investment in the Company is highly speculative, and only investors who can afford the loss of their entire investment should consider investing in the Company and the Notes; (c) the Subscriber may not be able to liquidate its investment; (d) transferability of the Notes and the Warrants is extremely limited; (e) in the event of a disposition, the Investor could sustain the loss of its entire investment; (f) the Company has not paid any dividends since its inception and does not anticipate paying any dividends; (g) the Company may issue additional securities in the future which have rights and preferences that are senior to those of the Notes, Warrants and the Common Stock; and (h) that the Common Stock may not successfully become actively traded. Investor has reviewed the Risk Factors which are set forth in Schedule 3.7 hereto.

3.8 Use of Proceeds. Investor acknowledges and understands that the proceeds from the sale of the Notes are expected to be used by the Company in the manner set forth on Schedule 3.8 hereto.

3.9 Fees. No Investor will have, as a result of the transactions contemplated by the Transaction Documents, any valid right, interest or claim against or upon the Company, any Subsidiary or any other Investor for any commission, fee or other compensation pursuant to any agreement, arrangement or understanding entered into by or on behalf of such Investor.

3.10 Legends. It is understood that the certificates evidencing the Notes and the Warrants (and the equity securities issuable upon conversion and exercise thereof, respectively) may bear one or all of the following legends:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AS SET FORTH IN THIS CERTIFICATE. THE SECURITIES REPRESENTED HEREBY MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO COUNSEL FOR THE COMPANY, TO THE EFFECT THAT THE PROPOSED SALE, TRANSFER, OR DISPOSITION MAY BE EFFECTUATED WITHOUT REGISTRATION UNDER THE ACT."

4. Conditions of the Investors' Obligations at Closing. The obligations of the Investors under subsection 1.1(a) of this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions, the waiver of which shall not be effective against any Investor who does not consent thereto:

4.1 Representations and Warranties. The representations and warranties of the Company contained in Section 2 hereof shall be true on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of such Closing.

4.2 Performance. The Company shall have performed and complied with all agreements, obligations, and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

4.3 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to the Finder and counsel to the Finder, and they shall have received all such counterpart original and certified or other copies of such documents as they may reasonably request.

4.4 Delivery of Notes and Warrants. The Company shall have delivered the Notes and the Warrants to the Investors, as specified in Section 1.

5. Conditions of the Company's Obligations at Closing. The obligations of the Company to the Investors under this Agreement are subject to the fulfillment on or before any Closing of each of the following conditions by the Investors:

5.1 Representations and Warranties. The representations and warranties of the Investors contained in Section 3 shall be true on and as of such Closing with the same effect as though such representations and warranties had been made on and as of such Closing.

5.2 Payment of Purchase Price. The Investors shall have delivered the purchase price specified in Section 1.2.

6. Indemnification. The Investors, severally and not jointly, agree to indemnify and hold harmless the Company, the Finder, and their respective officers, directors, employees, agents, control persons and affiliates from and against all losses, liabilities, claims, damages, costs, fees and expenses whatsoever (including, but not limited to, any and all expenses incurred in investigating, preparing or defending against any litigation commenced or threatened) based upon or arising out of any actual or alleged false acknowledgment, representation or warranty, or misrepresentation or omission to state a material fact, or breach by the Investor of any covenant or agreement made by the Investor herein or in any other document delivered in connection with this Agreement.

7. Miscellaneous.

7.1 Survival of Warranties. All of the representations and warranties made herein shall survive the execution and delivery of this Agreement for a period of one year. The Investors are entitled to rely, and the parties hereby acknowledge that the Investors have so relied, upon the truth, accuracy and completeness of each of the representations and warranties of the Company contained herein, irrespective of any independent investigation made by Investors. The Company is entitled to rely, and the parties hereby acknowledge that the Company has so relied, upon the truth, accuracy and completeness of each of the representations and warranties of the Investors contained herein, irrespective of any independent investigation made by the Company.

7.2 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any Notes sold hereunder or any Common Stock issued upon conversion thereof). 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.

7.3 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New York as applied to agreements among New York residents entered into and to be performed entirely within New York. The parties hereto (1) agree that any legal suit, action or proceeding arising out of or relating to this Agreement shall be instituted exclusively in New York State Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, (2) waives any objection which the Company may have now or hereafter to the venue of any such suit, action or proceeding, and (3) irrevocably consents to the jurisdiction of the New York State Supreme Court, County of New York, and the United States District Court for the Southern District of New York in any such suit, action or proceeding. The Company further agrees to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in the New York State Supreme Court, County of New York, or in the United States District Court for the Southern District of New York and agrees that service of process upon the Company mailed by certified mail to the Company’s address shall be deemed in every respect effective service of process upon the Company, in any such suit, action or proceeding. THE PARTIES HERETO AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DOCUMENT OR AGREEMENT CONTEMPLATED HEREBY.

7.4 Counterparts. 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 via facsimile or by e-mail delivery of a ".pdf" format data file, either of which shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) this Agreement with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

7.5 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.

7.6 Notices. Unless otherwise provided, any notice, authorization, request or demand required or permitted to be given under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or three (3) days following deposit with the United States Post Office, by registered or certified mail, postage prepaid, or two days after it is sent by an overnight delivery service, or when sent by facsimile with machine confirmation of delivery addressed as follows:

If to the Investors to:

The addresses sent forth on the signature pages attached.

If to Company, to:

InVivo Therapeutics Corporation
One Broadway, 14th Floor
Cambridge, Ma. 02142
Attention: Frank Reynolds, Chief Executive Officer
Fax: (617) 401-3769

With a copy to:

Meister Seelig & Fein LLP
Two Grand Central Tower
140 East 45th Street
New York, NY 10017
Attention: Mitchell L. Lampert, Esq.
Fax: (212) 655-3535.

Any party may change its address for such communications by giving notice thereof to the other parties in conformity with this Section.

7.7 Compensation of Finder. The Investor acknowledges that it is aware that the Finder will receive from the Company, in consideration of its services as Finder in respect of the transactions contemplated hereby, five-year warrants to purchase such number of equity securities of the Company as is equal to 20% of the equity securities into which the Warrants are exercisable, with an exercise price equal to the exercise price of the Warrants issued to Investors in this Offering. In addition, upon conversion of the Notes in a Qualified Next Round Financing (as such term is defined in the Notes), the principal and interest due under this Note shall be deemed to be an investment in the such financing and the Finder shall be entitled to receive compensation and expense allowance with respect to the Notes in the same amount and kind as a Placement Agent is receiving for funds raised in such financing.

7.8 Transaction Expenses; Enforcement of Transaction Documents. The Company and each Investor shall pay their respective costs and expenses incurred with respect to the negotiation, execution, delivery and performance of this Agreement. If any action at law or in equity is necessary to enforce or interpret the terms of the Transaction Documents, the prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled.

7.9 Amendments and Waivers. This Agreement may be amended or terminated and the observance of any term of this Agreement may be waived with respect to all parties to this Agreement (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and the Note Requisite Holders (as defined below). Notwithstanding the foregoing, (a) this Agreement may not be amended or terminated and the observance of any term hereunder may not be waived with respect to any Investor without the written consent of such Investor unless such amendment, termination or waiver applies to all Investors in the same fashion and (b) the Schedule of Investors hereto may be amended by the Company from time to time to add information regarding additional Investors participating in Subsequent Closings without the consent of the other parties hereto. The Company shall give prompt written notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination or waiver. Any amendment, termination or waiver affected in accordance with this Section 7.9 shall be binding on all parties hereto, even if they do not execute such consent. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision. 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 (including securities into which such securities are convertible), each future holder of all such securities, and the Company. For purposes hereof, "Note Requisite Holder(s)" shall mean holders of Notes representing at least 66% of the aggregate amount of principal and accrued interest then outstanding under such Notes.

7.10 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

7.11 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement among the parties and no party shall be liable or bound to any other party in any manner by any warranties, representations, or covenants except as specifically set forth herein or therein.

7.12 Independent Nature of Investors. The obligations of each Investor under this Agreement or other transaction document are several and not joint with the obligations of any other Investor, and no Investor shall be responsible in any way for the performance of the obligations of any other Investor under this Agreement or any other transaction document. Each Investor shall be responsible only for its own representations, warranties, agreements and covenants hereunder. The decision of each Investor to purchase Notes and Warrants pursuant to this Agreement has been made by such Investor independently of any other Investor and independently of any information, materials, statements or opinions as to the business, affairs, operations, assets, properties, liabilities, results of operations, condition (financial or otherwise) or prospects of the Company which may have been made or given by any other Investor or by any agent or employee of any other Investor, and no Investor or any of its agents or employees shall have any liability to any other Investor (or any other person) relating to or arising from any such information, materials, statements or opinions. Nothing contained herein or in any other transaction document, and no action taken by any Investor pursuant hereto or thereto, shall be deemed to constitute the Investors as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Investors are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by this Agreement. Except as otherwise provided in this Agreement or any other transaction document, each Investor shall be entitled to independently protect and enforce its rights arising out of this Agreement or out of the other transaction documents, and it shall not be necessary for any other Investor to be joined as an additional party in any proceeding for such purpose. Each Investor represents and warrants that it has been represented by its own separate legal counsel in connection with the transactions contemplated hereby and acknowledges and understands that Meister Seelig & Fein LLP has served as counsel to the Company only, and the Investors cannot rely upon Meister Seelig & Fein LLP in any manner with regard to their decision to participate in the transactions contemplated hereby.

[Signatures on page following]

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

Company:

INVIVO THERAPEUTICS CORPORATION

By: /s/ Frank M. Reynolds

Name: Frank Reynolds

Title: Chief Executive Officer

Investors:

[TO SIGN AND COMPLETE SIGNATURE PAGE ANNEXED HERETO]

By execution and delivery of this signature page, you are agreeing to become an Investor, as defined in that certain Securities Purchase Agreement (the “Purchase Agreement”) by and among InVivo Therapeutics Corp., a Delaware corporation (the “Company”) and the Investors (as defined in the Purchase Agreement), dated as of August __, 2010, and acknowledges having read the representations in the Purchase Agreement section entitled “Representations and Warranties of the Investors,” and hereby represents that the statements contained therein are complete and accurate with respect to the undersigned as an Investor.

INVESTOR:

Print Name: ________________________________

Signature: _________________________________

Title (if entity) ______________________________

____
Street Address

____
Street Address – 2nd line

____
City, State, Zip

Purchase Price: $________________

Date: ________________________________

Contact Person: ________________________________

Telephone No. _________________________________

E-mail Address: _________________________________

Soc Sec # or Fed ID #______________________________

SCHEDULE OF INVESTORS

[TO BE COMPLETED BY COMPANY AT EACH CLOSING]

Name	Purchase Price	Note Amount	Number of Warrants

SCHEDULE 3.7

RISK FACTORS

An investment in the Notes and Warrants is speculative and illiquid and involves a high degree of risk, including the risk of a loss of your entire investment. You should carefully consider the risks and uncertainties described below, the risks set forth in our filings with the SEC and the other information contained in this Agreement before purchasing any Notes and Warrants. The risks set forth below are not the only ones facing our Company. Additional risks and uncertainties may exist that could also adversely affect our business, operations and prospects. If any of the following risks actually materialize, our business, financial condition, prospects and/or operations could suffer. In such event, the value of the securities you are purchasing could decline, and you could lose all or a substantial portion of the money that you invest. No inference should be drawn as to the magnitude of any particular risk from its position in the list of risk factors. As used in these Risk Factors, "we" and "our" refers to the Company, InVivo Therapeutics Corp., a Delaware corporation.

RISKS RELATED TO THE COMPANY AND ITS BUSINESS

Our products represent new and rapidly evolving technologies

The Company's proprietary spinal cord injury treatment technology depends on new, rapidly evolving technologies and on the marketability and profitability of InVivo products. Commercialization of the Company's spinal cord injury treatment technology could fail for a variety of reasons, both within and outside of its control.

We have a history of losses and a deficit net worth

The Company's expenses have exceeded its revenues since its formation. It can be expected that the Company will continue to incur significant operating expenses and may continue to experience losses in the foreseeable future. As a result, the Company cannot predict when, if ever, it might achieve profitability and cannot be certain that it will be able to sustain profitability, if achieved. In addition, as at June 30, 2010, we had a deficit net worth that may hinder our ability to receive financing in the future.

We have convertible notes outstanding

The Company has sold $4,181,000 of convertible notes since its inception. The Company is in the process of seeking conversion of such notes to common stock and has contacted all of the note holders regarding conversion. As of the date of this Agreement, holders of $1,236,000 have executed and returned conversion agreements to the Company, thereby converting such debt obligations to 107,420 shares of common stock. The Company expects most if not all of its remaining note holders to voluntarily convert their notes to shares of the Company's common stock, but there can be no assurance that the Company is correct in its assessment. Notes which are not voluntarily converted by the remaining note holders will automatically convert into shares of the Company's common stock on or before May 31, 2011 and the Company has no obligation to repay any principal amounts of such notes but may either pay accrued interest on the notes in cash or convert such amount into shares of its common stock. If all of the notes are converted, the Company will issue an additional 264,215 shares to the note holders in exchange for such notes.

We will be subject to competition from substantial competitors

The biotechnology industry is subject to intense competition and rapid and significant technological change. The Company has many potential competitors, including major drug companies, specialized biotechnology firms, academic institutions, government agencies and private and public research institutions. Many of these competitors have significantly greater financial and technical resources, experience and expertise in research and development, preclinical testing, designing and implementing clinical trials; regulatory processes and approvals; production and manufacturing; and sales and marketing of approved products.

Principal competitive factors in the Company's industry include the quality and breadth of an organization's technology; management of the organization and the execution of the organization's strategy; the skill and experience of an organization's employees and its ability to recruit and retain skilled and experienced employees; an organization's intellectual property portfolio; the range of capabilities, from target identification and validation to drug and device discovery and development to manufacturing and marketing; and the availability of substantial capital resources to fund discovery, development and commercialization activities.

Large and established companies compete in the biotech market. In particular, these companies have greater experience and expertise in securing government contracts and grants to support their research and development efforts, conducting testing and clinical trials, obtaining regulatory approvals to market products, manufacturing such products on a broad scale and marketing approved products.

Smaller or early-stage companies and research institutions may also prove to be significant competitors, particularly through collaborative arrangements with large and established biotech or other companies. The Company will also face competition from these parties in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and registering subjects for clinical trials.

In order to effectively compete, the Company will have to make substantial investments in development, testing, manufacturing and sales and marketing or partner with one or more established companies. There is no assurance that the Company will be successful in gaining significant market share for any of its products. The Company's technologies and products also may be rendered obsolete or noncompetitive as a result of products introduced by its competitors.

The Company may have product liability exposure from the sale of its products.

The Company will have exposure to claims for product liability. Products liability coverage is expensive and sometimes difficult to obtain. The Company may not be able to obtain or maintain insurance at a reasonable cost. There can be no assurance that existing insurance coverage will extend to other products in the future. Any product liability insurance coverage may not be sufficient to satisfy all liabilities resulting from product liability claims. A successful claim may prevent the Company from obtaining adequate product liability insurance in the future on commercially desirable items, if at all. Even if a claim is not successful, defending such a claim would be time-consuming and expensive, may damage the Company's reputation in the marketplace, and would likely divert management's attention.

The near and long-term viability of the Company's products will depend on its ability to successfully establish strategic relationships.

The near and long-term viability of the Company's product will depend in part on its ability to successfully establish new strategic collaborations with biotechnology companies, hospitals, insurance companies and government agencies. Establishing strategic collaborations is difficult and time-consuming. Potential collaborators may reject collaborations based upon their assessment of the Company's financial, regulatory or intellectual property position. If the Company fails to establish a sufficient number of collaborations on acceptable terms, it may not be able to commercialize its products or generate sufficient revenue to fund further research and development efforts.

Even if the Company establishes new collaborations, these relationships may never result in the successful development or commercialization of any product candidates for several reasons both within and outside of the Company's control.

Before the Company could begin commercial manufacturing of any of its product candidates, the Company and its collaborators must pass a pre-approval inspection before FDA approval and comply with the FDA's current Good Manufacturing Practices. If the Company's collaborators fail to comply with these requirements, its product candidates would not be approved. If the Company's collaborators fail to comply with these requirements after approval, the Company would be subject to possible regulatory action and may be limited in the jurisdictions in which it is permitted to sell products.

The Company has been and will continue to be dependent on third-party research organizations to conduct some of its laboratory testing, animal and human studies.

The Company has been and will continue to be dependent on third-party research organizations to conduct some of its laboratory testing, animal and human studies. If the Company is unable to obtain any necessary testing services on acceptable terms, it may not complete its product development efforts in a timely manner. If the Company relies on third parties for laboratory testing and/or animal and human studies, it may lose some control over these activities and become too dependent upon these parties. These third parties may not complete testing activities on schedule or when the Company requests. The Company may not be able to secure and maintain suitable research organizations to conduct its laboratory testing and/or animal and human studies. The Company is responsible for confirming that each of its clinical trials is conducted in accordance with its general plan and protocol. Moreover, the FDA and foreign regulatory agencies require the Company to comply with regulations and standards, commonly referred to as good clinical practices, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the trial participants are adequately protected. The Company's reliance on third parties does not relieve it of these responsibilities and requirements. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, if the third parties need to be replaced or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to the Company's clinical protocols or regulatory requirements or for other reasons, the Company pre-clinical development activities or clinical trials may be extended, delayed, suspended or terminated, and the Company may not be able to obtain regulatory approval for its product candidates.

The Company will access to a constant, steady, reliable supply of products.

Completion of InVivo's clinical trials and commercialization of InVivo's products will require access to, or development of, facilities to manufacture a sufficient supply of InVivo's product or other product candidates. If InVivo is unable to manufacture its products in commercial quantities, then it will need to rely on third parties. These third-party manufacturers must also receive FDA approval before they can produce clinical material or commercial products. InVivo's product or other of InVivo's products may be in competition with other products for access to these facilities and may be subject to delays in manufacture if third parties give other products greater priority. In addition, InVivo may not be able to enter into any necessary third-party manufacturing arrangements on acceptable terms, or on a timely basis. In addition, InVivo would have to enter into a technical transfer agreement and share its know-how with the third party manufacturer.

The Company may rely on third-party suppliers for some its materials.

The Company may rely on third-party suppliers and vendors for some of the materials used in the manufacture of InVivo's product or other of its product candidates. Any significant problem experienced by one of InVivo's suppliers could result in a delay or interruption in the supply of materials to InVivo until such supplier resolves the problem or an alternative source of supply is located. Any delay or interruption could negatively affect InVivo's operations.

The Company's Products and approach to the planned treatment of spinal cord injury ("SCI") is new and unproven.

The Company's planned products have not been utilized in the past for SCI treatment. As is typical in the case of a new and rapidly evolving technology or medical treatment, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. In addition, physicians and hospitals will need to establish training and procedures to utilize and implement the Company's products. There can be no assurance that these parties will adopt the Company's products or that they develop sufficient training and procedures to utilize the Company's products.

The Company's ability to sell its products will depend to a large extent upon reimbursement from health care insurance companies.

The Company's successes may depend, in part, on the extent to which reimbursement for the costs of therapeutic products and related treatments will be available from third-party payers such as government health administration authorities, private health insurers, managed care programs, and other organizations. Over the past decade, the cost of health care has risen significantly, and there have been numerous proposals by legislators, regulators, and third-party health care payers to curb these costs. Some of these proposals have involved limitations on the amount of reimbursement for certain products. Similar federal or state health care legislation may be adopted in the future and any products that the Company or its collaborators seek to commercialize may not be considered cost-effective. Adequate third-party insurance coverage may not be available for the Company to establish and maintain price levels that are sufficient for realization of an appropriate return on investment in product development.

The manufacture and sale of the Company's products requires regulatory approval from the FDA.

The development, manufacture and marketing of the Company's products are subject to government regulation in the United States and other countries. In the United States and most foreign countries, the Company must complete rigorous preclinical testing and extensive human clinical trials that demonstrate the safety and efficacy of a product in order to apply for regulatory approval to market the product.

The steps required by the FDA before InVivo's proposed products may be marketed in the United States include performance of preclinical (animal and laboratory) tests; submissions to the FDA of an IDE (Investigational Device Exemption) which must become effective before human clinical trials may commence; performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the product in the intended target population; performance of a consistent and reproducible manufacturing process intended for commercial use; Pre-Market Approval Application ("PMA"); and FDA approval of the PMA before any commercial sale or shipment of the product.

