

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

**FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): March 18, 2022

DIFFUSION PHARMACEUTICALS INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

000-24477
(Commission File
Number)

30-0645032
(I.R.S. Employer
Identification No.)

**300 East Main Street, Suite 201
Charlottesville, Virginia**
(Address of principal executive offices)

22902
(Zip Code)

(434) 220-0718
(Registrant's telephone number, including area code)

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	DFFN	NASDAQ Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreement.

Private Placement

On March 18, 2022, Diffusion Pharmaceuticals Inc., a Delaware corporation (the “Company,” “we,” or “us”), entered into Subscription Agreements (each a “Subscription Agreement”) with Robert J. Cobuzzi, Jr., Ph.D., its President & Chief Executive Officer, and William R. Elder, its General Counsel & Corporate Secretary, both of whom are accredited investors, pursuant to which the Company agreed to issue and sell in a private placement (the “Offering”), 10,000 shares of the Company’s newly-created Series C Convertible Preferred Stock, par value \$0.001 per share (the “Series C Preferred Stock”), at an offering price of \$0.50 per share, representing 100% of the stated value per share of the Series C Preferred Stock, for aggregate gross proceeds of approximately \$5,000, which will be used for general corporate purposes. The shares of Series C Preferred Stock are convertible into 10,000 shares of common stock (subject, in certain circumstances, to customary adjustments) at a conversion price of \$0.50 per share, representing a premium of approximately 93% over the closing price of our common stock reported by Nasdaq on March 17, 2022. The Subscription Agreement also contains customary representations, warranties, and conditions. The closing of the Offering is expected to occur on March 18, 2022.

New Special Meeting

Also on March 18, 2022, the Company’s board of directors (the “Board”) cancelled its previously announced special meeting of stockholders previously scheduled for 9:00 a.m. (Eastern Time) on April 14, 2022 (the “Old Special Meeting”) as described in more detail in its definitive proxy statement on Schedule 14A filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 28, 2022.

The Company intends to call a new special meeting of stockholders (the “New Special Meeting”) at which we will seek stockholder approval of an amendment (the “Amendment”) to the Company’s Certificate of Incorporation, as amended (the “Charter”), to effect the reclassification and combination of all shares of common stock outstanding at a ratio of not less than one-for-two and not greater than one-for-50 (the “Reverse Stock Split”), with the final decision of whether to proceed with the Reverse Stock Split, the effective time of the Reverse Stock Split, and the exact ratio of the Reverse Stock Split to be determined by the Board, in its discretion, at any time prior to December 31, 2022. As described in more detail below, the holders of the Series C Preferred Stock are required to vote their shares of Series C Preferred Stock in a manner that “mirrors” the proportions of “For” and “Against” votes cast by the holders of the Company’s common stock are voted on the Amendment (excluding, for the avoidance of doubt, any shares of common stock that are not voted). Pursuant to the Charter, the affirmative vote of a majority of the votes entitled to be cast by the holders of our capital stock entitled to vote is required to approve the Amendment. Since the Series C Preferred Stock will mirror only votes cast, abstentions or broker non-votes by common stockholders – which would ordinarily have the effect of an “Against” vote – will not have any effect on the outcome of the vote.

The Company will announce when a new record date and meeting date have been established by the Board for the New Special Meeting by filing of a proxy statement (the “New Proxy Statement”) with the U.S. Securities and Exchange Commission (the “SEC”). The New Proxy Statement will also include further details regarding the affect of the Series C Preferred Stock “mirrored” voting feature with respect to the proposals to be voted on by stockholders at the New Special Meeting.

Series C Preferred Stock Terms

Also on March 18, 2022, in connection with the Offering, the Company filed a certificate of designation (the “Certificate of Designation”) with the Secretary of the State of Delaware designating the rights, preferences, and limitations of the shares of the Series C Preferred Stock. The Certificates of Designation provides, among other things, that the Series C Preferred Stock will have no voting rights, other than the right to vote as a class on certain specified matters, except that (i) each share of Series C Preferred Stock will be counted on an as converted basis, together with the Company’s common stock as a single class, for purposes of determining the presence of a quorum at any meeting at which holders are asked to vote on matters related to the Reverse Stock Split or the Amendment, and (ii) each share of Series C Preferred Stock will have the right to cast 80,000 votes per share of Series C Preferred Stock on the Reverse Stock Split on a “mirrored” basis. This means that the holders of the Series C Preferred Stock are required to vote their shares in a manner that “mirrors” the proportions of “For” and “Against” votes cast by the holders of the Company’s common stock are voted on the Amendment (excluding, for the avoidance of doubt, any shares of common stock that are not voted).