The processes are expensive and can take many years to complete, and the Company may not be able to demonstrate the safety and efficacy of its products to the satisfaction of such regulatory authorities. The start of clinical trials can be delayed or take longer than anticipated for many and varied reasons, many of which are outside of the Company's control. Safety concerns may emerge that could lengthen the ongoing trials or require additional trials to be conducted. Regulatory authorities may also require additional testing, and the Company may be required to demonstrate that its proposed products represent an improved form of treatment over existing therapies, which the Company may be unable to do without conducting further clinical studies. Moreover, if the FDA grants regulatory approval of a product, the approval may be limited to specific indications or limited with respect to its distribution. Expanded or additional indications for approved devices or drugs may not be approved, which could limit the Company revenues. Foreign regulatory authorities may apply similar limitations or may refuse to grant any approval. Consequently, even if the Company believes that preclinical and clinical data are sufficient to support regulatory approval for its product candidates, the FDA and foreign regulatory authorities may not ultimately grant approval for commercial sale in any jurisdiction. If the Company's products are not approved, its ability to generate revenues will be limited and its business will be adversely affected.

Even if a product gains regulatory approval, such approval is likely to limit the indicated uses for which it may be marketed, and the product and the manufacturer of the product will be subject to continuing regulatory review, including adverse event reporting requirements and the FDA's general prohibition against promoting products for unapproved uses. Failure to comply with any post-approval requirements can, among other things, result in warning letters, product seizures, recalls, substantial fines, injunctions, suspensions or revocations of marketing licenses, operating restrictions and criminal prosecutions. Any of these enforcement actions, any unanticipated changes in existing regulatory requirements or the adoption of new requirements, or any safety issues that arise with any approved products, could adversely affect the Company's ability to market products and generate revenues and thus adversely affect its ability to continue InVivo's business.

The Company also may be restricted or prohibited from marketing or manufacturing a product, even after obtaining product approval, if previously unknown problems with the product or its manufacture are subsequently discovered and the Company cannot provide assurance that newly discovered or developed safety issues will not arise following any regulatory approval. With the use of any treatment by a wide patient population, serious adverse events may occur from time to time that initially do not appear to relate to the treatment itself, and only if the specific event occurs with some regularity over a period of time does the treatment become suspect as having a causal relationship to the adverse event. Any safety issues could cause the Company to suspend or cease marketing of its approved products, possibly subject it to substantial liabilities, and adversely affect its ability to generate revenues.

The manufacture and sale of the Company's products in foreign jurisdictions will require regulatory approval from International Regulatory Agencies.

The Company intends to also have its product candidates marketed outside the United States. In order to market products in the European Union and many other non-U.S. jurisdictions, the Company must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. The Company may not obtain foreign regulatory approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory agencies in other foreign countries or by the FDA. However, a failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in other jurisdictions, including approval by the FDA. The failure to obtain regulatory approval in foreign jurisdictions could harm the Company's business.

The Company is subject to various e***nvironmental, health and safety laws.***

The Company is subject to various laws and regulations relating to safe working conditions, laboratory and manufacturing practices, the experimental use of animals, emissions and wastewater discharges, and the use and disposal of hazardous or potentially hazardous substances used in connection with its research, including infectious disease agents. The Company also cannot accurately predict the extent of regulations that might result from any future legislative or administrative action. Any of these laws or regulations could cause the Company to incur additional expense or restrict its operations. Compliance with environmental laws and regulations may be expensive, and current or future environmental regulations may impair the Company's research, development or production efforts.

The Company will depend on its patent portfolio, its licensed technology and other trade secrets in the conduct of its business and must ensure that it does not violate the patent or intellectual rights of others.

The Company's success in large part depends on its ability to maintain the proprietary nature of its licensed technology and other trade secrets. To do so, the Company and its licensors must prosecute and maintain existing patents, obtain new patents and pursue trade secret and other intellectual property protection. The Company also must operate without infringing the proprietary rights of third parties or allowing third parties infringe its rights. The Company's research, development and commercialization activities, including any product candidates or products resulting from these activities, may infringe or be claimed to infringe patents owned by third parties and to which the Company does not hold licenses or other rights. There may be rights that the Company is not aware of, including applications that have been filed but not published that, when issued, could be asserted against the Company. These third parties could bring claims against the Company that would cause it to incur substantial expenses and, if successful, could cause the Company to pay substantial damages. Further, if a patent infringement suit were brought against the Company, it could be forced to stop or delay research, development, manufacturing or sales of the product or biologic treatment candidate that is the subject of the suit.

In addition, competitors may infringe the Company's patents or the patents of its collaborators or licensors. As a result, the Company may be required to file infringement claims to counter infringement for unauthorized use. This can be expensive and time-consuming. In addition, in an infringement proceeding, a court may decide that a patent owned by the Company is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that the Company's patents do not cover its technology. An adverse determination of any litigation or defense proceedings could put one or more of the Company's patents at risk of being invalidated or interpreted narrowly and could put the Company's patent applications at the risk of not issuing.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Company's confidential information could be compromised by disclosure during this type of litigation.

RISKS RELATED TO OUR COMMON STOCK AND THE OFFERING

The Notes will not be registered for resale, and there is no assurance that the Notes will convert into our equity securities in the future or that any such equity securities will be subject to unrestricted sale to the public upon issuance or at a later date.

The Notes will not be registered for resale and are thus not saleable to the public. There is no assurance that the Notes will be converted into any of our equity securities in the future. Even if the Notes do convert into any such equity securities, the equity securities will be restricted as to resale under the Securities Act of 1933, as amended (the "Securities Act"). We cannot assure that any of these equity securities will be publicly saleable upon issuance or at a later date, whether pursuant to a valid exemption from the registration requirements under the Securities Act or pursuant to a valid registration statement. The inability to publicly resell the Notes, and possibly the equity securities, upon conversion, limits or prevents the potential the resell the Notes or the equity securities, which may be issuable upon conversion of the Notes.

The shares of Common Stock underlying the Warrants will not be registered and cannot be sold for at least twelve months after the Warrants are purchased.

The ability to sell such shares of Common Stock will depend upon the availability of an exemption to the requirements of Section 5 of the Securities Act. The most commonly utilized exemption is Rule 144. Under Rule 144, since the warrants contain a cashless exercise provision, the shares of Common Stock issuable upon exercise of the Warrants may become eligible for resale 12 months after the date in which the Warrants are issued, so long as the Company fulfills its current reporting requirements under the Exchange Act. After a year, the current information requirement no longer applies. Any purchasers which are affiliates of the Company will be subject to certain other requirements such as volume limitations.

The Notes and Warrants is being offered on "reasonable efforts, no minimum" basis.

The Notes and Warrants are being offered on a "reasonable efforts, no minimum" basis. In this type of offering where there is no minimum amount necessary to consummate the Offering, there is no assurance that the maximum offering amount of $300,000 will be sold. Accordingly, persons purchasing Notes and Warrants do so without any assurance that sufficient funds can be raised to satisfy the "Use of Proceeds" described herein and to otherwise allow the Company to effectuate its business plan. The failure to raise the Offering Amount will also increase the need of the Company to obtain additional financing sooner that the approximate four month estimate that the anticipated proceeds would last in the event the full $300,000 of securities offered herein are sold. Such additional financing may or may not be available at such time on terms satisfactory to us, if at all.

We are a controlled company and our majority shareholder may take actions adverse to the interests of other shareholders

As of July 30, 2010, Frank Reynolds, our Chief Executive Officer, Robert S. Langer, Director and Yang D. Teng, one of our founders, beneficially owned approximately 80% of our issued and outstanding common stock. Due to this stock ownership, we are controlled by these persons. Due to this voting control of our common stock, these persons have substantial control over us and have substantial power to elect directors and to generally approve all actions requiring the approval of the holders of our voting stock.

An investment in the Notes and Warrants is speculative and there can be no assurance of any return on any such investment.

An investment in the Notes and Warrants is speculative and there is no assurance that investors will obtain any return on their investment. Investors will be subject to substantial risks involved in an investment in the Company, including the risk of losing their entire investment.

We have broad discretion on how we use any proceeds we receive from this Offering.

Our management has broad discretion on how to use and spend any proceeds we receive from this Offering and may use the proceeds in ways that differ from the proposed uses set forth in this Agreement. See Schedule 3.8 to this Agreement. Our stockholders may not agree with our decision on how to use such proceeds. If we fail to spend the proceeds effectively, our business and financial condition could be harmed and we may need to seek additional financing sooner than expected.

***The Notes and Warrants may be purchased by parties that are related to the Finder and/or our Company*.**

The Finder and its respective officers, directors, employees and related parties, and our officers, directors, employees and related parties (including current shareholders and related parties of shareholders) may purchase Notes and Warrants in this Offering. Because there may be substantial purchases by affiliates of the Company and the Finder (who receives fees and other compensation in connection with the Offering), no potential investor should place any reliance on the sale of any amount of the Notes and Warrants as an indication of the merits of the Offering. Each investor must make his own investment decision as to the merits of the Offering.

The purchase price of the Notes and Warrants and the Warrant exercise price were determined by the Company and the Finder and may not be indicative of the Company's actual value or the fair market value of the Notes and Warrants.

The purchase price of the Notes and Warrants were determined following negotiations with the Finder which took into account, among other things, previous prices of our Common Stock, our business and growth plans, and other factors that we deemed relevant. The purchase price of the Notes and Warrants is not necessarily related to the asset value, net worth or any other established criteria of value of the Company.

***The Offering has not been reviewed or approved by regulatory agencies*.**

The sale of the Notes and Warrants offered hereby has not been approved or disapproved by the SEC or any state regulatory agencies, and no regulatory body has passed upon or endorsed the accuracy, adequacy, or completeness of the information in this Agreement. Accordingly, prospective investors must rely on their own examination of the Agreement and the SEC Reports, including, without limitation, the merits of, and risks involved in, acquiring the Notes and Warrants.

Schedule 3.8

Use of Proceeds

The net proceeds of this Offering, estimated to be $290,000, after deducting expenses of the Company of up to $10,000, will be used for working capital.

EXHIBIT A

NOTE

6% CONVERTIBLE PROMISSORY NOTE

THIS PROMISSORY NOTE AND THE SECURITIES THAT MAY BE OBTAINABLE UPON CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("THE ACT"), OR THE SECURITIES LAWS OF ANY STATE. THE SECURITIES MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE 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.

6% CONVERTIBLE PROMISSORY NOTE

No. ICPN-[ ] ______ __, 2010
U.S. $ ______

FOR VALUE RECEIVED, the undersigned, InVivo Therapeutics Corporation, a Delaware corporation (the "Company"), hereby unconditionally promises to pay __________ (the "Holder"), on the Maturity Date (as defined in Section 1 hereof) to the order of the Holder, in lawful money of the United States of America and in immediately available funds, the principal amount of ________________ ($______) Dollars (the "Principal Amount"). Interest shall accrue the rate of 6% per annum ("Interest") based on a 360 day year and shall be payable for the actual number of days the Note is outstanding on the Maturity Date unless earlier converted pursuant to Section 2 hereof.

This Note shall be binding upon the Company and its successors and permitted assigns and shall inure to the benefit of the Holder and its successors and assigns. The Company may not assign or delegate any of its duties or obligations under this Note without the written consent of the Holder.

This Note is one of a series of 6% convertible promissory notes of like tenor and ranking made by the Company in favor of certain investors and issued, from time to time (collectively, the "Notes") pursuant to that certain Securities Purchase Agreement by and between the Company and certain investors, including the Holder, of even date herewith (the "Securities Purchase Agreement"). Each of the Notes shall rank equally without preference or priority of any kind over one another, and all payments on account of principal and interest with respect to any of the Notes shall be applied ratably and proportionately on the outstanding Notes on the basis of the principal amount of the outstanding indebtedness represented thereby.

As described in the Securities Purchase Agreement, each $50,000 principal amount of this Note entitled the Holder to 3,631 common stock purchase warrants ("Bridge Warrants").

1. Maturity. Unless otherwise converted into Next Round Equity Securities, as such term is defined in Section 2 hereof, in accordance with the provisions of said Section 2, this Note shall mature on December 31, 2010 (such date, the “Maturity Date”). On the Maturity Date, unless, and to the extent, converted into Next Round Equity Securities in accordance with the provisions of Section 2 hereof, any and all outstanding principal and Interest due and owing under the Note shall be immediately paid by the Company.

2. Conversion.

(a) General. The outstanding Principal Amount, plus accrued but unpaid Interest on this Note shall automatically convert into the Company’s equity securities or equity securities of Pubco (as defined below), which may include common stock, convertible preferred stock, convertible debt instruments, and/or warrants exercisable for any of the foregoing, singularly or in the form of units comprised of two or more of such kinds of equity securities (the “Next Round Equity Securities”) upon the closing of the earlier of either (i) the Company’s next financing resulting in gross proceeds to the Company from the sale of Next Round Equity Securities of at least $3,000,000 or (ii) a financing of at least $7,000,000 of gross proceeds that is conducted concurrent with a reverse merger transaction between the Company and a publicly held company (“Pubco”) that results in the Company (or the surviving corporation in connection with such transaction) being (or remaining) subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. A financing referred to in either (i) or (ii) above is referred to herein as a “Qualified Next Round Financing.” For purposes of calculating the aggregate amount of such proceeds, the aggregate amount of the Notes, all of which are convertible into Next Round Equity Securities in connection with the Qualified Next Round Financing, shall be included. The quantity of Next Round Equity Securities to be issued upon such conversion shall equal (i) the entire outstanding principal amount of this Note plus accrued but unpaid Interest through the date of closing on a Qualified Next Round Financing divided by (ii) 100% of the price (a) per security or (b) per unit of securities at which the Next Round Equity Securities are sold in the Qualified Next Round Financing (hereinafter referred to as the “Conversion Price”). The Next Round Equity Securities issued to Holder shall have rights, preferences, privileges and restrictions (including, without limitation, registration rights, preemptive rights and any other contractual rights) identical to those granted to or received by the other investors in the Qualified Next Round Financing. The Company covenants to cause such securities, when issued pursuant to this Section 2(a), to be fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issuance thereof, other than any taxes, liens or charges not caused by the Company.

(b) Mechanics of Conversion. No later than five (5) business days prior to the first closing of the Qualified Next Round Financing, the Company shall notify Holder of such closing and the conversion terms of this Note, including providing any offering documents that are utilized in connection with the Qualified Next Round Financing. The date of such closing is herein referred to as the “Conversion Date.” The Next Round Equity Securities issuable on the Conversion Date are herein referred to as the “Conversion Securities.” No fractions of Conversion Securities will be issued upon the conversion of this Note. Any fractional amount will be rounded up. Subject to Section 2(c) below, on the Conversion Date, the repayment rights and other rights of Holder under this Note shall cease, and the person in whose name the Conversion Securities shall be issuable upon such conversion shall become the holder of record of the Conversion Securities.

(c) Rights as a Stockholder. Holder shall not be entitled to vote or receive distributions or be deemed the holder of Conversion Securities or any other securities of the Company which may at any time be issuable upon the conversion of this Note for any purpose, nor shall anything contained herein be construed to confer upon Holder, as such, any of the rights of a stockholder of the Company or any right to vote as a stockholder of the Company or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of equity securities of the Company, reclassification of equity securities of the Company, consolidation, merger, transfer of assets or otherwise) or to receive notice of meetings, or to receive distributions or subscription rights or otherwise unless and until this Note is converted in accordance with the terms hereof.

(d) Optional Conversion in Certain Events. In the event a Qualified Next Round Financing is not consummated on or before the Maturity Date, the entire Principal Amount of this Note, along with all accrued Interest thereon, shall, at the option of the Holder, be convertible into the Company's common stock at a conversion price equal to $13.7706 per share. To exercise such optional conversion, Holder must complete the attached Optional Conversion Notice Addendum (the "Addendum"), and deliver the original of this Note (or an affidavit of loss reasonably acceptable to the Company) and the executed Addendum to the Company on or before that date that is within 10 business days following the Maturity Date. Subject to the terms below, the conversion will be effective two (2) business days following the Company's receipt of the original of this Note and the Addendum.

(e) Reservation of Common Stock. As set forth in the Securities Purchase Agreement, the Company shall reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of conversion of this Note and the exercise of the Bridge Warrants and other warrants issued to broker-dealers retained in connection with the transactions contemplated by the Securities Purchase Agreement (the "BD Warrants"), that number of shares of Common Stock equal to the sum of (i) the number of shares of Common Stock into which the Note is convertible based upon the Conversion Price, plus (ii) the number of shares of Common Stock for which the Bridge Warrants are exercisable from time to time based upon the exercise price, plus (iii) the number of shares of Common Stock for which the BD Warrants are exercisable from time to time based upon the exercise price.

3. Adjustments. The Conversion Price shall be subject to adjustment from time to time upon the occurrence of certain events described in this Section 3.

(a) Stock Dividends and Splits. If the Company, at any time while this Note is outstanding: (A) pays a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock, (B) subdivides outstanding shares of Common Stock into a larger number of shares, (C) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Conversion 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 and the number of shares issuable upon conversion of this Note shall be proportionately adjusted. Any adjustment made pursuant to this Section 3(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) Mergers, Consolidations, Etc. Subject to Section 2 above, in the event of any consolidation or merger of Company with or into another corporation or the conveyance of all or substantially all of the assets of Company to another corporation or entity, this Note shall thereafter be convertible into the number of shares of capital stock or other securities or property to which a holder of the number of Common Stock deliverable upon conversion hereof would have been entitled upon such consolidation, merger or conveyance; and, in any such case, appropriate adjustment shall be made in the application of the provisions herein set forth with respect to the rights and interest of Holder thereafter, to the end that the provisions set forth herein (including provisions with respect to adjustments in the Conversion Price) shall thereafter be applicable, as nearly as may be practicable, in relation to any shares of stock or other property thereafter deliverable upon the conversion hereof.

4. Events of Default. The term "Event of Default" shall mean any of the events set forth in this Section 4:

(a) the Company shall default in the performance of, or violate any of the covenants and agreements contained in this Note or in the Securities Purchase Agreement, including without limitation, the failure to pay amounts due under this Note on its Maturity Date, or any of the other Notes on their Maturity Date;

(b) any representation, warranty or certification made by or on behalf of the Company in this Note or in the Securities Purchase Agreement shall have been incorrect in any material respect when made;

(c) there shall be a dissolution, termination of existence, suspension or discontinuance of the Company's business for a continuous period of 20 days or it ceases to operate as going concern;

(d) if the Company shall:

(i) admit in writing its inability to pay its debts generally as they become due;

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act;

(iii) convey any material portion of the assets of the Company to a trustee, mortgage or liquidating agent or make an assignment for the benefit of creditors;

(iv) consent to the appointment of a receiver, trustee, custodian or similar official, for the Company or any material portion of the property or assets of the Company;

(v) on a petition in bankruptcy filed against it, be adjudicated a bankrupt; or

(vi) file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any State, district or territory thereof;

(e) if a court of competent jurisdiction shall enter an order, judgment, or decree appointing, without the consent of the Company, a receiver of the whole or any substantial part of the Company's assets, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of entry thereof;

(f) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the whole or any substantial part of the Company's assets and such custody or control shall not be terminated or stayed within 60 days from the date of assumption of such custody or control; or

(g) the Company shall default in any of its obligations under any other promissory note, indenture or any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement of the Company in an amount exceeding $100,000, whether such indebtedness now exists or shall hereafter be created and such default shall result in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable.

If any Event of Default described in clause (d) of Section 4 shall occur, the Principal Amount of this Note, together with all accrued and unpaid Interest shall automatically be and become immediately due and payable, without notice or demand.

If any Event of Default (other than any Event of Default described in clause (d) of Section 4) shall occur for any reason, whether voluntary or involuntary, and be continuing, for ten (10) days after notice, the Holder may, upon notice to the Company, declare all or any portion of the outstanding Principal Amount, together with all accrued and unpaid Interest, to be due and payable, whereupon the full unpaid Principal Amount hereof, together with all accrued and unpaid Interest shall be so declared due and payable shall be and become immediately due and payable, without further notice, demand, or presentment.