The holders of Series C Preferred Stock will be entitled to dividends, on an as converted basis, equal to dividends actually paid, if any, on shares of common stock and participate in any liquidation of the Company on an as converted basis. The Series C Preferred Stock is convertible into shares of common stock at a rate of \$0.50 per share of common stock, representing a premium of approximately 93% over the closing price of our common stock reported by Nasdaq on March 17, 2022. The conversion price is subject to customary adjustments pursuant to the Certificate of Designation for stock dividends and stock splits, subsequent rights offerings, pro rata distributions of dividends and certain other events. The Series C Preferred Stock can be converted at the option of the holder or the Company at any time after the Company has received stockholder approval for the Reverse Stock Split (the "Reverse Stock Split Date"). The Company may also force the conversion of the Series C Preferred Stock in the event of a change of control transaction that occurs prior to the Reverse Stock Split Date.

The Series C Preferred Stock are not redeemable at any time, do not provide for the payment of any liquidated damages, and are not subject to any beneficial ownership limitations.

The foregoing summaries of the Certificate of Designation and the Subscription Agreement do not purport to be complete and are subject to, and qualified in their entirety by, the copies of such documents attached as Exhibits 3.1 and 10.1, respectively, to this Current Report on Form 8-K, which are incorporated herein by reference.

The representations, warranties, and covenants contained in the Subscription Agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to such agreements and are subject to limitations agreed upon by the contracting parties. Accordingly, the Subscription Agreement is incorporated herein by reference only to provide investors with information regarding the terms of the Subscription Agreement and not to provide investors with any other factual information regarding the Company or its business, and should be read in conjunction with the disclosures in the Company's periodic reports and other filings with the SEC.

Item 3.02. Unregistered Sales of Equity Securities

Information required by Item 3.02 of Form 8-K included in Item 1.01 of this Current Report is incorporated herein by reference.

Item 3.03. Material Modifications to Rights of Security Holders.

Information required by Item 3.03 of Form 8-K included in Item 1.01 of this Current Report is incorporated herein by reference.

Item 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

Effective March 18, 2022, the board of directors (the "Board") of Diffusion Pharmaceuticals Inc. (the "Company," "we," or "us") approved an amendment to Section 2.6 of the Company's bylaws (as amended from time to time, the "Bylaws") providing that the presence, in person or by proxy duly authorized, of the holders of 33.4% of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business at any meeting of our stockholders (the "Bylaw Amendment"). The Bylaws previously required the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote.

The Board based its decision on, among other things, the increasing prevalence of brokerage firms opting to forego discretionary or proportionate voting of the shares held by them in street name, which is making it increasingly difficult for companies with a large retail stockholder base to obtain a quorum of the majority. We believe the change to the quorum requirement for stockholder meetings will improve the Company's ability to hold stockholder meetings when called and transact necessary business without unnecessary cost and delay, while also maintaining a level high enough to ensure that a broad range of our stockholders are represented at the meeting.

The foregoing summary of the Bylaw Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the copy of the Bylaw Amendment attached as Exhibit 3.2 to this Current Report on Form 8-K, which is incorporated herein by reference.

Item 8.01 Other Events.

On March 18, 2022, the Company announced that it has cancelled the Old Special Meeting and intends to call the New Special Meeting, at which it will seek approval of the Reverse Stock Split. The Company will announce when a new record date and meeting date have been established by the Board for the New Special Meeting by filing of a proxy statement with the SEC.

Item 9.01 – Financial Statements and Exhibits**(d) Exhibits**

Exhibit Number	Description
3.1	Certificate of Designation of Preferences, Rights, and Limitations of Series C Convertible Preferred Stock
3.2	Amendment to the Bylaws, as amended, of Diffusion Pharmaceuticals Inc., effective March 18, 2022
10.1	Form of Subscription Agreement between Diffusion Pharmaceuticals Inc. and the investors named therein, dated March 18, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

Dated: March 18, 2022

DIFFUSION PHARMACEUTICALS INC.