5. Remedies. In case any one or more of the Events of Default specified in Section 4 hereof shall have occurred and be continuing, the Holder may proceed to protect and enforce the Holder's rights either by suit in equity and/or by action at law, whether for the specific performance of any covenant or agreement contained in this Note or in aid of the exercise of any power granted in this Note, or the Holder may proceed to enforce the payment of all sums due upon this Note or to enforce any other legal or equitable right of the Holder.

6. Amendments and Waivers. The terms of this Note may be amended and the observance of any term of this Note may be waived (either generally or in a particular instance and either retroactively or prospectively) with the Holder's consent.

7. Notices.

(a) Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Securities Purchase Agreement.

(b) Any party may give any notice, request, consent or other communication under this Note using any other means (including personal delivery, messenger service, telecopy, first class mail or electronic mail), but no such notice, request, consent or other communication shall be deemed to have been duly given unless and until it is actually received by the party for whom it is intended. Any party may change the address to which notices, requests, consents or other communications hereunder are to be delivered by giving the other parties notice in the manner set forth in this Section 7.

8. Severability. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable.

9. Governing Law. This Note shall be governed by and construed under the laws of the State of New York applicable to agreements made and to be performed entirely within such jurisdiction.

10. Waivers. The nonexercise by either party of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

11. Attorneys' Fees; Costs. If this Note is not paid when due or if any Event of Default occurs, the Company promises to pay all costs of enforcement and collection, including but not limited to, Holder's attorneys' fees, whether or not any action or proceeding is brought to enforce the provisions hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused its duly authorized officers to execute this Note as of the date first written above.

COMPANY:

INVIVO THERAPEUTICS CORPORATION

By: ______________________________

Name: Frank Reynolds
Title: Chief Executive Officer

Optional Conversion Notice

_________________, the registered holder of this 6% Convertible Promissory Note, issued ______, 2010, hereby gives notice of the conversion of all outstanding principal and accrued interest into Common Stock of Invivo Therapeutics Corporation at a conversion price equal to $13.7706 per share.

Signature of Holder:

____

(must be in exact name as listed on the first page of this Note)

EXHIBIT B

WARRANT

Warrant Certificate No. __

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES ISSUABLE UPON THE EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR ANY STATE SECURITIES LAWS, AND NEITHER SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) AN EXEMPTION FROM SUCH REGISTRATION EXISTS AND THE COMPANY RECEIVES AN OPINION OF COUNSEL TO THE HOLDER OF SUCH SECURITIES, WHICH COUNSEL AND OPINION ARE SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS.

Effective Date: [ ], 2010 Void After: [ ], 2015

INVIVO THERAPEUTICS CORPORATION

WARRANT TO PURCHASE COMMON STOCK

InVivo Therapeutics Corporation, a Delaware corporation (the “**Company**”), for value received on [ ], 2010 (the “**Effective Date**”), hereby issues to **[ ]** (the “**Holder**”) this Warrant (the “**Warrant**”) to purchase, **[ ]** shares (each such share as from time to time adjusted as hereinafter provided being a “**Warrant Share**” and all such shares being the “**Warrant Shares**”) of the Company’s Common Stock (as defined below), at the Exercise Price (as defined below), as adjusted from time to time as provided herein, on or before [ ], 2015 (the “**Expiration Date**”), all subject to the following terms and conditions. Unless otherwise defined in this Warrant, terms appearing in initial capitalized form shall have the meaning ascribed to them in that certain Securities Purchase Agreement between the Company and the purchaser signatory thereto pursuant to which this Warrant was issued (the “**Securities Purchase Agreement**”).

As used in this Warrant, (i) “**Business Day**” means any day other than Saturday, Sunday or any other day on which commercial banks in the City of New York, New York, are authorized or required by law or executive order to close; (ii) “**Common Stock**” means the common stock of the Company, par value $0.001 per share, including any securities issued or issuable with respect thereto or into which or for which such shares may be exchanged for, or converted into, pursuant to any stock dividend, stock split, stock combination, recapitalization, reclassification, reorganization or other similar event; (iii) “**Exercise Price**” means $13.7706 per share of Common Stock, subject to adjustment as provided herein; (iv) “**Trading Day**” means any day on which the Common Stock is traded on the primary national or regional stock exchange on which the Common Stock is listed, or if not so listed, the OTC Bulletin Board, if quoted thereon, is open for the transaction of business; and (v) “**Affiliate**” means any person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, a person, as such terms are used and construed in Rule 144 promulgated under the Securities Act of 1933, as amended (the “**Securities Act**”).

1. DURATION AND EXERCISE OF WARRANTS

(a) Exercise Period. The Holder may exercise this Warrant in whole or in part on any Business Day on or before 5:00 P.M., Eastern Time, on the Expiration Date, at which time this Warrant shall become void and of no value.

(b) Exercise Procedures.

(i) While this Warrant remains outstanding and exercisable in accordance with Section 1(a), in addition to the manner set forth in Section 1(b)(ii) below, the Holder may exercise this Warrant in whole or in part at any time and from time to time by:

(A) delivery to the Company of a duly executed copy of the Notice of Exercise attached as **Exhibit A**;

(B) surrender of this Warrant to the Secretary of the Company at its principal offices or at such other office or agency as the Company may specify in writing to the Holder; and

(C) payment of the then-applicable Exercise Price per share multiplied by the number of Warrant Shares being purchased upon exercise of the Warrant (such amount, the "**Aggregate Exercise Price**") made in the form of cash, or by certified check, bank draft or money order payable in lawful money of the United States of America or in the form of a Cashless Exercise to the extent permitted in Section 1(b)(ii) below.

(ii) At any time when a registration statement covering the resale of the Warrant Shares by the Holder is not available after the first anniversary of the Effective Date, the Holder may, in its sole discretion, exercise all or any part of the Warrant in a "cashless" or "net-issue" exercise (a "**Cashless Exercise**") by delivering to the Company (1) the Notice of Exercise and (2) the original Warrant, pursuant to which the Holder shall surrender the right to receive upon exercise of this Warrant, a number of Warrant Shares having a value (as determined below) equal to the Aggregate Exercise Price, in which case, the number of Warrant Shares to be issued to the Holder upon such exercise shall be calculated using the following formula:

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

with: X = the number of Warrant Shares to be issued to the Holder

Y = the number of Warrant Shares with respect to which the Warrant is being exercised

A = the fair value per share of Common Stock on the date of exercise of this Warrant

B = the then-current Exercise Price of the Warrant

Solely for the purposes of this paragraph, “fair value” per share of Common Stock shall mean (A) the average of the closing sales prices, as quoted on the primary national or regional stock exchange on which the Common Stock is listed, or, if not listed, the OTC Bulletin Board if quoted thereon, on the twenty (20) trading days immediately preceding the date on which the Notice of Exercise is deemed to have been sent to the Company, or (B) if the Common Stock is not publicly traded as set forth above, as reasonably and in good faith determined by the Board of Directors of the Company as of the date which the Notice of Exercise is deemed to have been sent to the Company.

Notwithstanding the foregoing provisions of this Section 1(b)(ii), the Holder may not make a Cashless Exercise if and to the extent that such exercise would require the Company to issue a number of shares of Common Stock in excess of its authorized but unissued shares of Common Stock, less all amounts of Common Stock that have been reserved for issue upon the conversion of all outstanding securities convertible into shares of Common Stock and the exercise of all outstanding options, warrants and other rights exercisable for shares of Common Stock. If the Company does not have the requisite number of authorized but unissued shares of Common Stock to permit the Holder to make a Cashless Exercise, the Company shall use commercially reasonable efforts to obtain the necessary stockholder consent to increase the authorized number of shares of Common Stock to permit such Holder to make a Cashless Exercise pursuant to this Section 1(b)(ii).

(iii) Upon the exercise of this Warrant in compliance with the provisions of this Section 1(b), and except as limited pursuant to the last paragraph of Section 1(b)(ii), the Company shall promptly issue and cause to be delivered to the Holder a certificate for the Warrant Shares purchased by the Holder. Each exercise of this Warrant shall be effective immediately prior to the close of business on the date (the "**Date of Exercise**") that the conditions set forth in Section 1(b) have been satisfied, as the case may be. On the first Business Day following the date on which the Company has received each of the Notice of Exercise and the Aggregate Exercise Price (or notice of a Cashless Exercise in accordance with Section 1(b)(ii)) (the "**Exercise Delivery Documents**"), the Company shall transmit an acknowledgment of receipt of the Exercise Delivery Documents to the Company's transfer agent (the "**Transfer Agent**"). On or before the third Business Day following the date on which the Company has received all of the Exercise Delivery Documents (the "**Share Delivery Date**"), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company ("**DTC**") Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of shares of Common Stock to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with DTC through its Deposit Withdrawal Agent Commission system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Notice of Exercise, a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Delivery Documents, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing such Warrant Shares. If this Warrant is submitted in connection with any exercise pursuant to Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the actual number of Warrant Shares being acquired upon such an exercise, then the Company shall as soon as practicable and in no event later than three (3) Business Days after any exercise and at its own expense, issue a new Warrant of like tenor representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised.

(iv) If the Company shall fail for any reason or for no reason to issue to the Holder, within three (3) Business Days of receipt of the Exercise Delivery Documents, a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company's share register or to credit the Holder's balance account with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder's exercise of this Warrant, and if on or after such Business Day the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of shares of Common Stock issuable upon such exercise that the Holder anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, within three (3) Business Days after the Holder's request and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased (the "**Buy-In Price**"), at which point the Company's obligation to deliver such certificate (and to issue such shares of Common Stock) shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such shares of Common Stock and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock, times (B) the closing bid price on the date of exercise.

(c) Partial Exercise. This Warrant shall be exercisable, either in its entirety or, from time to time, for part only of the number of Warrant Shares referenced by this Warrant. If this Warrant is exercised in part, the Company shall issue, at its expense, a new Warrant, in substantially the form of this Warrant, referencing such reduced number of Warrant Shares that remain subject to this Warrant.

(d) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 15.

2. ISSUANCE OF WARRANT SHARES

(a) The Company covenants that all Warrant Shares will, upon issuance in accordance with the terms of this Warrant, be (i) duly authorized, fully paid and non-assessable, and (ii) free from all liens, charges and security interests, with the exception of claims arising through the acts or omissions of any Holder and except as arising from applicable Federal and state securities laws.

(b) The Company shall register this Warrant upon records to be maintained by the Company for that purpose in the name of the record holder of such Warrant from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner thereof for the purpose of any exercise thereof, any distribution to the Holder thereof and for all other purposes.

(c) The Company will not, by amendment of its certificate of formation, by-laws or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all action necessary or appropriate in order to protect the rights of the Holder to exercise this Warrant, or against impairment of such rights.

3. ADJUSTMENTS OF EXERCISE PRICE, NUMBER AND TYPE OF WARRANT SHARES

(a) The Exercise Price and the number of shares purchasable upon the exercise of this Warrant shall be subject to adjustment from time to time upon the occurrence of certain events described in this Section 3(a); provided, that notwithstanding the provisions of this Section 3, the Company shall not be required to make any adjustment if and to the extent that such adjustment would require the Company to issue a number of shares of Common Stock in excess of its authorized but unissued shares of Common Stock, less all amounts of Common Stock that have been reserved for issue upon the conversion of all outstanding securities convertible into shares of Common Stock and the exercise of all outstanding options, warrants and other rights exercisable for shares of Common Stock. If the Company does not have the requisite number of authorized but unissued shares of Common Stock to make any adjustment, the Company shall use its commercially best efforts to obtain the necessary stockholder consent to increase the authorized number of shares of Common Stock to make such an adjustment pursuant to this Section 3(a).

(i) Subdivision or Combination of Stock. In case the Company shall at any time subdivide (whether by way of stock dividend, stock split or otherwise) its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced and the number of Warrant Shares shall be proportionately increased, and conversely, in case the outstanding shares of Common Stock of the Company shall be combined (whether by way of stock combination, reverse stock split or otherwise) into a smaller number of shares, the Exercise Price in effect immediately prior to such combination shall be proportionately increased and the number of Warrant Shares shall be proportionately decreased. The Exercise Price and the Warrant Shares, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described in this Section 3(a)(i).

(ii) Dividends in Stock, Property, Reclassification. If at any time, or from time to time, all of the holders of Common Stock (or any shares of stock or other securities at the time receivable upon the exercise of this Warrant) shall have received or become entitled to receive, without payment therefore:

(A) any shares of stock or other securities that are at any time directly or indirectly convertible into or exchangeable for Common Stock, or any rights or options to subscribe for, purchase or otherwise acquire any of the foregoing by way of dividend or other distribution, or

(B) additional stock or other securities or property (including cash) by way of spin-off, split-up, reclassification, combination of shares or similar corporate rearrangement (other than shares of Common Stock issued as a stock split or adjustments in respect of which shall be covered by the terms of Section 3(a)(i) above),

then and in each such case, the Exercise Price and the number of Warrant Shares to be obtained upon exercise of this Warrant shall be adjusted proportionately, and the Holder hereof shall, upon the exercise of this Warrant, be entitled to receive, in addition to the number of shares of Common Stock receivable thereupon, and without payment of any additional consideration therefor, the amount of stock and other securities and property (including cash in the cases referred to above) that such Holder would hold on the date of such exercise had such Holder been the holder of record of such Common Stock as of the date on which holders of Common Stock received or became entitled to receive such shares or all other additional stock and other securities and property. The Exercise Price and the Warrant Shares, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described in this Section 3(a)(ii).

(iii) Reorganization, Reclassification, Consolidation, Merger or Sale. If any recapitalization, reclassification or reorganization of the capital stock of the Company, or any consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets or other transaction shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, or other assets or property (an "**Organic Change**"), then, as a condition of such Organic Change, lawful and adequate provisions shall be made by the Company whereby the Holder hereof shall thereafter have the right to purchase and receive (in lieu of the shares of the Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented by this Warrant) such shares of stock, securities or other assets or property as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore purchasable and receivable assuming the full exercise of the rights represented by this Warrant. In the event of any Organic Change, appropriate provision shall be made by the Company with respect to the rights and interests of the Holder of this Warrant to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Exercise Price and of the number of shares purchasable and receivable upon the exercise of this Warrant and registration rights) shall thereafter be applicable, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof. The Company will not effect any such consolidation, merger or sale unless, prior to the consummation thereof, the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall assume by written instrument reasonably satisfactory in form and substance to the Holder executed and mailed or delivered to the registered Holder hereof at the last address of such Holder appearing on the books of the Company, the obligation to deliver to such Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to purchase. If there is an Organic Change, then the Company shall cause to be mailed to the Holder at its last address as it shall appear on the books and records of the Company, at least 10 calendar days before the effective date of the Organic Change, a notice stating the date on which such Organic Change is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares for securities, cash, or other property delivered upon such Organic Change; provided, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder is entitled to exercise this Warrant during the 10-day period commencing on the date of such notice to the effective date of the event triggering such notice. In any event, the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall be deemed to assume such obligation to deliver to such Holder such shares of stock, securities or assets even in the absence of a written instrument assuming such obligation to the extent such assumption occurs by operation of law.

(b) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment pursuant to this Section 3, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each Holder of this Warrant a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall promptly furnish or cause to be furnished to such Holder a like certificate setting forth: (i) such adjustments and readjustments; and (ii) the number of shares and the amount, if any, of other property which at the time would be received upon the exercise of the Warrant.

(c) Certain Events. If any event occurs as to which the other provisions of this Section 3 are not strictly applicable but the lack of any adjustment would not fairly protect the purchase rights of the Holder under this Warrant in accordance with the basic intent and principles of such provisions, or if strictly applicable would not fairly protect the purchase rights of the Holder under this Warrant in accordance with the basic intent and principles of such provisions, then the Company's Board of Directors will, in good faith, make an appropriate adjustment to protect the rights of the Holder; provided, that no such adjustment pursuant to this Section 3(c) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 3.

(d) Adjustment of Exercise Price Upon Issuance of Additional Shares of Common Stock. If the Company issues Additional Shares of Common Stock, as defined below, without consideration or for a consideration per share less than a price (the "Applicable Price") equal to the Exercise Price in effect immediately prior to such issuance, then immediately after such issuance the Exercise Price then in effect shall be reduced to an amount equal to such consideration per share, provided that in no event shall the Exercise Price be reduced below $0.001. In the event the Company shall at any time prior to the Expiration Date issue Additional Shares of Common Stock, as defined below, without consideration or for a consideration per share less than the Exercise Price in effect immediately prior to such issue, then the Exercise Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) determined by multiplying such Exercise Price by a fraction, (A) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issue plus (2) the number of shares of Common Stock which the aggregate consideration received or to be received by the Company for the total number of Additional Shares of Common Stock so issued would purchase at such Exercise Price; and (B) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued; provided that, (i) for the purpose of this Section 3(d), all shares of Common Stock issuable upon conversion or exchange of convertible securities outstanding immediately prior to such issue shall be deemed to be outstanding, and (ii) the number of shares of Common Stock deemed issuable upon conversion or exchange of such outstanding convertible securities shall be determined without giving effect to any adjustments to the conversion or exchange price or conversion or exchange rate of such convertible securities resulting from the issuance of Additional Shares of Common Stock that is the subject of this calculation. For purposes of this Warrant, "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Company after the Effective Date (including without limitation any shares of Common Stock issuable upon conversion or exchange of any convertible securities or upon exercise of any option or warrant, on an as-converted basis), other than: (i) shares of Common Stock issued or issuable upon conversion or exchange of any convertible securities or exercise of any options or warrants outstanding on the Effective Date; (ii) shares of Common Stock issued or issuable by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Sections 3(a)(i) through 3(a)(iii) above; (iii) shares of Common Stock (or options with respect thereto) issued or issuable to employees or directors of, or consultants to, the Company or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board of Directors of the Company; (iv) any securities issued or issuable by the Company pursuant to (A) the Securities Purchase Agreement, (B) the reverse triangular merger of the Company into a publicly-held company ("Merger"), or (C) any private placement offering that closes (including subsequent closings) as part of the Merger; and (v) securities issued pursuant to acquisitions or strategic transactions approved by a majority of 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. The provisions of this Section 3(d) shall not operate to increase the Exercise Price.

Upon each adjustment of the Exercise Price pursuant to the provisions of this Section 3(d), the number of Warrant Shares issuable upon exercise of this Warrant shall be adjusted by multiplying a number equal to the Exercise Price in effect immediately prior to such adjustment by the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such adjustment and dividing the product so obtained by the adjusted Exercise Price.

4. TRANSFERS AND EXCHANGES OF WARRANT AND WARRANT SHARES

(a) Registration of Transfers and Exchanges. Subject to Section 4(c), upon the Holder's surrender of this Warrant, with a duly executed copy of the Form of Assignment attached as **Exhibit B**, to the Secretary of the Company at its principal offices or at such other office or agency as the Company may specify in writing to the Holder, the Company shall register the transfer of all or any portion of this Warrant. Upon such registration of transfer, the Company shall issue a new Warrant, in substantially the form of this Warrant, evidencing the acquisition rights transferred to the transferee and a new Warrant, in similar form, evidencing the remaining acquisition rights not transferred, to the Holder requesting the transfer.

(b) Warrant Exchangeable for Different Denominations. The Holder may exchange this Warrant for a new Warrant or Warrants, in substantially the form of this Warrant, evidencing in the aggregate the right to purchase the number of Warrant Shares which may then be purchased hereunder, each of such new Warrants to be dated the date of such exchange and to represent the right to purchase such number of Warrant Shares as shall be designated by the Holder. The Holder shall surrender this Warrant with duly executed instructions regarding such re-certification of this Warrant to the Secretary of the Company at its principal offices or at such other office or agency as the Company may specify in writing to the Holder.

(c) Restrictions on Transfers. This Warrant may not be transferred at any time without (i) registration under the Securities Act or (ii) an exemption from such registration and a written opinion of legal counsel addressed to the Company that the proposed transfer of the Warrant may be effected without registration under the Securities Act, which opinion will be in form and from counsel reasonably satisfactory to the Company.

(d) Permitted Transfers and Assignments. Notwithstanding any provision to the contrary in this Section 4, the Holder may transfer, with or without consideration, this Warrant or any of the Warrant Shares (or a portion thereof) to the Holder's Affiliates (as such term is defined under Rule 144 of the Securities Act) without obtaining the opinion from counsel that may be required by Section 4(c)(ii), provided, that the Holder delivers to the Company and its counsel certification, documentation, and other assurances reasonably required by the Company's counsel to enable the Company's counsel to render an opinion to the Company's Transfer Agent that such transfer does not violate applicable securities laws.

5. MUTILATED OR MISSING WARRANT CERTIFICATE

If this Warrant is mutilated, lost, stolen or destroyed, upon request by the Holder, the Company will, at its expense, issue, in exchange for and upon cancellation of the mutilated Warrant, or in substitution for the lost, stolen or destroyed Warrant, a new Warrant, in substantially the form of this Warrant, representing the right to acquire the equivalent number of Warrant Shares; provided, that, as a prerequisite to the issuance of a substitute Warrant, the Company may require satisfactory evidence of loss, theft or destruction as well as an indemnity from the Holder of a lost, stolen or destroyed Warrant.

6. PAYMENT OF TAXES

The Company will pay all transfer and stock issuance taxes attributable to the preparation, issuance and delivery of this Warrant and the Warrant Shares (and replacement Warrants) including, without limitation, all documentary and stamp taxes; provided, however, that the Company shall not be required to pay any tax in respect of the transfer of this Warrant, or the issuance or delivery of certificates for Warrant Shares or other securities in respect of the Warrant Shares to any person or entity other than to the Holder.

7. FRACTIONAL WARRANT SHARES

No fractional Warrant Shares shall be issued upon exercise of this Warrant. The Company, in lieu of issuing any fractional Warrant Share, shall round up the number of Warrant Shares issuable to nearest whole share.

8. NO STOCK RIGHTS AND LEGEND

No holder of this Warrant, as such, shall be entitled to vote or be deemed the holder of any other securities of the Company that may at any time be issuable on the exercise hereof, nor shall anything contained herein be construed to confer upon the holder of this Warrant, as such, the rights of a stockholder of the Company or the right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or give or withhold consent to any corporate action or to receive notice of meetings or other actions affecting stockholders (except as provided herein), or to receive dividends or subscription rights or otherwise (except as provide herein).

Each certificate for Warrant Shares initially issued upon the exercise of this Warrant, and each certificate for Warrant Shares issued to any subsequent transferee of any such certificate, shall be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS, AND NEITHER SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR (2) AN EXEMPTION FROM SUCH REGISTRATION EXISTS AND THE COMPANY RECEIVES AN OPINION OF COUNSEL TO THE HOLDER OF SUCH SECURITIES, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS."

9. REGISTRATION UNDER THE SECURITIES ACT OF 1933

In connection with any Organic Change in which the Company is not the surviving corporation, the Company shall cause the surviving corporation to provide registration rights with respect to the resale of the Warrant Shares (or the warrant shares issuable upon the exercise of the warrant that is exchanged for this Warrant at the time of the closing of such Organic Change) under the Securities Act which are equal to any registration rights that are afforded to any purchasers of securities that are sold at the time of the Organic Change.

10. NOTICES

All notices, consents, waivers, and other communications under this Warrant must be in writing and will be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile or e-mail with confirmation of transmission by the transmitting equipment; (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, if to the registered Holder hereof; or (d) seven days after the placement of the notice into the mails (first class postage prepaid), to the Holder at the address, facsimile number, or e-mail address furnished by the registered Holder to the Company in accordance with the Securities Purchase Agreement by and between the Company and the Holder, or if to the Company, to it at One Broadway, 14th Floor, Cambridge, Ma. 02142, Attention: Frank Reynolds, Chief Executive Officer (or to such other address, facsimile number, or e-mail address as the Holder or the Company as a party may designate by notice the other party) with a copy to Meister Seelig & Fein LLP, 2 Grand Central Tower, 140 East 45th Street, 19th Floor, New York, NY 10017, Attention: Mitchell L. Lampert, Esq.

11. SEVERABILITY

If a court of competent jurisdiction holds any provision of this Warrant invalid or unenforceable, the other provisions of this Warrant will remain in full force and effect. Any provision of this Warrant held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

12. BINDING EFFECT

This Warrant shall be binding upon and inure to the sole and exclusive benefit of the Company, its successors and assigns, the registered Holder or Holders from time to time of this Warrant and the Warrant Shares.

13. SURVIVAL OF RIGHTS AND DUTIES

This Warrant shall terminate and be of no further force and effect on the earlier of 5:00 P.M., Eastern Time, on the Expiration Date or the date on which this Warrant has been exercised in full.

14. GOVERNING LAW

This Warrant will be governed by and construed under the laws of the State of New York without regard to conflicts of laws principles that would require the application of any other law.

15. DISPUTE RESOLUTION

In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two Business Days of receipt of the Notice of Exercise giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two Business Days, submit via facsimile (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

16. NOTICES OF RECORD DATE

Upon (a) any establishment by the Company of a record date of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or right or option to acquire securities of the Company, or any other right, or (b) any capital reorganization, reclassification, recapitalization, merger or consolidation of the Company with or into any other corporation, any transfer of all or substantially all the assets of the Company, or any voluntary or involuntary dissolution, liquidation or winding up of the Company, or the sale, in a single transaction, of a majority of the Company's voting stock (whether newly issued, or from treasury, or previously issued and then outstanding, or any combination thereof), the Company shall mail to the Holder at least ten (10) Business Days, or such longer period as may be required by law, prior to the record date specified therein, a notice specifying (i) the date established as the record date for the purpose of such dividend, distribution, option or right and a description of such dividend, option or right, (ii) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up, or sale is expected to become effective and (iii) the date, if any, fixed as to when the holders of record of Common Stock shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reorganization, reclassification, transfer, consolation, merger, dissolution, liquidation or winding up.

17. RESERVATION OF SHARES

The Company shall reserve and keep available out of its authorized but unissued shares of Common Stock for issuance upon the exercise of this Warrant, free from pre-emptive rights, such number of shares of Common Stock for which this Warrant shall from time to time be exercisable. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation. Without limiting the generality of the foregoing, the Company covenants that it will use commercially reasonable efforts to take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and use commercially reasonable efforts to obtain all such authorizations, exemptions or consents, including but not limited to consents from the Company's stockholders or Board of Directors or any public regulatory body, as may be necessary to enable the Company to perform its obligations under this Warrant.

18. NO THIRD PARTY RIGHTS

This Warrant is not intended, and will not be construed, to create any rights in any parties other than the Company and the Holder, and no person or entity may assert any rights as third-party beneficiary hereunder.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of the date first set forth above.

INVIVO THERAPEUTICS CORPORATION

By: ______________________________
Name: Frank Reynolds
Title: Chief Executive Officer

EXHIBIT A

NOTICE OF EXERCISE

(To be executed by the Holder of Warrant if such Holder desires to exercise Warrant)

To InVivo Therapeutics Corporation:

The undersigned hereby irrevocably elects to exercise this Warrant and to purchase thereunder, ________________ full shares of InVivo Therapeutics Corporation common stock issuable upon exercise of the Warrant and delivery of:

(1) $______ (in cash as provided for in the foregoing Warrant) and any applicable taxes payable by the undersigned pursuant to such Warrant; and

(2) ______ shares of Common Stock (pursuant to a Cashless Exercise in accordance with Section 1(b)(ii) of the Warrant) (check here if the undersigned desires to deliver an unspecified number of shares equal the number sufficient to effect a Cashless Exercise [__]).

The undersigned requests that certificates for such shares be issued in the name of:

____

(Please print name, address and social security or federal employer identification number (if applicable))

____

____

If the shares issuable upon this exercise of the Warrant are not all of the Warrant Shares which the Holder is entitled to acquire upon the exercise of the Warrant, the undersigned requests that a new Warrant evidencing the rights not so exercised be issued in the name of and delivered to:

____

(Please print name, address and social security or federal employer identification number (if applicable))

____

____

Name of Holder (print): ____________________

(Signature): ____________________

(By:) ____________________

(Title:) ____________________

Dated: ____________________

EXHIBIT B

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, ________________ hereby sells, assigns and transfers to each assignee set forth below all of the rights of the undersigned under the Warrant (as defined in and evidenced by the attached Warrant) to acquire the number of Warrant Shares set opposite the name of such assignee below and in and to the foregoing Warrant with respect to said acquisition rights and the shares issuable upon exercise of the Warrant:

Name of Assignee	**Address**	**Number of Shares**

If the total of the Warrant Shares are not all of the Warrant Shares evidenced by the foregoing Warrant, the undersigned requests that a new Warrant evidencing the right to acquire the Warrant Shares not so assigned be issued in the name of and delivered to the undersigned.

Name of Holder (print): ____________________

(Signature): ____________________

(By:) ____________________

(Title:) ____________________

Dated: ____________________

EXHIBIT C

SCHEDULE OF EXCEPTIONS

None

Exhibit 10.5

SPLIT-OFF AGREEMENT

This **SPLIT-OFF AGREEMENT**, dated as of October 26, 2010 (this "Agreement"), is entered into by and among InVivo Therapeutics Holding Corp. (f/k/a Design Source, Inc.), a Nevada corporation ("Seller"), DSource Split Corp., a Delaware corporation ("Split-Off Subsidiary") and Peter Reichard, Peter Coker and Lawrence Reichard ("Buyers").

RECITALS:

WHEREAS, Seller is the owner of all of the issued and outstanding capital stock of Split-Off Subsidiary; Split-Off Subsidiary is a wholly-owned subsidiary of Seller which will acquire the business assets and liabilities previously held by Seller; and Seller has no other businesses or operations prior to the Merger (as defined herein);

WHEREAS, contemporaneously with the execution of this Agreement, Seller, InVivo Therapeutics Corporation, a Delaware corporation ("InVivo"), and a newly-formed wholly-owned Nevada subsidiary of Seller, InVivo Therapeutics Acquisition Corp. ("Acquisition Subsidiary"), will enter into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") pursuant to which Acquisition Subsidiary will merge with and into InVivo with InVivo remaining as the surviving entity (the "Merger"); and the equity holders of InVivo will receive securities of Seller in exchange for their equity interests in InVivo;

WHEREAS, the execution and delivery of this Agreement is required by InVivo as a condition to its execution of the Merger Agreement and the consummation of the assignment, assumption, purchase and sale transactions contemplated by this Agreement is also a condition to the completion of the Merger pursuant to the Merger Agreement, and Seller has represented to InVivo in the Merger Agreement that the transactions contemplated by this Agreement will be consummated in conjunction with the closing of the Merger, and InVivo relied on such representation in entering into the Merger Agreement;

WHEREAS, Buyers desire to purchase the Shares (as defined in Section 2.1) from Seller, and to assume, as between Seller and Buyers, all responsibility for any debts, obligations and liabilities of Seller (prior to the Merger) and Split-Off Subsidiary, on the terms and subject to the conditions specified in this Agreement; and

WHEREAS, Seller desires to sell and transfer the Shares to Buyers, on the terms and subject to the conditions specified in this Agreement;

NOW, THEREFORE, in consideration of the premises and the covenants, promises and agreements herein set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending legally to be bound, agree as follows:

I. **ASSIGNMENT AND ASSUMPTION OF SELLER'S ASSETS AND LIABILITIES**.

Subject to the terms and conditions provided below:

1.1 *Assignment of Assets.* Seller hereby contributes, assigns, conveys and transfers to Split-Off Subsidiary, and Split-Off Subsidiary hereby receives, acquires and accepts, all assets and properties of Seller as of the Effective Time, including but not limited to the following, but excluding in all cases (i) the right, title and assets of Seller in, to and under the Transaction Documentation and (ii) the capital stock of InVivo, Acquisition Subsidiary and Split-Off Subsidiary:

(a) all cash and cash equivalents;

(b) all accounts receivable;

(c) all inventories of raw materials, work in process, parts, supplies and finished products;

(d) all of Seller's rights, title and interests in, to and under all contracts, agreements, leases, licenses (including software licenses), supply agreements, consulting agreements, commitments, purchase orders, customer orders and work orders, and including all of Seller's rights thereunder to use and possess equipment provided by third parties, and all representations, warranties, covenants and guarantees related to the foregoing (provided that to the extent any of the foregoing or any claim or right or benefit arising thereunder or resulting therefrom is not assignable by its terms, or the assignment thereof shall require the consent or approval of another party thereto, this Agreement shall not constitute an assignment thereof if an attempted assignment would be in violation of the terms thereof or if such consent is not obtained prior to the Effective Time, and in lieu thereof Seller shall reasonably cooperate with Split-Off Subsidiary in any reasonable arrangement designed to provide Split-Off Subsidiary the benefits thereunder or any claim or right arising thereunder);

(e) all intellectual property, including but not limited to issued patents, patent applications (whether or not patents are issued thereon and whether modified, withdrawn or resubmitted), unpatented inventions, product designs, copyrights (whether registered or unregistered), know-how, technology, trade secrets, technical information, notebooks, drawings, software, computer coding (both object and source) and all documentation, manuals and drawings related thereto, trademarks or service marks and applications therefor, unregistered trademarks or service marks, trade names, logos and icons and all rights to sue or recover for the infringement or misappropriation thereof;

(f) all fixed assets, including but not limited to the machinery, equipment, furniture, vehicles, office equipment and other tangible personal property owned or leased by Seller;

(g) all customer lists, business records, customer records and files, customer financial records, and all other files and information related to customers, all customer proposals, all open service agreements with customers and all uncompleted customer contracts and agreements; and

(h) to the extent legally assignable, all licenses, permits, certificates, approvals and authorizations issued by Governmental Entities and necessary to own, lease or operate the assets and properties of Seller and to conduct Seller's business as it is presently conducted;

all of the foregoing being referred to herein as the "Assigned Assets."

1.2 *Assignment and Assumption of Liabilities*. Seller hereby assigns to Split-Off Subsidiary, and Split-Off Subsidiary hereby assumes and agrees to pay, honor and discharge all debts, adverse claims, liabilities, judgments and obligations of Seller as of the Effective Time, whether accrued, contingent or otherwise and whether known or unknown, including those arising under any law (including the common law) or any rule or regulation of any Governmental Entity or imposed by any court or any arbitrator in a binding arbitration resulting from, arising out of or relating to the assets, activities, operations, actions or omissions of Seller, or products manufactured or sold thereby or services provided thereby, or under contracts, agreements (whether written or oral), leases, commitments or undertakings thereof, but excluding in all cases the obligations of Seller under the Transaction Documentation (all of the foregoing being referred to herein as the "Assigned Liabilities").

The assignment and assumption of Seller's assets and liabilities provided for in this Article I is referred to as the "Assignment."

II. **PURCHASE AND SALE OF STOCK**.

2.1 *Purchased Shares*. Subject to the terms and conditions provided below, Seller shall sell and transfer to Buyers and Buyers shall purchase from Seller, on the Closing Date (as defined in Section 3.1), all of the issued and outstanding shares of capital stock of Split-Off Subsidiary (the "Shares").

2.2 *Purchase Price*. The purchase price for the Shares shall be the transfer and delivery by Buyers to Seller of the type and number of shares of common stock and other securities of Seller that Buyers own (the "Purchase Price Securities"), as set forth in Exhibit A attached hereto, deliverable as provided in Section 3.3.

III. **CLOSING**.

3.1 *Closing*. The closing of the transactions contemplated in this Agreement (the "Closing") shall take place as soon as practicable following the execution of this Agreement; *provided, however,* that the Closing must occur simultaneously with the closing of the Merger. The date on which the Closing occurs shall be referred to herein as the "Closing Date."

3.2 *Transfer of Shares*. At the Closing, Seller shall deliver to Buyers certificates representing the Shares purchased by Buyers, duly endorsed to Buyers or as directed by Buyers, which delivery shall vest Buyers with good and marketable title to such Shares, free and clear of all liens and encumbrances.

3.3 *Payment of Purchase Price*. At the Closing, Buyers shall deliver to Seller a certificate or certificates representing Buyers' Purchase Price Securities duly endorsed to Seller, which delivery shall vest Seller with good and marketable title to the Purchase Price Securities, free and clear of all liens and encumbrances.

3.4 *Transfer of Records*. On or before the Closing, Seller shall transfer to Split-Off Subsidiary all existing corporate books and records in Seller's possession relating to Split-Off Subsidiary and its business, including but not limited to all agreements, litigation files, real estate files, personnel files and filings with governmental agencies; *provided*, *however*, when any such documents relate to both Seller and Split-Off Subsidiary, only copies of such documents need be furnished. On or before the Closing, Buyers and Split-Off Subsidiary shall transfer to Seller all existing corporate books and records in the possession of Buyers or Split-Off Subsidiary relating to Seller, including but not limited to all corporate minute books, stock ledgers, certificates and corporate seals of Seller and all agreements, litigation files, real property files, personnel files and filings with governmental agencies; *provided*, *however*, when any such documents relate to both Seller and Split-Off Subsidiary or its business, only copies of such documents need be furnished.

3.5 *Instruments of Assignment*. At the Closing, Seller and Split-Off Subsidiary shall deliver to each other such instruments providing for the Assignment as the other may reasonably request (the "Instruments of Assignment").

IV. **BUYERS' REPRESENTATIONS AND WARRANTIES**. Buyers represent and warrant that:

4.1 *Capacity and Enforceability*. Buyers have the legal capacity to execute and deliver this Agreement and the documents to be executed and delivered by Buyers at the Closing pursuant to the transactions contemplated hereby. This Agreement and all such documents constitute valid and binding agreements of Buyers, enforceable in accordance with their terms.

4.2 *Compliance*. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby by Buyers will result in the breach of any term or provision of, or constitute a default under, or violate any agreement, indenture, instrument, order, law or regulation to which Buyers are a party or by which Buyers are bound.

4.3 *Purchase for Investment*. Buyers are financially able to bear the economic risks of acquiring the Shares and the other transactions contemplated hereby, and have no need for liquidity in their investment in the Shares. Buyers have such knowledge and experience in financial and business matters in general, and with respect to businesses of a nature similar to the business of Split-Off Subsidiary (after giving effect to the Assignment), so as to be capable of evaluating the merits and risks of, and making an informed business decision with regard to, the acquisition of the Shares and the other transactions contemplated hereby. Buyers are “accredited investors” within the meaning of Rule 501 of Regulation D under the Securities Act. Buyers are acquiring the Shares solely for their own account and not with a view to or for resale in connection with any distribution or public offering thereof, within the meaning of any applicable securities laws and regulations, unless such distribution or offering is registered under the Securities Act of 1933, as amended (the “Securities Act”), or an exemption from such registration is available. Buyers have (i) received all the information they have deemed necessary to make an informed decision with respect to the acquisition of the Shares and the other transactions contemplated hereby; (ii) had an opportunity to make such investigation as they have desired pertaining to Split-Off Subsidiary (after giving effect to the Assignment) and the acquisition of an interest therein and the other transactions contemplated hereby, and to verify the information which is, and has been, made available to them; and (iii) had the opportunity to ask questions of Seller concerning Split-Off Subsidiary (after giving effect to the Assignment). Buyers acknowledge that due to their affiliation with Seller and Split-Off Subsidiary that they have actual knowledge of the business, operations and financial affairs of Split-Off Subsidiary (after giving effect to the Assignment). Buyers have received no public solicitation or advertisement with respect to the offer or sale of the Shares. Buyers realize that the Shares are “restricted securities” as that term is defined in Rule 144 promulgated by the Securities and Exchange Commission under the Securities Act, the resale of the Shares is restricted by federal and state securities laws and, accordingly, the Shares must be held indefinitely unless their resale is subsequently registered under the Securities Act or an exemption from such registration is available for their resale. Buyers understand that any resale of the Shares by them must be registered under the Securities Act (and any applicable state securities law) or be effected in circumstances that, in the opinion of counsel for Split-Off Subsidiary at the time, create an exemption or otherwise do not require registration under the Securities Act (or applicable state securities laws). Buyers acknowledge and consent that certificates now or hereafter issued for the Shares will bear a legend substantially as follows:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAWS (THE “STATE ACTS”), HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND QUALIFICATION UNDER THE STATE ACTS OR PURSUANT TO EXEMPTIONS FROM SUCH REGISTRATION OR QUALIFICATION REQUIREMENTS (INCLUDING, IN THE CASE OF THE SECURITIES ACT, THE EXEMPTIONS AFFORDED BY SECTION 4(1) OF THE SECURITIES ACT AND RULE 144 THEREUNDER). AS A PRECONDITION TO ANY SUCH TRANSFER, THE ISSUER OF THESE SECURITIES SHALL BE FURNISHED WITH AN OPINION OF COUNSEL OPINING AS TO THE AVAILABILITY OF EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION AND/OR SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY THERETO THAT ANY SUCH TRANSFER WILL NOT VIOLATE THE SECURITIES LAWS.