By: /s/ William Elder

Name: William Elder

Title: General Counsel & Corporate Secretary

DIFFUSION PHARMACEUTICALS INC.
CERTIFICATE OF DESIGNATION OF PREFERENCES,
RIGHTS, AND LIMITATIONS
OF
SERIES C CONVERTIBLE PREFERRED STOCK

PURSUANT TO SECTION 151 OF THE
DELAWARE GENERAL CORPORATION LAW

The undersigned, William K. Hornung, does hereby certify that:

1. He is the Chief Financial Officer and Treasurer of Diffusion Pharmaceuticals Inc., a Delaware corporation (the "Corporation").
2. Pursuant to Article IV(A) of the Corporation's certificate of incorporation, as amended (the "Certificate of Incorporation"), the Corporation is authorized to issue 30,000,000 shares of preferred stock, none of which are outstanding as of the date hereof.
3. The following resolutions were duly adopted by the board of directors of the Corporation (the "Board of Directors"):

WHEREAS, Article IV of the Certificate of Incorporation provides for a class of its authorized stock known as preferred stock, consisting of 30,000,000 shares, \$0.001 par value per share, issuable from time to time in one or more series (the "Preferred Stock");

WHEREAS, pursuant to Article IV(A)(2) of the Certificate of Incorporation, the Board of Directors is expressly authorized to provide for the issue, in one or more series, of all or any of the remaining shares of Preferred Stock and, in the resolution or resolutions providing for such issue, to establish for each such series the number of its shares, the voting powers, full or limited, of the shares of such series, or that such shares shall have no voting powers, and the designations, preferences and relative, participating, optional or other special rights, if any, of the shares of such series, and any qualifications, limitations or restrictions thereof; and

WHEREAS, the Board of Directors, pursuant to such authority, has determined to fix the rights, preferences, limitations, and other matters relating to a series of the Preferred Stock, which shall consist of 10,000 shares and be designated the "Series C Convertible Preferred Stock" of the Corporation.

NOW, THEREFORE, BE IT RESOLVED, that, pursuant to the authority conferred upon the Board of Directors under the Certificate of Incorporation, including Article IV(A)(2) thereof, the Board of Directors hereby authorizes 10,000 shares of Series C Convertible Preferred Stock, par value \$0.001 per share, and the issuance thereof, and hereby fixes the voting powers, designations, preferences, and relative, participating, option, and other special rights, qualifications, limitations, and restrictions of such shares, in addition to those set forth in the Certificate of Incorporation, as follows:

Section 1. Definitions. For the purposes of this Certificate of Designation of Preferences, Rights, and Limitations (this “Certificate of Designation”), the following terms shall have the following meanings:

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

“Amendment” means the amendment to the Corporation’s certificate of incorporation, as amended, to effect the Reverse Stock Split, substantially in the form attached to the Company’s Preliminary Proxy Statement on Schedule 14A filed with the Commission on the date hereof.

“Authorized Stockholder Approval” means approval of the Amendment by the holders of a majority in voting power of the then outstanding shares of capital stock of the Corporation entitled to vote on the matter.

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

“Change of Control Transaction” means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or “group” (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Corporation, by contract or otherwise) of in excess of 50% of the voting securities of the Corporation (other than by means of the issuance, sale, conversion or exercise of Series C Preferred Stock), (b) the Corporation merges into or consolidates with any other Person, or any Person merges into or consolidates with the Corporation and, after giving effect to such transaction, the stockholders of the Corporation immediately prior to such transaction own less than a majority of the aggregate voting power of the Corporation or the successor entity of such transaction, (c) the Corporation (and all of its Subsidiaries, taken as a whole) sells or transfers all or substantially all of its assets to another Person and the stockholders of the Corporation immediately prior to such transaction own less than a majority of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a one year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the Original Issue Date), or (e) the execution by the Corporation of an agreement to which the Corporation is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above.

“Closing” means the closing of the purchase and sale of the Series C Preferred Stock pursuant to Section 1 of the Subscription Agreement.

“Closing Date” means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto and all conditions precedent to (i) each Holder’s obligations to pay the Subscription Amount and (ii) the Corporation’s obligations to deliver the Series C Preferred Stock have been satisfied or waived.

“Commission” means the United States Securities and Exchange Commission.

“Common Stock” means the Corporation’s common stock, \$0.001 par value per share, and stock of any other class of securities into which such securities may hereafter be reclassified, converted or changed.

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

“Conversion Amount” means the Stated Value at issue.

“Conversion Date” shall have the meaning set forth in Section 6(a).

“Conversion Price” shall have the meaning set forth in Section 6(b).

“Conversion Shares” means, collectively, the shares of Common Stock issuable upon conversion of the shares of Series C Preferred Stock in accordance with the terms hereof.

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

“Holder” shall have the meaning given such term in Section 2.

“Liquidation” shall have the meaning set forth in Section 5.

“Mandatory Conversion” shall have the meaning set forth in Section 8(a).

“Mandatory Conversion Date” shall have the meaning set forth in Section 8(a).