Buyers understand that the Shares are being sold to them pursuant to the exemption from registration contained in Section 4(1) of the Securities Act and that Seller is relying upon the representations made herein as one of the bases for claiming the Section 4(1) exemption.

4.4 *Liabilities*. Following the Closing, Seller will have no liability for any debts, liabilities or obligations of Split-Off Subsidiary or its business or activities, and there are no outstanding guaranties, performance or payment bonds, letters of credit or other contingent contractual obligations that have been undertaken by Seller directly or indirectly in relation to Split-Off Subsidiary or its business and that may survive the Closing.

4.5 *Title to Purchase Price Securities*. Buyers are the sole record and beneficial owner of their respective Purchase Price Securities. At Closing, Buyers will have good and marketable title to their respective Purchase Price Securities, which Purchase Price Securities are, and at the Closing will be, free and clear of all options, warrants, pledges, claims, liens and encumbrances, and any restrictions or limitations prohibiting or restricting transfer to Seller, except for restrictions on transfer as contemplated by applicable securities laws.

V. **SELLER'S AND SUBSIDIARY'S REPRESENTATIONS AND WARRANTIES**. Seller and Split-Off Subsidiary, jointly and severally, represent and warrant to Buyers that:

5.1 *Organization and Good Standing*. Each of Seller and Split-Off Subsidiary is a corporation duly incorporated, validly existing, and in good standing under the laws of their respective states of incorporation.

5.2 *Authority and Enforceability*. The execution and delivery of this Agreement and the documents to be executed and delivered at the Closing pursuant to the transactions contemplated hereby, and performance in accordance with the terms hereof and thereof, have been duly authorized by Seller and all such documents constitute valid and binding agreements of Seller enforceable in accordance with their terms.

5.3 *Title to Shares*. Seller is the sole record and beneficial owner of the Shares. At Closing, Seller will have good and marketable title to the Shares, which Shares are, and at the Closing will be, free and clear of all options, warrants, pledges, claims, liens and encumbrances, and any restrictions or limitations prohibiting or restricting transfer to Buyers, except for restrictions on transfer as contemplated by Section 4.3 above. The Shares constitute all of the issued and outstanding shares of capital stock of Split-Off Subsidiary.

5.4 *WARN Act*. Split-Off Subsidiary does not have a sufficient number of employees to make it subject to the Worker Adjustment and Retraining Notification Act.

5.5 *Representations in Merger Agreement*. Split-Off Subsidiary represents and warrants that all of the representations and warranties by Seller, insofar as they relate to Split-Off Subsidiary, contained in the Merger Agreement are true and correct.

VI. **OBLIGATIONS OF BUYERS PENDING CLOSING**. Buyers covenant and agree that between the date hereof and the Closing:

6.1 *Not Impair Performance*. Buyers shall not take any intentional action that would cause the conditions upon the obligations of the parties hereto to effect the transactions contemplated hereby not to be fulfilled, including, without limitation, taking or causing to be taken any action that would cause the representations and warranties made by any party herein not to be true, correct and accurate as of the Closing, or in any way impairing the ability of Seller to satisfy its obligations as provided in Article VII.

6.2 *Assist Performance*. Buyers shall exercise their reasonable best efforts to cause to be fulfilled those conditions precedent to Seller's obligations to consummate the transactions contemplated hereby which are dependent upon actions of Buyers and to make and/or obtain any necessary filings and consents in order to consummate the sale transaction contemplated by this Agreement.

VII. **OBLIGATIONS OF SELLER PENDING CLOSING**. Seller covenants and agrees that between the date hereof and the Closing:

7.1 *Business as Usual*. Split-Off Subsidiary shall operate and Seller shall cause Split-Off Subsidiary to operate in accordance with past practices and shall use best efforts to preserve its goodwill and the goodwill of its employees, customers and others having business dealings with Split-Off Subsidiary. Without limiting the generality of the foregoing, from the date of this Agreement until the Closing Date, Split-Off Subsidiary shall preserve and maintain Split-Off Subsidiary's assets in their current operating condition and repair, ordinary wear and tear excepted. From the date of this Agreement until the Closing Date, Split-Off Subsidiary shall not (i) amend, terminate or surrender any material franchise, license, contract or real property interest, or (ii) sell or dispose of any of its assets except in the ordinary course of business. Neither Split-Off Subsidiary nor Buyers shall take or omit to take any action that results in Seller incurring any liability or obligation prior to or in connection with the Closing.

7.2 *Not Impair Performance*. Seller shall not take any intentional action that would cause the conditions upon the obligations of the parties hereto to effect the transactions contemplated hereby not to be fulfilled, including, without limitation, taking or causing to be taken any action which would cause the representations and warranties made by any party herein not to be materially true, correct and accurate as of the Closing, or in any way impairing the ability of Buyers to satisfy her obligations as provided in Article VI.

7.3 *Assist Performance*. Seller shall exercise its reasonable best efforts to cause to be fulfilled those conditions precedent to Buyers' obligations to consummate the transactions contemplated hereby which are dependent upon the actions of Seller and to work with Buyers to make and/or obtain any necessary filings and consents. Seller shall cause Split-Off Subsidiary to comply with its obligations under this Agreement.

VIII. **SELLER’S AND SPLIT-OFF SUBSIDIARY’S CONDITIONS PRECEDENT TO CLOSING**. The obligations of Seller and Split-Off Subsidiary to close the transactions contemplated by this Agreement are subject to the satisfaction at or prior to the Closing of each of the following conditions precedent (any or all of which may be waived by Seller and InVivo in writing):

8.1 *Representations and Warranties; Performance*. All representations and warranties of Buyers contained in this Agreement shall have been true and correct, in all material respects, when made and shall be true and correct, in all material respects, at and as of the Closing, with the same effect as though such representations and warranties were made at and as of the Closing. Buyers shall have performed and complied with all covenants and agreements and satisfied all conditions, in all material respects, required by this Agreement to be performed or complied with or satisfied by Buyers at or prior to the Closing.

8.2 *Additional Documents*. Buyers shall deliver or cause to be delivered such additional documents as may be necessary in connection with the consummation of the transactions contemplated by this Agreement and the performance of their obligations hereunder.

8.3 *Release by Buyers and Split-Off Subsidiary*. At the Closing, Buyers and Split-Off Subsidiary shall execute and deliver to Seller a general release which in substance and effect releases Seller and InVivo from any and all liabilities and obligations that Seller and InVivo may owe to Buyers or Split-Off Subsidiary in any capacity, and from any and all claims that Buyers or Split-Off Subsidiary may have against Seller, InVivo or their respective managers, members, officers, directors, stockholders, employees and agents (other than those arising pursuant to this Agreement or any document delivered in connection with this Agreement).

IX. **BUYERS’ CONDITIONS PRECEDENT TO CLOSING**. The obligation of Buyers to close the transactions contemplated by this Agreement is subject to the satisfaction at or prior to the Closing of each of the following conditions precedent (any and all of which may be waived by Buyers in writing):

9.1 *Representations and Warranties; Performance*. All representations and warranties of Seller and Split-Off Subsidiary contained in this Agreement shall have been true and correct, in all material respects, when made and shall be true and correct, in all material respects, at and as of the Closing with the same effect as though such representations and warranties were made at and as of the Closing. Seller and Split-Off Subsidiary shall have performed and complied with all covenants and agreements and satisfied all conditions, in all material respects, required by this Agreement to be performed or complied with or satisfied by them at or prior to the Closing.

X. **OTHER AGREEMENTS**.

10.1 *Expenses*. Each party hereto shall bear its expenses separately incurred in connection with this Agreement and with the performance of its obligations hereunder.

10.2 *Confidentiality*. Buyers shall not make any public announcements concerning this transaction without the prior written agreement of InVivo, other than as may be required by applicable law or judicial process. If for any reason the transactions contemplated hereby are not consummated, then Buyers shall return any information received by Buyers from Seller or Split-Off Subsidiary, and Buyers shall cause all confidential information obtained by Buyers concerning Split-Off Subsidiary and its business to be treated as such.

10.3 *Brokers' Fees*. In connection with the transaction specifically contemplated by this Agreement, no party to this Agreement has employed the services of a broker and each agrees to indemnify the other against all claims of any third parties for fees and commissions of any brokers claiming a fee or commission related to the transactions contemplated hereby.

10.4 *Access to Information Post-Closing; Cooperation*.

(a) Following the Closing, Buyers and Split-Off Subsidiary shall afford to Seller and its authorized accountants, counsel and other designated representatives, reasonable access (and including using reasonable efforts to give access to persons or firms possessing information) and duplicating rights during normal business hours to allow records, books, contracts, instruments, computer data and other data and information (collectively, "Information") within the possession or control of Buyers or Split-Off Subsidiary insofar as such access is reasonably required by Seller. Information may be requested under this Section 10.4(a) for, without limitation, audit, accounting, claims, litigation and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations and performing this Agreement and the transactions contemplated hereby. No files, books or records of Split-Off Subsidiary existing at the Closing Date shall be destroyed by Buyers or Split-Off Subsidiary after Closing but prior to the expiration of any period during which such files, books or records are required to be maintained and preserved by applicable law without giving Seller at least 30 days' prior written notice, during which time Seller shall have the right to examine and to remove any such files, books and records prior to their destruction.

(b) Following the Closing, Seller shall afford to Split-Off Subsidiary and its authorized accountants, counsel and other designated representatives reasonable access (including using reasonable efforts to give access to persons or firms possessing information) duplicating rights during normal business hours to Information within Seller's possession or control relating to the business of Split-Off Subsidiary. Information may be requested under this Section 10.4(b) for, without limitation, audit, accounting, claims, litigation and tax purposes as well as for purposes of fulfilling disclosure and reporting obligations and for performing this Agreement and the transactions contemplated hereby. No files, books or records of Split-Off Subsidiary existing at the Closing Date shall be destroyed by Seller after Closing but prior to the expiration of any period during which such files, books or records are required to be maintained and preserved by applicable law without giving Buyers at least 30 days prior written notice, during which time Buyers shall have the right to examine and to remove any such files, books and records prior to their destruction.

(c) At all times following the Closing, Seller, Buyers and Split-Off Subsidiary shall use their reasonable efforts to make available to the other party on written request, the current and former officers, directors, employees and agents of Seller or Split-Off Subsidiary for any of the purposes set forth in Section 10.4(a) or (b) above or as witnesses to the extent that such persons may reasonably be required in connection with any legal, administrative or other proceedings in which Seller or Split-Off Subsidiary may from time to be involved.

(d) The party to whom any Information or witnesses are provided under this Section 10.4 shall reimburse the provider thereof for all out-of-pocket expenses actually and reasonably incurred in providing such Information or witnesses.

(e) Seller, Buyers, Split-Off Subsidiary and their respective employees and agents shall each hold in strict confidence all Information concerning the other party in their possession or furnished by the other or the other's representative pursuant to this Agreement with the same degree of care as such party utilizes as to such party's own confidential information (except to the extent that such Information is (i) in the public domain through no fault of such party or (ii) later lawfully acquired from any other source by such party), and each party shall not release or disclose such Information to any other person, except such party's auditors, attorneys, financial advisors, bankers, other consultants and advisors or persons with whom such party has a valid obligation to disclose such Information, unless compelled to disclose such Information by judicial or administrative process or, as advised by its counsel, by other requirements of law.

(f) Seller, Buyers and Split-Off Subsidiary shall each use their best efforts to forward promptly to the other party all notices, claims, correspondence and other materials which are received and determined to pertain to the other party.

10.5 *Guarantees, Surety Bonds and Letter of Credit Obligations*. In the event that Seller is obligated for any debts, obligations or liabilities of Split-Off Subsidiary by virtue of any outstanding guarantee, performance or surety bond or letter of credit provided or arranged by Seller on or prior to the Closing Date, Buyers and Split-Off Subsidiary shall use their best efforts to cause to be issued replacements of such bonds, letters of credit and guarantees and to obtain any amendments, novations, releases and approvals necessary to release and discharge fully Seller from any liability thereunder following the Closing. Buyers and Split-Off Subsidiary, jointly and severally, shall be responsible for, and shall indemnify, hold harmless and defend Seller from and against, any costs or losses incurred by Seller arising from such bonds, letters of credits and guarantees and any liabilities arising therefrom and shall reimburse Seller for any payments that Seller may be required to pay pursuant to enforcement of its obligations relating to such bonds, letters of credit and guarantees.

10.6 *Filings and Consents*. Buyers, at their risk, shall determine what, if any, filings and consents must be made and/or obtained prior to Closing to consummate the purchase and sale of the Shares. Buyers shall indemnify the Seller Indemnified Parties (as defined in Section 12.1 below) against any Losses (as defined in Section 12.1 below) incurred by such Seller Indemnified Parties by virtue of the failure to make and/or obtain any such filings or consents. Recognizing that the failure to make and/or obtain any filings or consents may cause Seller to incur Losses or otherwise adversely affect Seller, Buyers and Split-Off Subsidiary confirm that the provisions of this Section 10.6 will not limit Seller's right to treat such failure as the failure of a condition precedent to Seller's obligation to close pursuant to Article VIII above.

10.7 *Insurance*. Buyers acknowledge that on the Closing Date, effective as of the Closing, any insurance coverage and bonds provided by Seller for Split-Off Subsidiary, and all certificates of insurance evidencing that Split-Off Subsidiary maintains any required insurance by virtue of insurance provided by Seller, will terminate with respect to any insured damages resulting from matters occurring subsequent to Closing.

10.8 *Agreements Regarding Taxes*.

(a) *Tax Sharing Agreements*. Any tax sharing agreement between Seller and Split-Off Subsidiary is terminated as of the Closing Date and will have no further effect for any taxable year (whether the current year, a future year or a past year).

(b) *Returns for Periods Through the Closing Date*. Seller will include the income and loss of Split-Off Subsidiary (including any deferred income triggered into income by Reg. §1.1502-13 and any excess loss accounts taken into income under Reg. §1.1502-19) on Seller's consolidated federal income tax returns for all periods through the Closing Date and pay any federal income taxes attributable to such income. Seller and Split-Off Subsidiary agree to allocate income, gain, loss, deductions and credits between the period up to Closing (the "Pre-Closing Period") and the period after Closing (the "Post-Closing Period") based on a closing of the books of Split-Off Subsidiary, and both Seller and Split-Off Subsidiary agree not to make an election under Reg. §1.1502-76(b)(2)(ii) to ratably allocate the year's items of income, gain, loss, deduction and credit. Seller, Split-Off Subsidiary and Buyers agree to report all transactions not in the ordinary course of business occurring on the Closing Date after Buyers' purchase of the Shares on Split-Off Subsidiary's tax returns to the extent permitted by Reg. §1.1502-76(b)(1)(ii)(B). Buyers agrees to indemnify Seller for any additional tax owed by Seller (including tax owned by Seller due to this indemnification payment) resulting from any transaction engaged in by Split-Off Subsidiary during the Pre-Closing Period or on the Closing Date after Buyers' purchase of the Shares. Split-Off Subsidiary will furnish tax information to Seller for inclusion in Seller's consolidated federal income tax return for the period which includes the Closing Date in accordance with Split-Off Subsidiary's past custom and practice.

(c) *Audits*. Seller will allow Split-Off Subsidiary and its counsel to participate at Split-Off Subsidiary's expense in any audits of Seller's consolidated federal income tax returns to the extent that such audit raises issues that relate to and increase the tax liability of Split-Off Subsidiary. Seller shall have the absolute right, in its sole discretion, to engage professionals and direct the representation of Seller in connection with any such audit and the resolution thereof, without receiving the consent of Buyers or Split-Off Subsidiary or any other party acting on behalf of Buyers or Split-Off Subsidiary, provided that Seller will not settle any such audit in a manner which would materially adversely affect Split-Off Subsidiary after the Closing Date unless such settlement would be reasonable in the case of a person that owned Split-Off Subsidiary both before and after the Closing Date. In the event that after Closing any tax authority informs Buyers or Split-Off Subsidiary of any notice of proposed audit, claim, assessment or other dispute concerning an amount of taxes which pertain to Seller, or to Split-Off Subsidiary during the period prior to Closing, Buyers or Split-Off Subsidiary must promptly notify Seller of the same within 15 calendar days of the date of the notice from the tax authority. In the event Buyers or Split-Off Subsidiary does not notify Seller within such 15 day period, Buyers and Split-Off Subsidiary, jointly and severally, will indemnify Seller for any incremental interest, penalty or other assessments resulting from the delay in giving notice. To the extent of any conflict or inconsistency, the provisions of this Section 10.8 shall control over the provisions of Section 12.2 below.

(d) *Cooperation on Tax Matters*. Buyers, Seller and Split-Off Subsidiary shall cooperate fully, as and to the extent reasonably requested by any party, in connection with the filing of tax returns pursuant to this Section and any audit, litigation or other proceeding with respect to taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Split-Off Subsidiary shall (i) retain all books and records with respect to tax matters pertinent to Split-Off Subsidiary relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Seller, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (ii) give Seller reasonable written notice prior to transferring, destroying or discarding any such books and records and, if Seller so requests, Buyers agree to cause Split-Off Subsidiary to allow Seller to take possession of such books and records.

10.9 *ERISA*. Effective as of the Closing Date, Split-Off Subsidiary shall terminate its participation in, and withdraw from, any employee benefit plans sponsored by Seller, and Seller and Buyers shall cooperate fully in such termination and withdrawal. Without limitation, Split-Off Subsidiary shall be solely responsible for (i) all liabilities under those employee benefit plans notwithstanding any status as an employee benefit plan sponsored by Seller, and (ii) all liabilities for the payment of vacation pay, severance benefits, and similar obligations, including, without limitation, amounts which are accrued but unpaid as of the Closing Date with respect thereto. Buyers and Split-Off Subsidiary acknowledge that Split-Off Subsidiary is solely responsible for providing continuation health coverage, as required under the Consolidated Omnibus Reconciliation Act of 1985, as amended ("COBRA"), to each person, if any, participating in an employee benefit plan subject to COBRA with respect to such employee benefit plan as of the Closing Date, including, without limitation, any person whose employment with Split-Off Subsidiary is terminated after the Closing Date.

XI. **<u>TERMINATION</u>**. This Agreement may be terminated at, or at any time prior to, the Closing by mutual written consent of Seller, Buyers and InVivo.

If this Agreement is terminated as provided herein, it shall become wholly void and of no further force and effect and there shall be no further liability or obligation on the part of any party except to pay such expenses as are required of such party.

XII. **<u>INDEMNIFICATION</u>**.

12.1 *<u>Indemnification by Buyers</u>*. Buyers covenant and agree to indemnify, defend, protect and hold harmless Seller and InVivo, and their respective officers, directors, employees, stockholders, agents, representatives and Affiliates (collectively, the "Seller Indemnified Parties") at all times from and after the date of this Agreement from and against all losses, liabilities, damages, claims, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation), whether or not involving a third party claim and regardless of any negligence of any Seller Indemnified Party (collectively, "Losses"), incurred by any Seller Indemnified Party as a result of or arising from (i) any breach of the representations and warranties of Buyers set forth herein or in certificates delivered in connection herewith, (ii) any breach or nonfulfillment of any covenant or agreement (including any other agreement of Buyers to indemnify set forth in this Agreement) on the part of Buyers under this Agreement, (iii) any Assigned Asset or Assigned Liability or any other debt, liability or obligation of Split-Off Subsidiary, (iv) the conduct and operations, whether before or after Closing, of (A) the business of Seller pertaining to the Assigned Assets and Assigned Liabilities or (B) the business of Split-Off Subsidiary, (v) claims asserted, whether before or after Closing, (A) against Split-Off Subsidiary or (B) pertaining to the Assigned Assets and Assigned Liabilities, or (vi) any federal or state income tax payable by Seller or InVivo and attributable to the transactions contemplated by this Agreement. The obligations of Buyers under this Section, as between Buyers and the Seller Indemnified Parties, are joint and several.

12.2 *<u>Third Party Claims</u>*.