“Notice of Conversion” shall have the meaning set forth in Section 6(a).

“Original Issue Date” means the date of the first issuance of any shares of the Series C Preferred Stock regardless of the number of transfers of any particular shares of Series C Preferred Stock and regardless of the number of certificates, if any, which may be issued to evidence such Series C Preferred Stock.

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

“Subscription Agreement” means the Subscription Agreement, dated as of the date hereof, among the Corporation and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

“Reverse Stock Split” means the reverse stock split of the Corporation’s Common Stock that is effected by the Corporation’s filing of the Amendment with and acceptance by the Secretary of State of the State of Delaware.

“Reverse Stock Split Date” means the date on which the Reverse Stock Split is consummated and the Amendment is filed and accepted by the Secretary of State of the State of Delaware.

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

“Series C Preferred Stock” shall have the meaning set forth in Section 2.

“Stated Value” shall have the meaning set forth in Section 2.

“Subscription Amount” shall mean, as to each Holder, the aggregate amount to be paid for the Series C Preferred Stock purchased pursuant to the Subscription Agreement as specified below such Holder’s name on the signature page of the Subscription Agreement and next to the heading “Subscription Amount,” in United States dollars and in immediately available funds.

“Subsidiary” means any subsidiary of the Corporation as set forth on Exhibit 21.1 to the Corporation’s most recent Annual Report on Form 10-K filed with the Commission.

“Trading Day” means a day on which the principal Trading Market is open for business.

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

“Transaction Documents” means this Certificate of Designation, the Subscription Agreement, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated pursuant to the Subscription Agreement, in each case as amended, modified or supplemented from time to time in accordance with its terms.

“Transfer Agent” means Computershare Trust Company, Inc., and any successor transfer agent of the Corporation.

Section 2. Designation, Amount and Par Value. The series of preferred stock shall be designated as “Series C Convertible Preferred Stock” (the “Series C Preferred Stock”) and the number of shares of such series shall be 10,000 (which shall not be subject to increase without the written consent of the holders of a majority of the then outstanding shares of the Series C Preferred Stock (each, a “Holder” and collectively, the “Holders”). Each share of Series C Preferred Stock shall have a par value of \$0.001 per share and a stated value equal to \$0.50 (the “Stated Value”).

Section 3. Dividends. Except for stock dividends or distributions for which adjustments are to be made pursuant to Section 7, Holders shall be entitled to receive, and the Corporation shall pay, dividends on shares of Series C Preferred Stock equal (on an as-if-converted-to-Common-Stock basis) to and in the same form as dividends actually paid on shares of the Common Stock when, as and if such dividends are paid on shares of the Common Stock. No other dividends shall be paid on shares of Series C Preferred Stock.

Section 4. Voting Rights.

a) Solely for purposes of determining the presence of a quorum at any meeting of the stockholders of the Corporation at which the shares of Series C Preferred Stock are entitled to vote on any proposal, the number of shares of Series C Preferred Stock and votes represented by such shares shall be counted on an as converted to Common Stock basis.

b) Each share of Series C Preferred Stock shall entitle the holder thereof (a) to vote exclusively with respect matters directly related to the Amendment and the Reverse Stock Split (and the Series C Preferred Stock shall not be entitled to vote on any other matter except to the extent required under the Delaware General Corporation Law) and (b) to 80,000 votes per each share of Series C Preferred Stock and shall, except as required by law, vote together with the Common Stock, as a single class.

Section 5. Liquidation. Upon any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary (a “Liquidation”), the Holders shall be entitled to receive out of the assets, whether capital or surplus, of the Corporation the same amount that a holder of Common Stock would receive if the Preferred Stock were fully converted to Common Stock which amounts shall be paid pari passu with all holders of Common Stock.

Section 6. Conversion.