(a) *<u>Defense</u>*. If any claim or liability (a "Third-Party Claim") should be asserted against any of the Seller Indemnified Parties (the "Indemnitee") by a third party after the Closing for which Buyers have an indemnification obligation under the terms of <u>Section 12.1</u>, then the Indemnitee shall notify Buyers (the "Indemnitors") within 20 days after the Third-Party Claim is asserted by a third party (said notification being referred to as a "Claim Notice") and give the Indemnitor a reasonable opportunity to take part in any examination of the books and records of the Indemnitee relating to such Third-Party Claim and to assume the defense of such Third-Party Claim and in connection therewith and to conduct any proceedings or negotiations relating thereto and necessary or appropriate to defend the Indemnitee and/or settle the Third-Party Claim. The expenses (including reasonable attorneys' fees) of all negotiations, proceedings, contests, lawsuits or settlements with respect to any Third-Party Claim shall be borne by the Indemnitors. If the Indemnitors agree to assume the defense of any Third-Party Claim in writing within 20 days after the Claim Notice of such Third-Party Claim has been delivered, through counsel reasonably satisfactory to Indemnitee, then the Indemnitors shall be entitled to control the conduct of such defense, and any decision to settle such Third-Party Claim, and shall be responsible for any expenses of the Indemnitee in connection with the defense of such Third-Party Claim so long as the Indemnitors continue such defense until the final resolution of such Third-Party Claim. The Indemnitors shall be responsible for paying all settlements made or judgments entered with respect to any Third-Party Claim the defense of which has been assumed by the Indemnitors. Except as provided on subsection (b) below, both the Indemnitor and the Indemnitee must approve any settlement of a Third-Party Claim. A failure by the Indemnitee to timely give the Claim Notice shall not excuse Indemnitor from any indemnification liability except only to the extent that the Indemnitors are materially and adversely prejudiced by such failure.

(b) *Failure to Defend*. If the Indemnitors shall not agree to assume the defense of any Third-Party Claim in writing within 20 days after the Claim Notice of such Third-Party Claim has been delivered, or shall fail to continue such defense until the final resolution of such Third-Party Claim, then the Indemnitee may defend against such Third-Party Claim in such manner as it may deem appropriate and the Indemnitee may settle such Third-Party Claim, in its sole discretion, on such terms as it may deem appropriate. The Indemnitors shall promptly reimburse the Indemnitee for the amount of all settlement payments and expenses, legal and otherwise, incurred by the Indemnitee in connection with the defense or settlement of such Third-Party Claim. If no settlement of such Third-Party Claim is made, then the Indemnitors shall satisfy any judgment rendered with respect to such Third-Party Claim before the Indemnitee is required to do so, and pay all expenses, legal or otherwise, incurred by the Indemnitee in the defense against such Third-Party Claim.

12.3 *Non-Third-Party Claims*. Upon discovery of any claim for which Buyers has an indemnification obligation under the terms of Section 12.1 which does not involve a claim by a third party against the Indemnitee, the Indemnitee shall give prompt notice to Buyers of such claim and, in any case, shall give Buyers such notice within 30 days of such discovery. A failure by Indemnitee to timely give the foregoing notice to Buyers shall not excuse Buyers from any indemnification liability except to the extent that Buyers is materially and adversely prejudiced by such failure.

12.4 *Survival*. Except as otherwise provided in this Section 12.4, all representations and warranties made by Buyers, Split-Off Subsidiary and Seller in connection with this Agreement shall survive the Closing. Anything in this Agreement to the contrary notwithstanding, the liability of all Indemnitors under this Article XII shall terminate on the fourth (4th) anniversary of the Closing Date, except with respect to (a) liability for any item as to which, prior to the fourth (4th) anniversary of the Closing Date, any Indemnitee shall have asserted a Claim in writing, which Claim shall identify its basis with reasonable specificity, in which case the liability for such Claim shall continue until it shall have been finally settled, decided or adjudicated, (b) liability of any party for Losses for which such party has an indemnification obligation, incurred as a result of such party's breach of any covenant or agreement to be performed by such party after the Closing, (c) liability of Buyers for Losses incurred by a Seller Indemnified Party due to breaches of their representations and warranties in Article IV of this Agreement, and (d) liability of Buyers for Losses arising out of Third-Party Claims for which Buyers have an indemnification obligation, which liability shall survive until the statute of limitation applicable to any third party's right to assert a Third-Party Claim bars assertion of such claim.

XIII. **<u>MISCELLANEOUS</u>**.

13.1 *<u>Definitions</u>*. Capitalized terms used herein without definition have the meanings ascribed to them in the Merger Agreement.

13.2 *<u>Notices</u>*. All notices and communications required or permitted hereunder shall be in writing and deemed given when received by means of the United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or personal delivery, or overnight courier, as follows:

(a) If to Seller, addressed to:

InVivo Therapeutics Holding Corp.
One Broadway, 14th Floor
Cambridge, MA 02142
Attention: Frank M. Reynolds
Facsimile: (617) 225-4430

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

Meister Seelig & Fein, LLP
140 East 45th Street
New York, NY 10017
Attention: Mitchell Lampert, Esq.
Facsimile: (646) 539-3675

(b) If to Buyers or Split-Off Subsidiary, addressed to:

Peter Reichard
100 Europa Drive, Suite 455
Chapel Hill, NC 27515-4321
Facsimile: (919) 933-2730

or to such other address as any party hereto shall specify pursuant to this <u>Section 13.2</u> from time to time.

13.3 *<u>Exercise of Rights and Remedies</u>*. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

13.4 *Time*. Time is of the essence with respect to this Agreement.

13.5 *Reformation and Severability*. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

13.6 *Further Acts and Assurances*. From and after the Closing, Seller, Buyers and Split-Off Subsidiary agree that each will act in a manner supporting compliance, including compliance by its Affiliates, with all of its obligations under this Agreement and, from time to time, shall, at the request of another party hereto, and without further consideration, cause the execution and delivery of such other instruments of conveyance, transfer, assignment or assumption and take such other action or execute such other documents as such party may reasonably request in order more effectively to convey, transfer to and vest in Buyers, and to put Split-Off Subsidiary in possession of, all Assigned Assets and Assigned Liabilities, and to convey, transfer to and vest in Seller and Buyers, and to them in possession of, the Purchase Price Securities and the Shares (respectively), and, in the case of any contracts and rights that cannot be effectively transferred without the consent or approval of other Persons that is unobtainable, to use its best reasonable efforts to ensure that Split-Off Subsidiary receives the benefits thereof to the maximum extent permissible in accordance with applicable law or other applicable restrictions, and shall perform such other acts which may be reasonably necessary to effectuate the purposes of this Agreement.

13.7 *Entire Agreement; Amendments*. This Agreement contains the entire understanding of the parties relating to the subject matter contained herein. This Agreement cannot be amended or changed except through a written instrument signed by all of the parties hereto and by InVivo. No provisions of this Agreement or any rights hereunder may be waived by any party without the prior written consent of InVivo.

13.8 *Assignment*. No party may assign his, her or its rights or obligations hereunder, in whole or in part, without the prior written consent of the other parties.

13.9 *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to principles of conflicts or choice of laws thereof.

13.10 *Counterparts*. This Agreement may be executed in one or more counterparts, with the same effect as if all parties had signed the same document. Each such counterpart shall be an original, but all such counterparts taken together shall constitute a single agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature page was an original thereof.

13.11 *Section Headings and Gender*. The Section headings used herein are inserted for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. All personal pronouns used in this Agreement shall include the other genders, whether used in the masculine, feminine or neuter, and the singular shall include the plural, and *vice versa*, whenever and as often as may be appropriate.

13.12 *Third-Party Beneficiary*. Each of Seller, Buyers and Split-Off Subsidiary acknowledges and agrees that this Agreement is entered into for the express benefit of InVivo, and that InVivo is relying hereon and on the consummation of the transactions contemplated by this Agreement in entering into and performing its obligations under the Merger Agreement, and that InVivo shall be in all respects entitled to the benefit hereof and to enforce this Agreement as a result of any breach hereof.

13.13 *Specific Performance; Remedies*. Each of Seller, Buyers and Split-Off Subsidiary acknowledge and agree that InVivo would be damaged irreparably if any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached. Accordingly, each of Seller, Buyers and Split-Off Subsidiary agrees that InVivo will be entitled to seek an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and its terms and provisions in any action instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter, subject to Section 13.9, in addition to any other remedy to which InVivo may be entitled, at law or in equity. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and are in addition to any other rights, obligations or remedies otherwise available at law or in equity, and nothing herein will be considered an election of remedies.

13.14 *Submission to Jurisdiction; Process Agent; No Jury Trial*.

(a) Each party to the Agreement hereby submits to the jurisdiction of any state or federal court sitting in the State of New York in any action arising out of or relating to this Agreement and agrees that all claims in respect of the action may be heard and determined in any such court. Each party to the Agreement also agrees not to bring any action arising out of or relating to this Agreement in any other court. Each party to the Agreement agrees that a final judgment in any action so brought will be conclusive and may be enforced by action on the judgment or in any other manner provided at law or in equity. Each party to the Agreement waives any defense of inconvenient forum to the maintenance of any action so brought and waives any bond, surety or other security that might be required of any other party with respect thereto.

(b) EACH PARTY TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RIGHTS TO JURY TRIAL OF ANY DISPUTE BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OTHER AGREEMENTS RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT OR ANY DEALINGS AMONG THEM RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. The scope of this waiver is intended to be all encompassing of any and all actions that may be filed in any court and that relate to the subject matter of the transactions, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party to the Agreement hereby acknowledges that this waiver is a material inducement to enter into a business relationship and that they will continue to rely on the waiver in their related future dealings. Each party to the Agreement further represents and warrants that it has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED ORALLY OR IN WRITING, AND THE WAIVER WILL APPLY TO ANY AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING HERETO. In the event of commencement of any action, this Agreement may be filed as a written consent to trial by a court.

13.15 *Construction*. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties hereto and no presumption or burden of proof will arise favoring or disfavoring any party because of the authorship of any provision of this Agreement. Any reference to any federal, state, local or foreign law will be deemed also to refer to law as amended and all rules and regulations promulgated thereunder, unless the context requires otherwise. The words “include,” “includes,” and “including” will be deemed to be followed by “without limitation.” The words “this Agreement,” “herein,” “hereof,” “hereby,” “hereunder,” and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The parties hereto intend that each representation, warranty and covenant contained herein will have independent significance. If any party hereto has breached any representation, warranty or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) which that party has not breached will not detract from or mitigate the fact that such party is in breach of the first representation, warranty or covenant.

[Signature page follows this page.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Split-Off Agreement as of the day and year first above written.

INVIVO THERAPEUTICS HOLDING CORP.

By: /s/ Peter Reichard
Name: Peter Reichard
Title: President

DSOURCE SPLIT CORP.

By: /s/ Peter Reichard
Name: Peter Reichard
Title: President

BUYERS

/s/ Peter Reichard
Peter Reichard

/s/ Lawrence Reichard
Lawrence Reichard

/s/ Peter Coker
Peter Coker

Exhibit A

Buyers	Purchase Price Security	Number
Peter Reichard	Common Stock	6,644,910
Lawrence Reichard	Common Stock	405,796
Peter Coker	Common Stock	7,696,848

* As adjusted to reflect the 2.02898-for-1 forward stock split of the common stock of Seller, in the form of a dividend.

GENERAL RELEASE AGREEMENT

This **GENERAL RELEASE AGREEMENT** (this "Agreement"), dated as of October 26, 2010, is entered into by and among InVivo Therapeutics Holding Corp., a Nevada corporation ("Seller"), DSource Split Corp., a Delaware corporation ("Split-Off Subsidiary"), and Peter Reichard, Peter Coker and Lawrence Reichard ("Buyers"). In consideration of the mutual benefits to be derived from this Agreement, the covenants and agreements set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the execution and delivery hereof, the parties hereto hereby agree as follows:

1. Split-Off Agreement. This Agreement is executed and delivered by Split-Off Subsidiary pursuant to the requirements of Section 8.3 of that certain Split-Off Agreement (the "Split-Off Agreement") by and among Seller, Split-Off Subsidiary and Buyers as a condition precedent to the closing (the "Closing") of the Split-Off Agreement.

2. Release and Waiver by Split-Off Subsidiary. For and in consideration of the covenants and promises contained herein and in the Split-Off Agreement, the receipt and sufficiency of which are hereby acknowledged, Split-Off Subsidiary, on behalf of itself and its assigns, representatives and agents, if any, hereby covenants not to sue and fully, finally and forever completely releases Seller, along with its present, future and former officers, directors, stockholders, members, employees, agents, attorneys and representatives (collectively, the "Seller Released Parties"), of and from any and all claims, actions, obligations, liabilities, demands and/or causes of action, of whatever kind or character, whether now known or unknown, which Split-Off Subsidiary has or might claim to have against the Seller Released Parties for any and all injuries, harm, damages (actual and punitive), costs, losses, expenses, attorneys' fees and/or liability or other detriment, if any, whenever incurred or suffered by Split-Off Subsidiary arising from, relating to, or in any way connected with, any fact, event, transaction, action or omission that occurred or failed to occur on or prior to the date of the Closing.

3. Release and Waiver by Buyers. For and in consideration of the covenants and promises contained herein and in the Split-Off Agreement, the receipt and sufficiency of which are hereby acknowledged, Buyers hereby covenant not to sue and fully, finally and forever completely release the Seller Released Parties of and from any and all claims, actions, obligations, liabilities, demands and/or causes of action, of whatever kind or character, whether now known or unknown which Buyers have or might claim to have against the Seller Released Parties for any and all injuries, harm, damages (actual and punitive), costs, losses, expenses, attorneys' fees and/or liability or other detriment, if any, whenever incurred or suffered by Buyers arising from, relating to, or in any way connected with, any fact, event, transaction, action or omission that occurred or failed to occur on or prior to the date of the Closing.

4. <u>Additional Covenants and Agreements</u>.

(a) Each of Split-Off Subsidiary and Buyers, on the one hand, and Seller, on the other hand, waives and releases the other from any claims that this Agreement was procured by fraud or signed under duress or coercion so as to make this Agreement not binding.

(b) Each of the parties hereto acknowledges and agrees that the releases set forth herein do not include any claims the other party hereto may have against such party for such party's failure to comply with or breach of any provision in this Agreement or the Split-Off Agreement.

(c) Notwithstanding anything contained herein to the contrary, this Agreement shall not release or waive, or in any manner affect or void, any party's rights and obligations under the Split-Off Agreement.

5. <u>Modification</u>. This Agreement cannot be modified orally and can only be modified through a written document signed by both parties.

6. <u>Severability</u>. If any provision contained in this Agreement is determined to be void, illegal or unenforceable, in whole or in part, then the other provisions contained herein shall remain in full force and effect as if the provision that was determined to be void, illegal or unenforceable had not been contained herein.

7. <u>Expenses</u>. The parties hereto agree that each party shall pay its respective costs, including attorneys' fees, if any, associated with this Agreement.

8. <u>Further Acts and Assurances</u>. Split-Off Subsidiary and each Buyer agrees that it will act in a manner supporting compliance, including compliance by its Affiliates, with all of its obligations under this Agreement and, from time to time, shall, at the request of Seller, and without further consideration, cause the execution and delivery of such other instruments of release or waiver and take such other action or execute such other documents as such party may reasonably request in order to confirm or effect the releases, waivers and covenants contained herein, and, in the case of any claims, actions, obligations, liabilities, demands and/or causes of action that cannot be effectively released or waived without the consent or approval of other persons or entities that is unobtainable, to use its best reasonable efforts to ensure that the Seller Released Parties receive the benefits thereof to the maximum extent permissible in accordance with applicable law or other applicable restrictions, and shall perform such other acts which may be reasonably necessary to effectuate the purposes of this Agreement. For the purposes of this Agreement, an "Affiliate" is a person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another specified person or entity.

9. <u>Governing Law</u>. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to principles of conflicts or choice of laws thereof.

10. Entire Agreement. This Agreement constitutes the entire understanding and agreement of Seller, Split-Off Subsidiary and Buyers and supersedes prior understandings and agreements, if any, among or between Seller, Split-Off Subsidiary and Buyers with respect to the subject matter of this Agreement, other than as specifically referenced herein. This Agreement does not, however, operate to supersede or extinguish any confidentiality, non-solicitation, non-disclosure or non-competition obligations owed by Split-Off Subsidiary or Buyers to Seller under any prior agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this General Release Agreement as of the day and year first above written.

INVIVO THERAPEUTICS HOLDING CORP.

By: /s/ Peter A. Reichard
Name: Peter A. Reichard
Title: President

DSOURCE SPLIT CORP.

By: /s/ Peter A. Reichard
Name: Peter A. Reichard
Title: President

BUYERS:

/s/ Peter Reichard
Peter Reichard

/s/ Peter Coker
Peter Coker

/s/ Lawrence Reichard
Lawrence Reichard

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Amendment No. 1 to the Registration Statement on Form S-1 of InVivo Therapeutics Holdings Corporation of our report dated March 24, 2011, relating to our audits of the financial statements of InVivo Therapeutics Holdings Corporation, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to our firm under the caption "Experts" in such Prospectus.

/s/ Wolf & Company, P.C.

Wolf & Company, P.C.
Boston, Massachusetts
May 19, 2011

May 19, 2011

Amanda Ravitz
Assistant Director
Securities and Exchange Commission (Mail Stop 4561)
100 F Street, N.E.
Washington, D.C. 20549

Re: InVivo Therapeutics Holdings Corp.
Registration Statement on Form S-1
Filed February 1, 2011
File No. 333-171998

Proxy Statement on Schedule 14A
Correspondence received April 26, 2011
Form 10-K for the year ended December 31, 2010
File No. 000-52089

Dear Ms. Ravitz:

On behalf of InVivo Therapeutics Holdings Corp. (the "Company"), we submit the following responses to the comments of the Staff of the Securities and Exchange Commission (the "Staff") as set forth in your letters dated February 28, 2011 and May 11, 2011 to Mr. Frank Reynolds, the Company's Chief Executive Officer and Chief Financial Officer.

These responses set forth below have been organized in the same manner in which the Staff's comments were organized.

All responses pertaining to the Company set forth in this letter were prepared by the Company in consultation with its counsel, BRL Law Group LLC. Simultaneously with this response letter, we are filing our amendment to our registration statement on Form S-1 (the "S-1").

COMMENT LETTER DATED FEBRUARY 28, 2011:

Registration Statement Cover Page

COMMENT 1. *Refer to footnote (1) to the fee table. Rule 416 of the Securities Act of 1933 may only be used to address changes in the number of shares issuable upon exercise of the warrants for stock splits, stock dividends and similar transactions. You may not use Rule 416 to address additional securities issuable in connection with other types of antidilution provisions, such as those based upon market fluctuations or best price provisions, like the one found in Section 3(d) of the Investor Warrant filed as Exhibit 4.3. Please revise your footnote to limit it to the types of adjustments allowed by Rule 416. Similarly revise counsel's opinion set forth as Exhibit 5.1.*

RESPONSE:

In response to the Staff's comments, the Company has revised the disclosure in the footnote accordingly. Counsel's opinion has also been revised in response to this comment.

Prospectus Cover Page

COMMENT 2. *Please clarify, if true, that the shares will be offered at market or privately negotiated prices. Alternatively, state the price at which selling shareholders will offer their shares.*

RESPONSE:

In response to the Staff’s comment, the Company has revised the disclosure on the cover page to clarify that the shares will be offered at market or privately negotiated prices.

COMMENT 3. *Because your first reference to the “new bridge warrants” appears here without further explanation, please either define the term or provide other context for understandability.*

RESPONSE:

In response to the Staff’s comment, the Company has revised the disclosure on the cover page to provide context for the term “new bridge warrants.”

Prospectus Summary, page 1

COMMENT 4. *Revise the forepart of your registration statement to disclose your assets and net loss for the most recent audited period and stub period.*

RESPONSE:

In response to the Staff’s comment, the Company has revised the prospectus summary to disclose its assets and net losses for the year ended December 31, 2010 and for the quarter ended March 31, 2011. Please see page 3 of the S-1.

COMMENT 5. *Please provide a summary description of your business activities, including a discussion of’ your plans to develop your product through to revenue generation.*

RESPONSE:

In response to the Staff’s comments, the Company has revised the prospectus summary to include a description of its business activities. Please see page 3 of the S-1.