a) Conversions at Option of Holder. Each share of Series C Preferred Stock shall be convertible, at any time and from time to time only after the Reverse Stock Split Date, at the option of the Holder thereof, into that number of shares of Common Stock determined by dividing the Stated Value of such share of Series C Preferred Stock by the Conversion Price. Holders shall effect such conversion by delivering to the Corporation a conversion notice in the form attached hereto as Annex A (a "Notice of Conversion"). Each Notice of Conversion shall specify the number of shares of Series C Preferred Stock to be converted, the number of shares of Series C Preferred Stock owned prior to the conversion at issue, the number of shares of Series C Preferred Stock owned subsequent to the conversion at issue and the date on which such conversion is to be effected, which date may not be prior to the date the applicable Holder delivers such Notice of Conversion to the Corporation (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be as of the close of business on the Business Day that such Notice of Conversion is delivered to the Corporation, or if such day is not a Business day or if the Notice of Conversion is delivered after regular business hours, the next Business Day. No ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion form be required. From and after the Conversion Date, until presented for transfer or exchange, certificates and/or book entries that previously represented shares of Series C Preferred Stock shall represent, in lieu of the number of shares of Series C Preferred Stock previously represented by such certificate and/or book entry, the number of shares of Series C Preferred Stock, if any, previously represented by such certificate and/or book entry that were not converted pursuant to the Notice of Conversion, plus the number of shares of Conversion Shares into which the shares of Series C Preferred Stock previously represented by such certificate and/or book entry were converted. To effect conversions of shares of Series C Preferred Stock, a Holder shall not be required to surrender the certificate(s), if any, representing the shares of Series C Preferred Stock to the Corporation unless all of the shares of Series C Preferred Stock represented thereby are so converted, in which case such Holder shall deliver the certificate, if any, representing such shares of Series C Preferred Stock promptly following the Conversion Date at issue. Shares of Series C Preferred Stock converted into Common Stock shall be canceled and shall not be reissued.

b) Conversion Price. The conversion price for the Series C Preferred Stock shall equal to \$0.50, subject to adjustment herein (the "Conversion Price").

c) Mechanics of Conversion

- i. Delivery of Conversion Shares Upon Conversion. Promptly following each Conversion Date (the "Share Delivery Date"), the Corporation shall deliver, or cause to be delivered, to the converting Holder the number of Conversion Shares being acquired upon the conversion of the Series C Preferred Stock. The Corporation shall use commercially reasonable efforts to deliver the Conversion Shares required to be delivered by the Corporation under this Section 6 electronically through the Depository Trust Company or another established clearing corporation performing similar functions.
 - ii. Failure to Deliver Conversion Shares. If, in the case of any Notice of Conversion, such Conversion Shares are not delivered to or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to the Corporation at any time on or before its receipt of such Conversion Shares, to rescind such Conversion, in which event the Corporation shall promptly return to the Holder any original Preferred Stock certificate delivered to the Corporation (if any) and the Holder shall promptly return to the Corporation the Conversion Shares issued to such Holder pursuant to the rescinded Notice of Conversion.
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- iii. Obligation Absolute:. The Corporation's obligation to issue and deliver the Conversion Shares upon conversion of Series C Preferred Stock in accordance with the terms hereof is absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, which might otherwise limit such obligation of the Corporation to such Holder in connection with the issuance of such Conversion Shares; provided, however, that such delivery shall not operate as a waiver by the Corporation of any action that the Corporation may have against such Holder.
- v. Reservation of Shares Issuable Upon Conversion. While any shares of Series C Preferred Stock remain outstanding, the Corporation covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Series C Preferred Stock as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Series C Preferred Stock), not less than the aggregate number of shares of the Common Stock as shall (subject to the terms and conditions set forth herein) be issuable (taking into account any adjustments under Section 7) upon the conversion of the then outstanding shares of Series C Preferred Stock. The Corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.
- vi. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the Series C Preferred Stock. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Corporation shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.
- vii. Transfer Taxes and Expenses. The Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any Conversion Shares upon conversion in a name other than that of the applicable Holder of Series C Preferred Stock, and the Corporation shall not be required to issue or deliver such Conversion Shares unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

Section 7. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Corporation, at any time while the Series C Preferred Stock is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions that is payable in shares of Common Stock on shares of Common Stock or any other Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Corporation upon conversion of, or payment of a dividend on, the Series C Preferred Stock), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Corporation, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Corporation) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section 7(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. Notwithstanding the foregoing in no event may the Conversion Price be less than the par value per share of Series C Preferred Stock.

b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 7(a) above, if at any time the Corporation grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of Common Stock or any class thereof (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of such Holder's Series C Preferred Stock immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

c) Distributions. During such time as the Series C Preferred Stock is outstanding, if the Corporation declares or makes any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of the Series C Preferred Stock immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution.

d) Calculations. All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

Section 8. Mandatory Conversion.

a) Mandatory Conversion. Notwithstanding anything herein to the contrary, at any time on or following the earlier of (i) the Reverse Stock Split Date or (ii) on the date, and immediately prior to the occurrence, of any Change of Control Transaction (the "Mandatory Conversion Date"), the Corporation may deliver written notice of the Mandatory Conversion to all Holders on the Mandatory Conversion Date and, on such Mandatory Conversion Date, the Corporation shall convert all of each Holder's shares of Series C Preferred Stock (the "Mandatory Conversion") into Conversion Shares at the then effective Conversion Price on the Mandatory Conversion Date, it being agreed that the "Conversion Date" for purposes of Section 6 herein shall be deemed to be the Mandatory Conversion Date.

b) Mechanics of Conversion. A Mandatory Conversion shall be subject to the provisions of Section 6, *mutatis mutandis*.

Section 9. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by e-mail attachment, or sent by a nationally recognized overnight courier service, addressed to the Corporation, at 300 East Main Street, Suite 201, Charlottesville, Virginia 22902, e-mail address info@diffusionpharmaceuticals.com, or such other e-mail address or address as the Corporation may specify for such purposes by notice to the Holders delivered in accordance with this Section 9. Any and all notices or other communications or deliveries to be provided by the Corporation hereunder shall be in writing and delivered personally, by e-mail attachment, or sent by a nationally recognized overnight courier service addressed to each Holder at the e-mail address or address of such Holder appearing on the books of the Corporation. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the time of transmission, if such notice or communication is delivered via e-mail attachment at the e-mail address set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the time of transmission, if such notice or communication is delivered via e-mail attachment at the e-mail address set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Lost or Mutilated Preferred Stock Certificate. In the event certificates representing the Series C Preferred Stock are issued, a Holder's Series C Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Series C Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership hereof reasonably satisfactory to the Corporation (which shall not include the posting of any bond).

c) Severability. If any provision of this Certificate of Designation is invalid, illegal, or unenforceable, the other provisions of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

d) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

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

f) Status of Converted Preferred Stock. If any shares of Series C Preferred Stock shall be converted or reacquired by the Corporation, such shares may not be reissued and shall automatically be retired and cancelled and shall resume the status of authorized but unissued shares of Preferred Stock.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Designation this 18th day of March 2022.

/s/ William K. Hornung

Name: William K. Hornung

Title: Chief Financial Officer & Treasurer

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES OF SERIES C PREFERRED STOCK)

The undersigned hereby elects to convert the number of shares of Series C Convertible Preferred Stock indicated below into shares of common stock, par value \$0.001 per share (the "Common Stock"), of Diffusion Pharmaceuticals Inc., a Delaware corporation (the "Corporation"), as of the date and according to the instructions written below. If shares of Common Stock are to be issued in the name of an individual or entity other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Conversion calculations:

Date to Effect Conversion: _____
Number of shares of Series C Convertible Preferred Stock owned prior to Conversion: _____
Number of shares of Series C Convertible Preferred Stock to be Converted: _____
Applicable Conversion Price: _____
Number of shares of Preferred Stock subsequent to Conversion: _____
Address for Delivery: _____

OR

DWAC Instructions:
Broker no: _____
Account no: _____

[HOLDER]

By: _____
Name:
Title:

**AMENDMENT TO THE BYLAWS, AS AMENDED
OF DIFFUSION PHARMACEUTICALS INC.
(Effective as of March 18, 2022)**

Section 2.6 of the Bylaws, as amended, of Diffusion Pharmaceuticals Inc. (the "Corporation") is hereby amended and restated in its entirety as follows:

Quorum. At all meetings of the stockholders, except where otherwise provided by law, the Certificate of Incorporation or these Bylaws, the presence, in person or by proxy duly authorized, of the holders of 33.4% of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Where a separate vote by a class or series or classes or series is required, except where otherwise provided by law or by the Certificate of Incorporation or these Bylaws, 33.4% the outstanding shares of such class or series or classes or series, present in person or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter.

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (this "Agreement") is made as of March 18, 2022 by and between Diffusion Pharmaceuticals Inc., a Delaware corporation (the "Corporation"), and the investors listed on their respective signature page hereto (each a "Subscriber" and, collectively, the "Subscribers").

WHEREAS, the Subscribers desire to purchase from the Corporation, and the Corporation desires to sell and issue to the Subscribers, the Corporation's Series C Convertible Preferred Stock, par value \$0.001 per share ("Series C Preferred Stock"), issued hereunder having the rights, preferences and privileges set forth in the Certificate of Designation to be filed prior to the Closing (as defined below) by the Corporation with the Secretary of State of the State of Delaware (the "Certificate of Designation") and, together with this Agreement, the "Transaction Documents"), having an aggregate purchase price equal to the Subscription Amount (as defined below) at a purchase price of \$0.50 per share (the "Purchase Price"), subject to the terms and conditions set forth in this Agreement.