COMMENT 6. *Revise the summary significantly to comply with the requirements of plain English set forth in Rule 421 of the Securities Act of 1933. In particular, avoid referring to yourself in the third person as ITHC except where it will enhance readability, clearly refer to various transactions by different names, rather than using the term “Offering” and “Closing” to refer to each, and avoid excessive use of defined, upper-cased terminology.*

RESPONSE:

In response to the Staff’s comments, the Company has revised the prospectus summary to comply with the requirements of plain English and to avoid defined terms where possible.

COMMENT 7. *The first sentence on page 2 is unclear. Did the private offering occur concurrently with the merger, before the merger or on November 10 and December 3, 2010?*

RESPONSE:

In response to the Staff's comments, the Company has revised its disclosure on page 2 of the S-1 to clarify that the private offering had three separate closings, on each of October 26, November 10 and December 3, 2010. The Company has provided a further response on this comment below under Comment 1 of the May 11, 2011 letter.

COMMENT 8. *Refer to the third paragraph on page 2. Tell us what solicitation activities the placement agent engaged in to identify investors to participate in bridge financing.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011. The Company has provided a further response on this comment below under Comment 2 of the May 11, 2011 letter.

Offering by Selling Security holders, page 3

COMMENT 9. *We see on page 3 that you reference the forward-split of your common stock on a 2.02898 for 1 basis effective October 22, 2010. This transaction appears to relate solely to the legal acquirer in the merger transaction, Invivo Therapeutics Holdings Corporation. However, we note on page 1, that as part of the merger, Invivo common stock converted on a 13.7706 for 1 basis. Consistent with SAB Topic 4C, please revise the filing to give retroactive treatment to this conversion of the common stock throughout the filing. Please also revise to appropriately reconcile for us the outstanding common shares of Invivo on a pre and post-merger basis, which would reflect the 13.7706 for 1 conversion.*

RESPONSE:

In response to the Staff's comment, the revised S-1 retroactively reflects all stock splits and the merger exchange. The reconciliation of the outstanding shares of common stock on a pre and post-merger basis is included on page 59 of the S-1 under "Reconciliation of Outstanding Capital Stock on a Pre and Post Merger Basis."

Risk Factors, page 5

COMMENT 10. *Revise the third sentence under this heading to remove the suggestion that there may be other risk factors outside of this section that are not described here.*

RESPONSE:

In response to the Staff's comments, the Company has removed the suggestion that there may be other risk factors outside of this section.

COMMENT 11. *Please add a risk factor that addresses the risks related to the use of methylprednisolone sodium succinate.*

RESPONSE:

In response to the Staff's comment, the Company has added a risk factor addressing these risks on page 11 of the S-1 and will include this risk factor if required in its future filings with the Commission.

<u>We will need substantial additional funding, page 5</u>

COMMENT 12. *Please quantify your near term funding needs as well as the amount you will need to bring your product to market.*

RESPONSE:

The Company supplementally advises the Staff that as a developmental stage enterprise we feel that there are too many variables that affect the cost and timing of the Company's planned products for us to make reasonable projections and estimates at this time. However, the Company has added disclosure in the S-1 regarding the Company's near term funding needs, which is included on page 25 of the S-1 under "Financial Condition, Liquidity and Capital Resources."

<u>The results seen in our animal testing.... page 8</u>

COMMENT 13. *We note your disclosure on pages 30-34 regarding the testing of your products. Given such tests appear limited in nature; address the limited nature of your tests in your risk factor disclosure.*

RESPONSE:

In response to the Staff's comment, the Company has revised this risk factor on page 9 of the S-1 to address the limited nature of the Company's testing.

<u>We may require FDA approval... page 7</u>

COMMENT 14. *We note that several of your risk factors appear to address the same risks related to regulatory approval including the risks of delay and that approval will ultimately not be granted. For example, this risk factor and the second and fourth risk factors on page 8 all refer to the need for regulatory approval. Please revise your risk factor disclosure for conciseness. Address each significant risk separately under its own subcaption and avoid unnecessary duplication.*

RESPONSE:

In response to the Staff's comments, the Company has revised and consolidated the relevant risk factors on pages 8 through 10 of the S-1.

Our products could be subject to claims for patent infringement, page 12

COMMENT 15. *Please revise this risk factor and the following risk factor for clarity and to avoid repetition. Also, given your claims regarding the creation of a "new paradigm" for the treatment of spinal cord injury clarify how you determined there is a material risk that you may infringe the patent rights of third parties.*

RESPONSE:

In response to the Staff's comments, the Company has revised and consolidated these risk factors into a single risk factor on page 13 of the S-1. The Company has also taken out all marketing style language out of the S-1, including the "new paradigm" claim. The Company supplementally advises the Staff that it is our view that claims of patent infringement in the life sciences field is always a major risk, even if you have appropriate patents and licenses covering your technology and products.

InVivo's Convertible Notes converted into common stock, page 15

COMMENT 16. *Revise to indicate the remedies that note holders might seek as a result of the valuation discussed.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011. The Company has provided a further response on this comment below under Comment 5 of the May 11, 2011 letter.

Capitalization, page 20

COMMENT 17. *Please revise to include detailed footnote disclosure quantifying and identifying each pro forma adjustment recorded along with an explanation of how each pro forma adjustment was calculated and determined for both pro-forma as adjusted columns. As part of your revised disclosure, please include all relevant assumption used in such calculations, including the conversion terms and number of warrants outstanding.*

RESPONSE:

In response to the Staff's comments, the Company has revised the Capitalization table to include detailed disclosure quantifying and identifying each pro forma adjustment. The Company has also disclosed an explanation for how each pro forma adjustment was calculated and determined and has included all relevant assumptions used in the calculations.

Dilution, page 21

COMMENT 18. *Please revise the filing to include a detailed explanation of the calculation of the dilution upon the exercise of the investor and bridge warrants. We note that it is not possible to recalculate the amounts included in the increase per share attributable to the exercising of the warrants.*

RESPONSE:

In response to the Staff's comment, the Company has revised the Dilution section to include a detailed explanation of the calculation of the dilution upon the exercise of the investor and bridge warrants.

Management's Discussion and Analysis, page 22

COMMENT 19. *Item 11(h) of the Form S-1 requires the filing of Managements' Discussion and Analysis consistent with Item 303 of Regulation S-K. For smaller reporting companies, Item 303(A) and 303(B) of Regulation S-K requires the discussion of the two most recent fiscal years and any subsequent interim periods. Please revise accordingly.*

RESPONSE:

The Management's Discussion and Analysis beginning on page 22 of the S-1 includes the Company's two most recent fiscal years.

Business, page 26

COMMENT 20. *Revise significantly to explain clearly the present development stage of your product and explain clearly each step you need to take to be ready to generate revenue from your proposed product. Include in this description estimated timelines and capital needs.*

RESPONSE:

In response to the Staff's comments, the Company has revised its disclosure on pages 27 and 33 of the S-1 to more clearly describe the FDA review process. The Company supplementally advises the Staff that it believes at this stage in its development it cannot make accurate estimates of timelines and capital needs.

COMMENT 21. *Please revise your disclosure to avoid marketing style language such as the references to "groundbreaking technologies," a "new paradigm of care," a "novel approach," "world renown" and "prolific." Instead, explain clearly how your technology may improve medical care for spinal cord injuries. Also, revise your disclosure to avoid frequent reliance on defined terms such as "SCI" and "hNSC."*

RESPONSE:

In response to the Staff's comments, the Company has avoided using this type of language in the S-1.

COMMENT 22. *Please tell us the basis for your belief that the global per unit price for your product will be $44,000.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011.

COMMENT 23. *We note the disclosure in the fifth risk factor on page 11 regarding applicable regulations. Please provide the disclosure required by Item 101(h) (4) (ix) of Regulation S-K.*

RESPONSE:

In response to the Staff's comment, the Company has added disclosure on page 35 of the S-1 regarding its compliance with environmental, health and safety laws.

Market Opportunity, page 27

COMMENT 24. *You cite the Christopher & Dana Reeve Foundation and the NSCISC in several places in your prospectus. Please provide us with copies of reports of each of these organizations where they make these statements. Clearly mark the supporting statements in the supplemental materials. Also, clarify whether you have any relationships with these organizations.*

RESPONSE:

The Company is providing these reports to the Staff under separate cover. The Company also supplementally advises the Staff that it does not have a relationship with these organizations. The Company has deleted any such statements in the S-1 that it was unable to provide support for.

Our Planned First Product, page 28

COMMENT 25. *Please expand your disclosure to describe more clearly the polymer scaffold.*

RESPONSE:

In response to the Staff's comment, on pages 28 and 29 of the S-1, the Company has expanded its disclosure regarding its polymer scaffold.

Pre-Clinical Results in Animals, page 29

COMMENT 26. *Please clarify which tests were carried out by you and which tests were carried out by third parties. Also, discuss the number of subjects in the study and explain what you mean by "functional locomotive improvement" and "sustainable functional recovery."*

RESPONSE:

In response to the Staff's comments, the Company has clarified its disclosures on pages 30 through 33 of the S-1. The Company has provided a further response on this comment below under Comment 8 of the May 11, 2011 letter.

COMMENT 27. *Please explain the Basso-Beattie-Bresnahan scoring system, the 20-point observational scale used in the graph on page 32 and the neuromotor scoring system used in the graph on page 33.*

RESPONSE:

In response to the Staff's comments, the Company has revised its disclosure on pages 30 and 31 of the S-1.

COMMENT 28. *Please reconcile your description of your products on pages 28 and 29 with the descriptions of the products used in the tests described in the penultimate paragraph on page 32. For example, explain the distinction between the standard PLGA scaffold and a PLGA-polylysine scaffold. Also, clarify who conducted the 2nd Primate Study.*

RESPONSE:

In response to the Staff's comments, the Company has revised its disclosure on pages 28, 29 and 32 of the S-1.

Clinical Regulatory Plan, page 33

COMMENT 29. *We note your disclosure in the last risk factor on page 9 that you intend to have your products marketed outside the United States. Please describe material applicable regulations in the jurisdictions where you intend to sell your products.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011. The Company has provided a further response on this comment below under Comment 6 of the May 11, 2011 letter.

Sales and Marketing, page 35

COMMENT 30. *In light of your early stage of development, a full page chart picturing your product delivery plans appears premature. Please revise to remove or explain how this aids an investor's understanding of your business.*

RESPONSE:

In response to the Staff's comment, the Company has removed this chart from the S-1.

<u>Intellectual Property, page 36</u>

COMMENT 31. *Please describe the material terms of your five year plan referenced in the fifth paragraph.*

RESPONSE:

The Company supplementally advises the Staff that it has filed its Confidential Treatment Request for portions of this agreement with its 10-Q filing on May 16, 2011.

COMMENT 32. *Please quantity the payments you are required to make under the licenses described.*

RESPONSE:

The Company supplementally advises the Staff that it has filed its Confidential Treatment Request for portions of this agreement with its 10-Q filing on May 16, 2011.

<u>Non-Executive Officers and Scientific and Business Advisory Boards, page 41</u>

COMMENT 33. *With a view to disclosure, please describe the structure, functions and powers of your advisory boards. Please also revise to remove promotional language that reads like a marketing document or resume.*

RESPONSE:

In response to the Staff's comments, the Company has added disclosure on page 39 of the S-1 to further describe its advisory boards. The Company has also removed the promotional language from the biographies of its advisory board members. The Company supplementally advises the Staff that both the Scientific and Business Advisory Boards are advisory only and do not have the power to make decisions on behalf of the Company.

<u>Executive Compensation, page 44</u>

COMMENT 34. *Please disclose assumptions made in determining the value of the options awarded to Frank Reynolds in 2009 as disclosed in the table on page 44. Refer to Instruction 1 to Item 402(n)(2)(vi) of Regulation S-K.*

RESPONSE:

In response to the Staff's comment, the Company added footnote disclosure to the Summary Compensation Table on page 41 of the S-1.

Board Independence, page 45

COMMENT 35. *Please provide your analysis showing how you determined that the independence standards identified by you in this section are consistent with the requirements of Item 407(a) of Regulation S-K.*

RESPONSE:

In response to the Staff's comment, the Company has revised the S-1 to clarify that it used the independence standards of the Nasdaq Stock Market in determining the independence of its directors. Please see pages 42 through 44 of the S-1.

Certain Relationships and Related Transactions, page 51

COMMENT 36. *Please revise this section to clearly describe the relationships between Adam Stern, Spencer Trask Ventures and each of the "several related parties" referenced in the second paragraph.*

RESPONSE:

In response to the Staff's comment, the Company has revised its disclosure on page 49 of the S-1 accordingly.

COMMENT 37. *Tell us which exhibit listed in your exhibit index represents each agreement with Spencer Trask Ventures disclosed in this section.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011.

Selling Securityholders, page 53

COMMENT 38. *Please identify the natural person or persons who have voting or investment control of the shares held by each selling security holder that is not a natural person.*

RESPONSE:

In response to the Staff's comment, the Company has added footnote disclosure to the selling securityholder table on pages 55 through 57 of the S-1 identifying the natural person or persons who have voting or investment control of the shares held by each selling security holder that is not a natural person.

COMMENT 39. *Please clarify why certain shareholders appear twice in the list such as Todd Stuart and Milen Petkov Tzvetanov. Also, it appears at least one officer or director George Nolen is included in the list. Please provide the disclosure required by Item 507 of Regulation S-K for each security holder that has had a material relationship with you within the past three years.*

RESPONSE:

In response to the Staff's comments, the Company has revised the selling securityholder table beginning on page 51 of the S-1 to consolidate entries so that securityholders only appear once in the table. The Company has also provided footnote disclosure on page 57 of the S-1 to provide the information required by Item 507 regarding its two directors, George Nolen and Christi M. Pedra, who are participating in the Offering.

<u>Unaudited Financial Statements, page F-1</u>

COMMENT 40. *Please update the filing to comply with Rule 8-08 of Regulation S-X. Please also provide an updated accountant's consent with any amendment to the filing.*

RESPONSE:

In response to the Staff's comment, the Company has included audited financial statements for the year ended December 31, 2010 and the financial information is current in accordance with Rule 8-08 of Regulation S-X in the S-1. An updated accountant's consent is also included with the S-1.

<u>Note 2. Significant Accounting Policies, page F-5</u>

<u>Derivatives, page F-7</u>

COMMENT 41. *We note your policy that derivative financial instruments, specifically warrants to purchase common stock, "are initially recorded at fair value, or relative fair value when issued with other instruments." We note that under FASB ASC 470-20-25-2, proceeds from the sale of debt instruments with stock purchase warrants are allocated based on the relative fair value of the debt instrument and the warrants. However, FASB ASC 815-10-30-1 requires that "all derivative instruments shall be measured initially at fair value." Please describe for us how your policy for recording derivative financial instruments at relative fair value complies with FASB ASC 815-10-30-1.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011. The Company has provided a further response on this comment below under Comment 9 of the May 11, 2011 letter.

<u>Note 8. Convertible Notes Payable, page F-11</u>

COMMENT 42. *As a result of a series of financing, the conversion features of your convertible notes payable was accelerated and certain contingent discount provisions were resolved and you recorded $134,410 of additional interest expense related to the contingent beneficial conversion feature. Please describe for us in greater detail the contingent conversion terms of the* *convertible notes payable, your accounting for those contingent conversion terms in accordance with FASB ASC 470-20-25-20 and provide us with your calculation of the contingent beneficial conversion feature recorded as additional interest expense. In a related matter, please provide us with a similar analysis for the conversion of your Convertible Bridge Notes discussed on page F-16.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011.

Note 15, Subsequent Events

Reverse Merger and Private Placement of Securities, page F-15

COMMENT 43. *We see that on October 26, 2010, Invivo Therapeutics Corporation completed a reverse merger with Invivo Therapeutics Holdings Corporation (formerly known as Design Source, Inc.). Upon closing of this transaction, Invivo Therapeutics Holdings Corporation will transfer all of the assets and liabilities of Design Source to another subsidiary and split-off this subsidiary through the sale of its stock. Please describe for us in appropriate detail, how you accounted for and valued this reverse merger and sale of Design Source operating assets and liabilities. As part of your response, please refer to the authoritative literature, which supports your accounting for these transactions.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011.

COMMENT 44. *In this regard, historical stockholders' equity of the accounting acquirer prior to the reverse merger should he retroactively adjusted (a recapitalization) for the equivalent number of shares issued in the merger. Earnings per share for periods prior to the merger should also be adjusted to reflect the number of equivalent shares issued in this reverse merger recapitalization. Accordingly, please revise the filing to appropriately present the recapitalization of the accounting acquirer within shareholders' equity and earnings per share.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011.

COMMENT 45. *We see that you have entered into a registrant rights agreement with the investors in your private unit placement offering. We note that there are certain registrant payment arrangement penalty provisions in this agreement. Please tell us how you have accounted for these registration payment arrangements under paragraphs 30-1 to 30-5 for FASB ASC 825-20.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011.

<u>Pro Forma Consolidated Statement of Operations, Six Months Ended September 30, 2010, page F- 37</u>

COMMENT 46. *We note that lnvivo Therapeutics Corporation's fiscal year ended December 31, 2010 and as of the date of this filing, the most recent balance sheet required to be filed under Rule 3-01 of Regulation S-X was September 30, 2010. We see that you have provided pro forma statements of income for the six months ended September 30, 2010. Subsequent to the reverse acquisition, the financial statements of the accounting acquirer become the financial statements of the registrant under U.S. GAAP. Accordingly, please revise the filing to include a pro forma statement of income for the period from the most recent fiscal year end of the accounting acquirer, December 31, 2009, to the most recent interim date for which a balance sheet is required, September 30, 2010, in accordance with Rule 11-02(c)(2)(i) of Regulation S-X.*

RESPONSE:

In response to the Staff's Comment 16 of the May 11, 2011 letter, the Company has removed all pro forma financial information since the merger transaction is being accounted for as a recapitalization.

COMMENT 47. *Reference is made to the pro forma weighted average number of common shares outstanding, basic and diluted of 51,647,171. We note from the Merger and Related Transactions summary included on pages 1 and 2 that the weighted average pro forma common shares outstanding reflects the issuance of common shares as part of the Transactions as described on page 2. Please disclose in detail how the pro forma weighted average number of common shares outstanding, basic and diluted was calculated as of each period-end presented. Your disclosure should include in detail all relevant assumptions used in such calculation. Your disclosure should also include specific references to the common shares issuances discussed on pages 1 and 2 in the Merger Transaction and Related Transactions summary.*

RESPONSE:

In response to the Staff's Comment 16 of the May 11, 2011 letter, the Company has removed all pro forma financial information since the merger transaction is being accounted for as a recapitalization.

<u>Back Cover Page</u>

COMMENT 48. *Please tell us how you determined that you need not provide the disclosure required by Item 502(b) of Regulation S-K.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011.

Recent Sales of Unregistered Securities, page II-2

COMMENT 49. *Please state the facts relied upon to make available each of the exemptions from registration you are claiming in this section.*

RESPONSE:

In response to the Staff's comment, the Company has added the requested disclosure to page II-2 of the S-1.

Exhibits and Financial Statement Schedules, page II-2

COMMENT 50. *You should file as one exhibit your complete articles of incorporation as amended, including the October 4, 2010 amendment, without requiring investors to assemble documents from multiple filings. See Regulation S-K Item 601(b)(3).*

RESPONSE:

In response to the Staff's comment, the Company filed its complete articles of incorporation as one exhibit to its 10-K and has incorporated this exhibit by reference into the S-1.

COMMENT 51. *We note that certain of your exhibits are unsigned, undated or otherwise incomplete and/or lack attachments. For example:*

- *Exhibit 2.1 is unsigned and is missing exhibits;*
- *Exhibits 2.2, 10.5, 10.6 are undated and unsigned; and*
- *Exhibit 10.1 is unsigned, undated and appears to be missing schedules;*

Please file complete agreements.

RESPONSE:

In response to the Staff's comment, the Company is filing these exhibits with the S-1 to correct the deficiencies listed in this Comment 51.

Signatures, page II-8

COMMENT 52. *Your registration statement must also be signed by your controller or principal accounting officer in his capacity as such. Please revise.*

RESPONSE:

In response to the Staff's comment, the Company has revised the signature page to the S-1 to clarify that Frank M. Reynolds is also signing in his capacity as the Company's principal accounting officer.

Exhibit 5.1

COMMENT 53. *Counsel must opine on the legality of the securities under the laws of Nevada and may not carve out elements of Nevada law as they attempt to do in the fourth paragraph. Please revise.*

RESPONSE:

Counsel is filing an updated legal opinion with the S-1, and has revised their opinion so as not to carve out elements of Nevada law to address the Staff's comment.