WHEREAS, the Corporation and the Subscribers are executing and delivering this Agreement, and performing the transactions contemplated hereby including the sale and purchase of the Shares (as defined below), in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), afforded by Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereby agree as follows:

Section 1. Purchase and Sale of the Series C Preferred Stock. Subject to the terms and conditions of this Agreement, at the Closing, the Corporation agrees to issue and sell to the Subscribers, and each Subscriber agrees to purchase from the Corporation, that amount as specified below such Subscriber's name on its signature page hereto and next to the heading "Subscription Amount," which amount shall be equal to the number of shares of Series C Preferred Stock (the "Shares") purchased by such Subscriber multiplied by the Purchase Price (the "Subscription Amount").

Section 2. Closing. The closing of the sale and purchase of the Shares (the "Closing") shall take place remotely via the exchange of documents and signatures, or at such other location as may be agreed upon by the Corporation and the Subscribers, after the satisfaction or waiver of each of the conditions set forth in Section 6 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) on the date hereof, or such other date as agreed to in writing by the parties. At the Closing, the Corporation shall issue and deliver to each Subscriber or its designated affiliate the Shares being purchased by such Subscriber, registered in the name of such Subscriber, in the amount representing the number of Shares, as determined pursuant to Section 1, against payment by such Subscriber or its designated affiliate to the Corporation of the Subscription Amount in the form of a wire transfer of immediately available funds to a bank account designated by the Corporation.

Section 3. Representations and Warranties of the Corporation. The Corporation represents and warrants to each Subscriber as follows:

3.1. Organization. The Corporation 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 own and lease its properties, to carry on its business as presently conducted and as proposed to be conducted by it and to carry out the transactions contemplated by this Agreement. The Corporation is duly qualified as a foreign corporation and is in good standing in all such jurisdictions in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that any failure to be so qualified would not materially and adversely affect the financial condition, results of operations, assets, liabilities business or prospects of the Corporation.

3.2. Authorization of this Agreement. The execution, delivery and performance by the Corporation of this Agreement have been duly authorized by all requisite corporate action. The Corporation has duly authorized, executed and delivered this Agreement, and this Agreement constitutes the valid and binding obligation of the Corporation, enforceable in accordance with its terms (except as enforceability may be limited by (x) applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting the enforcement of creditors' rights generally and (y) general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law)).

3.3. Authorization of the Shares and the Underlying Shares. The issuance, sale and delivery hereunder by the Corporation of the Shares have been duly authorized by all requisite corporate action of the Corporation, and when so issued, sold and delivered the Shares will be validly issued free and clear of all liens and encumbrances and outstanding, fully paid and non-assessable, and not subject to preemptive or any other similar rights of the stockholders of the Corporation or others. The shares of common stock, par value \$0.001 (the "Common Stock"), issued and issuable upon conversion of the Series C Preferred Stock (the "Underlying Shares"), when issued in accordance with the terms of the Transaction Documents, will be validly issued, fully paid and non-assessable, free and clear of all liens imposed by the Corporation. The Corporation has reserved from its duly authorized capital stock a sufficient number of shares of Common Stock for issuance of the Underlying Shares at least equal to the maximum aggregate number of shares of Common Stock then issued or potentially issuable in the future pursuant to the Transaction Documents, including any Underlying Shares issuable upon conversion in full of all shares of Series C Preferred Stock, ignoring any conversion limits set forth therein.

3.4. No Governmental Consent or Approval Required. No authorization, consent, approval or other order of, declaration to, or filing with, any governmental agency or body is required to be made or obtained by the Corporation for or in connection with the valid and lawful authorization, execution and delivery by the Corporation of this Agreement or for or in connection with the valid and lawful authorization, issuance, sale and delivery of the Shares, except exemptive filings under applicable securities laws, which are not required to be made until after the Closing and which shall be made on a timely basis.

3.5. SEC Reports; Disclosure. The Corporation has filed all reports, schedules, forms, statements and other documents required to be filed by it under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including pursuant to Section 13(a) or 15(d) thereof, for the 12 months preceding the date hereof (or such shorter period as the Corporation was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension, except where the failure to file on a timely basis would not have or reasonably be expected to result in a material adverse effect. As of their respective filing dates, or to the extent corrected by a subsequent amendment, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Securities and Exchange Commission (the "SEC") promulgated thereunder, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.7. No Registration. Assuming the accuracy of the representations and warranties of the Subscribers in Section 4 herein, the issuance of Shares to the Subscribers is exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

Section 4. Representations and Warranties of Subscribers. Each Subscriber represents and warrants to the Corporation, severally and not jointly, as follows:

4.1. Purchase for Investment. The Subscriber is acquiring the Shares purchasable by it hereunder for its own account, for investment and not for, with a view to, or in connection with, any distribution or public offering thereof within the meaning of the Securities Act.