COMMENT 54. *We note the statement in the sixth paragraph that the opinion may not be relied upon by any other person. Investors are entitled to rely upon the opinion. Please delete the sixth paragraph.*

RESPONSE:

Counsel is filing an updated legal opinion with the S-1, and has deleted this paragraph to address the Staff's comment.

COMMENT 55. *Refer to the second sentence in the sixth paragraph. Please tell us how you will ensure that your legal opinion is current as of the date the registration statement is declared effective.*

RESPONSE:

Counsel is filing an updated legal opinion with the S-1, and has deleted the language in the second sentence of the sixth paragraph which previously disclaimed an obligation to update the legal opinion.

Form 8-K filed November 1, 2010

Statements of Operations, page F-4

COMMENT 56. *We note that the column representing the statement of operations for the period from November 28, 2005 (inception) to December 31, 2009, does not agree to the statement of operations for the same period included with the Form S-1 filed February 1, 2011* *on page F-21. Please reconcile for us the differences. Alternatively, please revise the affected filing to correctly present the statement of operations for the period from November 28, 2005 (inception) to December 31, 2009. Please also advise us of the accuracy of the statement of operations for the period from November 28, 2005 (inception) to June 30, 2010 included herein.*

RESPONSE:

The Company previously responded to this comment in its Response Letter to the Staff, dated April 25, 2011. The Company has provided a further response on this comment below under Comment 15 of the May 11, 2011 letter.

Pro Forma Financial Statements, page F-23

COMMENT 57. *We note that InVivo Therapeutics Corporation's fiscal year ended December 31, 2010 and as of the date of this filing, the most recent balance sheet required to be filed under Rule 3-01 of Regulation S-X was June 30, 2010. We see that you have provided pro forma statements of income for the three months ended June 30, 2010, mislabeled here as for the year-ended March 31, 2010. Subsequent to the reverse acquisition, the financial statements of the accounting acquirer become the financial statements of the registrant under U.S. GAAP. Accordingly, please revise the filing to include a pro forma statement of income for the period from the most recent fiscal year end of the accounting acquirer, December 31, 2009, to the most recent interim date for which a balance sheet is required, June 30, 2010, in accordance with Rule 1 l-02(c)(2)(i) of Regulation S-X.*

RESPONSE:

In response to the Staff's Comment 16 of the May 11, 2011 letter, the Company has removed all pro forma financial information since the merger transaction is being accounted for as a recapitalization.

COMMENT LETTER DATED MAY 11, 2011:

Annual Report on Form 10-K for the year ended December 31, 2010

Business, page 3

COMMENT 1. *We note your response to our prior comment number 7 in our letter dated February 11, 2011; however, it is still unclear what is meant by "[i]n connection with the merger" with respect to the private offering. In addition, please tell us whether all of the investors in the private placement were accredited investors.*

RESPONSE:

The Company supplementally advises the Staff that the purpose of the private offering was to fund the business operations of the combined company after the merger. One of the conditions of the closing of the private offering was the consummation of the merger. This is what the Company means when it states that the private offering was "in connection with the merger." The Company further supplementally advises the Staff that all of the investors in the private placement were accredited investors.

COMMENT 2. *We note your response to our prior comment number 8 in our letter dated February 11, 2011. Please clarify whether the Bridge Financing was offered or sold to any non-accredited investors.*

RESPONSE:

The Company supplementally advises the Staff that the Bridge Financing was not offered or sold to any non-accredited investors.

COMMENT 3. *Please revise this section to reflect the fact that the development stage of your business causes significant uncertainty, such that you are completely unable to quantify your near term funding needs or timelines regarding your planned business, as suggested by your responses to comment numbers 12 and 20 from our letter dated February 11, 2011.*

RESPONSE:

In response to the Staff's comment, the Company has revised this section on page 27 of the S-1 and will revise the Business section in its future filings with the Commission accordingly.

Risk Factors, page 14

COMMENT 4. *Refer to prior comment 11 in our February 28, 2011 letter. Your risk factors should address the risks relating to methylprednisolone sodium succinate including its harmful systemic side effects, such as increased risks of pneumonia, sepsis and mortality identified by you, in addition to your uncertainty regarding its combination with your polymer. Please revise.*

RESPONSE:

In response to the Staff's comment, the Company has added a risk factor addressing these risks on page 11 of the S-1 and will include this risk factor if required in its future filings with the Commission.

COMMENT 5. *Please expand your response to prior comment 16 to explain more clearly how you determined that the deleted risk factor is no longer relevant.*

RESPONSE:

The Company supplementally advises the Staff that no shareholders objected to the conversion of the Convertible Notes. One of the conditions of the merger was consent of at least 80% of InVivo's shareholders, which InVivo received. The terms of the consent were such that the shareholders waived their appraisal rights upon consenting to the merger.

COMMENT 6. *Please disclose the substance of your response to prior comment 29, regarding the status of your plans to market your products outside the United States.*

RESPONSE:

The Company supplementally advises the Staff that at this stage in its development, the Company has yet to ascertain which markets the first product will be sold in. The Company's strategy is to first commercialize the product in the United States.

<u>Intellectual Property, page 13</u>

COMMENT 7. *We note your responses to comments 31 and 32. Please note that confidential treatment is not appropriate for information that is material to investors. Please provide the requested disclosure or tell us why you believe that it is not appropriate. In this regard, you must file all related requests for confidential treatment at the time that the original related Securities Act or Exchange Act filing is made or due.*

RESPONSE:

The Company supplementally advises the Staff that it has filed its Confidential Treatment Request for portions of this agreement with its 10-Q filing on May 16, 2011.

<u>Pilot Primate Study, page 9</u>

COMMENT 8. *We note your response to our prior comment number 26 in our February 28, 2011 letter. Please explain why you developed a different scale from the Basso-Beattie-Bresnahan for the primate studies.*

RESPONSE:

The Company supplementally advises the Staff that the Basso-Beattie-Bresnahan is a locomotor scoring scale that is for rats only, and as such does not apply to primate studies. The Company developed its own scale that uses similar scoring methodology that it used in its primate studies.

<u>Note 9, Bridge Notes Payable, page 44</u>

COMMENT 9. *We note your response to our prior comment 41 that you allocated the proceeds received between the debt instrument and the warrant on a relative fair value basis. However, we note that FASB ASC 470-20-25-2 reference warrants that are accounted for as paid-in capital within equity. In light of the fact that you concluded that the warrants are to be classified as a derivative liability, tell us how you considered FASB ASC 815-10-30-1 in allocating the total proceeds of the offering between the warrants and the debt instrument. Please explain to us why based on that guidance you would not first allocate the full fair value to the warrants and then attribute the residual value to the debt instrument.*

RESPONSE:

The Company did consider the guidance in FASB ASC 815-10-30-1 in determining its accounting treatment for the Bridge Notes and warrants. The Scope section (470-20-15) of the guidance cited in the Company's response to comment 41 (470-20-25-2) states that the "guidance in this Subtopic applies to all debt instruments." The Company does not consider it appropriate to assume the reference in 470-20-25-2 to recording the warrants as "paid-in capital" overrides the scope guidance explicitly stated in 470-20-15. Therefore, since we concluded that the Bridge Notes are within the scope of ASC section 470, the general methodology of allocating the proceeds based on the relative fair values as described in 470-20-25-2 would appear to be an appropriate methodology. Additionally, the Company believes that it also complied with the guidance in ASC 815-10-30-1 since, on the date of issuance, the warrants were recorded as derivative warrant liabilities at fair value, as required by that guidance. On the date of issuance, the Company made the following entry (before consideration of any beneficial conversion feature):

Dr.	Cash	$500,000	
Dr.	Derivatives loss	52,929	
Cr.	Bridge Note		$361,648
Cr.	Derivative warrant liability (FV)		191,281

Finally, the Company has concluded that the impact from a change in the methodology for allocating the proceeds from the Bridge Notes would have an immaterial impact in all effected periods. The Company notes that the warrants were issued on September 10, 2010 and the Bridge Notes converted to common stock in October 2010. The total net impact to the net loss would be an increase of $52,929 (netting increased non-cash interest expense with lower derivatives loss). The balance sheet impact would be a reclassification of $52,929 between additional paid-in capital and deficit accumulated during the development stage. Since there is not clear, authoritative guidance on this matter and since the Company's position is consistent with what authoritative guidance exists and since the Company has provided transparency in its disclosures, the Company respectfully requests the Staff to accept its accounting treatment for these transactions.

<u>Note 11—Common Stock, page 47</u>

COMMENT 10. *In connection with the Merger on October 26, 2010, we see that you entered into private placement Unit offerings which consisted of one share of common stock and a warrant to purchase one share of common stock at $1.40 per share. To account for the Units, we note that you allocated the proceeds from the offering to the common stock and warrants based on their <u>relative</u> fair value and subsequently recorded the warrants as derivative liabilities at their full fair value. Please address the following:*

- *Describe to us the significant terms of the warrant agreements on which you based your conclusion that they should be recorded as derivative liabilities.*
- *Explain to us why you would not first allocate the proceeds from the offering to the full fair value of the warrants and then attribute the residual value to the common stock given the guidance in FASB ASC 815-10-30-1.*

RESPONSE:

The significant term in the warrant agreement on which the Company based its conclusion that they should be recorded as a derivative liability is paragraph 3(d) of the warrant as included as Exhibit 4.3 to the Form 8-K filed on November 1, 2010. This paragraph describes anti-dilution rights and, as a result, the warrants are appropriately recognized as derivative liabilities in accordance with ASC 815-40-55-33 and -34.

First of all, the Company believes that there is no clear, authoritative accounting guidance addressing this specific situation and the issues raised in the Staff's comment. In determining the accounting for the private placement Unit offering, the Company did consider the guidance in ASC 815-10-30-1. However, the Company did not find anything in ASC 815-10-30-1 that provides guidance on how to allocate proceeds between two different instruments when one is a derivative instrument. Additionally, the Company notes that the guidance cited by the Staff (ASC 815-10-30-1) is specifically located in the Initial Measurement (30) section of the ASC. As stated in the Codification, "The Initial Measurement Section provides guidance on the criteria and amounts used to **measure** a particular item at the date of initial recognition." [Emphasis added]. It would seem inappropriate to use or analogize this Initial Measurement guidance as the sole basis for determining the appropriate **recognition** of the derivative instrument. The Recognition section of the Codification (25) "provides guidance on the required criteria, timing, and location (within the financial statements) for **recording** a particular item in the financial statements." [emphasis added]. The Company finds nothing in the Recognition section of the derivative instrument guidance (ASC 815-10-25) that addresses the process for allocating cash proceeds when a derivative instrument is issued with another instrument. The only guidance in ASC 815-10-25 pertinent to this situation is ASC 815-10-25-1, "An entity shall recognize all of its derivative instruments in its statement of financial position as either assets or liabilities depending on the rights or obligations under the contracts." The Company appropriately complied with this provision by recording the derivative liability as a current liability in the balance sheet. The Company is only aware of one methodology described in the accounting literature for allocating cash proceeds between two separate instruments. That methodology is based on relative fair values and is described in ASC 470-20-25. The Company is unable to find any support in the accounting literature for a residual method of allocating proceeds. Finally, ASC 815-10-30-1 specifically states that the derivative instrument be "measured" initially at fair value. The Company did measure the derivative instrument at fair value. The Company measured the derivative instrument at fair value both for purposes of performing a relative fair value allocation and again when the derivative instrument was, in fact, recorded at fair value on the issuance date. What is in question is how the derivative instrument gets onto the Company's books at fair value as of the issuance date and ASC 815-10-30-1 does not address that question. Although the Company is unaware of any specific accounting guidance requiring an immediate charge to the statement of operations for the residual amount, neither is it able to find any specific, authoritative support for recording the residual amount directly in stockholders' equity. Therefore, in the absence of direct, specific, authoritative guidance regarding the allocation of cash proceeds between a derivative instrument and non-derivative instrument, the Company elected to analogize and apply the relative fair value allocation methodology described in ASC 470-20-25. At the same time, the Company recognized the derivative instrument at its issuance date fair value, consistent with ASC 815-10-30-1. The Company made the following entry upon issuance of the Units in the private placement:

Dr.	Cash	$13,000,000	
Dr.	Derivatives loss	1,146,312	
Cr.	Derivative warrant liability (FV)		$4,475,791
Cr.	Par value of common stock		130
Cr.	Additional paid-in capital		9,670,391

The Company believes that it considered and applied all relevant authoritative accounting literature and all the specific facts and circumstances related to these specific transactions in reaching its conclusions. The Company also believes that the accounting treatment is consistent with the ASC, including ASC 815-10-30-1, and is a reasonable accounting position taken in good faith in an effort to accurately reflect the underlying economics of the transactions. Finally, the Company has provided transparency in its disclosures related to these transactions. Therefore, the Company respectfully requests the Staff to accept its accounting treatment for these transactions.

Note 14, Warrants, page 51

COMMENT 11. *For each warrant issuance, including in connection with the Unit Offering, Bridge Notes, Placement Agent and any other issuance, please address the following:*

- *Separately describe and quantify for us how the warrants were valued (i.e. relative fair value or full fair value) and accounted for at issuance. Please provide references to the appropriate authoritative literature, which supports your accounting.*
- *Please describe the valuation methods used to value these warrants.*
- *If the warrants were initially recorded at relative fair value, include the difference between the relative fair value and the full fair value at issuance.*
- *Provide us a chronological detailed schedule, which reconciles the amounts recorded in the income statement and balance sheet for each warrant issuance from their issuance to the most recent balance sheet date.*

RESPONSE:

The Company provides the following information in response to the Staff's comment:

	Quantity	Grant Date Relative Fair Value	Grant Date Fair Value	Difference	Fair value as of 12/31/2010	Valuation Methodology	Description of Accounting
Warrants issued to investors in the Bridge Note financing	500,000	$ 138,352	$ 191,281	$ 52,929	$ 332,339	Black-Scholes	Proceeds from the Bridge Notes and warrants were allocated between the two instruments on the relative fair value basis using the fair value of each of the instruments. When the cash proceeds were recorded, the warrants were recorded at their fair value, the Bridge Notes were recorded at relative fair value and the residual was charged to Derivatives Loss on the issuance date. The derivative warrant liability fair value was updated at December 31, 2010 with the change in fair value being charged to Derivatives Loss.
Placement agent warrants issued in conjunction with the Bridge Note financing	100,000	N/A	$ 40,373	$ —	$ 66,321	Black-Scholes	The fair value of the warrants were recorded as a deferred financing cost asset and a derivative warrant liability. The derivative warrant liability fair value was updated at December 31, 2010 with the change in fair value being charged to Derivatives Loss. The deferred financing costs were amortized to interest expense over the stated term of the Bridge Notes. The unamortized portion of the deferred financing costs were charged to interest expense upon conversion of the Bridge Notes.
Warrants issued to investors in the Private Placement	13,000,000	$3,329,479	$4,475,791	$1,146,312	$ 7,085,914	Black-Scholes	Proceeds from the Private Placement of common stock and warrants were allocated between the two instruments on the relative fair value basis using the fair value of each of the instruments. When the cash proceeds were recorded, the warrants were recorded at their fair value, the common stock was recorded at relative fair value and the residual was charged to Derivatives Loss on the issuance date. The derivative warrant liability fair value was updated at December 31, 2010 with the change in fair value being charged to Derivatives Loss.
Private placement warrants	5,200,000	N/A	$2,040,091	$ —	$ 3,162,616	Black-Scholes	The placement agent warrants were recorded at fair value as a stock issuance costs related to the Private Placement. Therefore, they were recorded as a derivative warrant liability and net against additional paid-in capital upon issuance. The derivative warrant liability fair value was updated at December 31, 2010 with the change in fair value being charged to Derivatives Loss.
Total	18,800,000		$6,747,535		$10,647,190		

The chronological detailed schedule of warrant activity reconciled to the balance sheet and income statement is as follows:

			BALANCE SHEET						INCOME STATEMENT
Warrant Issuance	**Date**	**Activity**	**Cash**	**Deferred Financing Costs**	**Derivative Liability**	**Bridge Notes**	**Par Value Common Stock**	**APIC**	**Derivative Loss**
Warrants issued to investors in the Bridge Note financing	9/10/2010	Issuance	$ 500,000		$ (191,281)	$(361,648)			$ 52,929
	12/31/2010	Adjust to fair value			(141,058)				141,058
Placement agent warrants issued in conjunction with the Bridge Note financing	9/10/2010	Issuance		40,374	(40,374)				
	12/31/2010	Adjust to fair value			(25,947)				25,947
Warrants issued to investors in the Private Placement	Oct-Dec 2010	Issuance	13,000,000		(4,475,791)		(130)	(9,670,391)	1,146,312
	12/31/2010	Adjust to fair value			(2,610,123)				2,610,123
Private placement warrants	Oct-Dec 2010	Issuance			(2,040,091)			2,040,091	
	12/31/2010	Adjust to fair value			(1,122,525)				1,122,525
					$(10,647,190)				$ 5,098,894
					10-K, pg 32				10-K, pg 33

COMMENT 12. *In this regard, please revise future filings to specifically identify the model utilized to value your derivative liabilities, the significant assumptions inherent in that model and the significant terms of the warrant agreement which required liability treatment.*

RESPONSE:

In response to the Staff's comment, the Company will include in future filings the model used to value the derivative liabilities, significant assumptions as well as the terms of the warrants that require liability treatment.

<u>Directors, Executive Officers and Corporate Governance, page 54</u>

COMMENT 13. *You do not appear to have addressed the first sentence of prior comment 33 regarding your advisory boards; therefore, we reissue the comment.*

RESPONSE:

Please see the Company's response to Comment 33 from the February 28, 2011 letter above where the comment has been fully addressed.

<u>Exhibits, Financial Statement Schedules, page 55</u>

COMMENT 14. *You do not appear to have addressed prior comment 51; therefore we reissue the comment. Please file complete exhibits.*

RESPONSE:

Please see the Company's response to Comment 51 from the February 28, 2011 letter above where the comment has been fully addressed.

Form 8-K filed November 1, 2010

Statements of Operations, page F-4

COMMENT 15. *We note your response to our prior comment 56 that acknowledges that your statement of operations from inception to December 31, 2009 and June 30, 2010 are incorrect. Accordingly, please amend the Form 8-K to correctly present the statement of operations for the period from November 28, 2005 (inception) to December 31, 2009 and from November 28, 2005 (inception) to June 30, 2010.*

RESPONSE:

In response to the Staff's comment, the Company will amend the Form 8-K to correctly present the inception to date statements of operations.

Pro Forma Financial Statements, page F-23

COMMENT 16. *We note your response to our prior comment 57 that you will provide updated pro forma financial statements in an amendment of the Form S- 1. Please note pro forma financial statements do not apply to merger transactions accounted for as recapitalizations as they would not be meaningful. Please revise this filing as well as the Form S-1, when amended, to remove the pro forma information currently presented. In addition, revise the Accounting Treatment; Change in Control section on page 10 and other relevant sections of this Form 8-K, as appropriate, to remove the disclosure stating that the transaction was accounted for as a reverse merger and instead correctly indicate that you accounted for the transaction as a recapitalization of InVivo, the operating company. Please provide similar revisions in your future filings, including any amendments to your Form S-1 and your Form 10-K for the year ended December 31, 2010.*

RESPONSE:

In response to the Staff's comments, the Company will remove the pro forma financial information. Additionally, the Company will revise in future filings its discussion of the Merger transaction to more clearly discuss the accounting treatment as a recapitalization of InVivo.

General

COMMENT 17. *Please provide the undertakings requested at the bottom of this letter.*

RESPONSE:

In response to the Staff's comment, the Company acknowledges the following:

- the Company is responsible for the adequacy and accuracy of the disclosure in the filing;
- staff comments or changes to disclosure in response to staff comments do not foreclose the Commission from taking any action with respect to the filing; and
- the Company may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

If you have any questions with regards to these responses, need further supplemental information or would like to discuss any of the matters covered in this letter, please contact the undersigned at (617) 475-1520 or Thomas Rosedale of BRL Law Group LLC at (617) 399-6935.

Very truly yours,

/s/ Frank M. Reynolds
Frank M. Reynolds

Enclosures

Copy
to: Thomas B. Rosedale