4.2. Unregistered Securities; Legend. The Subscriber understands that the Shares have not been, and will not be, registered under the Securities Act or any state securities law, by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act and such rules and regulations thereunder, that the Shares must be held indefinitely unless they are subsequently registered under the Securities Act and such state securities laws or a subsequent disposition thereof is exempt from registration, that the Shares shall bear a legend as set forth in Section 12, and that appropriate stop transfer instructions may be issued. The Subscriber further understands that such exemption depends upon, among other things, the bona fide nature of the Subscriber's investment intent expressed herein.

4.3. Status of Investor. The Subscriber has not been formed for the specific purpose of acquiring the Shares pursuant to this Agreement. The Subscriber understands the term “accredited investor” as used in Regulation D promulgated under the Securities Act and represents and warrants to the Corporation that the Subscriber is an “accredited investor” for purposes of acquiring the Shares purchasable by it hereunder.

4.4. Knowledge and Experience; Economic Risk. The Subscriber has sufficient knowledge and experience in business and financial matters and with respect to investment in securities of privately held companies so as to enable it to analyze and evaluate the merits and risks of the investment contemplated hereby and is capable of protecting its interest in connection with this transaction. The Subscriber is able to bear the economic risk of such investment, including a complete loss of the investment.

4.5. Access to Information. The Subscriber acknowledges that it and its representatives have had the opportunity to ask questions and receive answers from officers and representatives of the Corporation concerning the Corporation and its business and the transactions contemplated by this Agreement and to obtain any additional information which the Corporation possesses or can acquire that is necessary to verify the accuracy of the information regarding the Corporation herein set forth or otherwise desired in connection with the Subscriber’s purchase of the Shares purchasable by it hereunder.

4.6. Authorization of this Agreement. The Subscriber has duly authorized, executed and delivered this Agreement, and this Agreement constitutes the valid and binding obligation of the Subscriber, enforceable against the Subscriber in accordance with its terms (except as enforceability may be limited by (x) applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting the enforcement of creditors’ rights generally and (y) general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law)).

Section 5. Covenants of the Subscribers. From the date hereof, each Subscriber, severally and not jointly with the other Subscribers, covenants that such Subscriber (i) will not convert any shares of Series C Preferred Stock and such Subscriber will not transfer, offer, sell, contract to sell, hypothecate, pledge or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any shares of Series C Preferred Stock up to and until immediately after the Reverse Stock Split Date (as defined in the Certificate of Designation), and (ii) will vote its Shares in connection with the Reverse Stock Split (as defined in the Certificate of Designation).

Section 6. Conditions Precedent to Closing by the Subscribers. The obligation of the Subscribers to purchase and pay for the Shares at the Closing is subject to satisfaction (or waiver by the Subscriber) of the following conditions precedent at or before the Closing:

6.1. Representations and Warranties Correct. Each of the representations and warranties of the Corporation contained in Section 3 shall be true and accurate in all material respects on and as of the Closing with the same force and effect as if they had been made at the Closing, except for (a) those representations and warranties that address matters only as of a particular date (which shall remain true and correct as of such particular date), with the same force and effect as if they had been made at the Closing, and (b) those representations and warranties which (i) are qualified as to materiality or (ii) provide that the Corporation’s failure to comply with such representation or warranty would not result in a material adverse effect shall be true and accurate in all respects as of the Closing.

6.2. Qualifications. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Shares pursuant to this Agreement shall be duly obtained and effective as of the Closing.

Section 7. Conditions Precedent to Closing by the Corporation. The obligation of the Corporation to issue and sell the Shares being sold to the Subscribers at the Closing is subject to satisfaction (or waiver by the Corporation) of the condition precedent at or before the Closing that the representations and warranties made in Section 4 hereof by each Subscriber shall be true and correct in all material respects on and as of the Closing with the same force and effect as if they had been made at the Closing.

Section 8. Fees and Expenses. Each party to this Agreement shall bear all of its own fees and expenses incurred in connection with the preparation and negotiation of this Agreement and the consummation of the transactions contemplated hereby, including all fees of such party's legal counsel.

Section 9. Remedies. In case any one or more of the representations, warranties, covenants or agreements set forth in this Agreement shall have been breached by the Corporation, the Subscriber may proceed to protect and enforce their rights either by suit in equity or by action at law, including, but not limited to, an action for damages as a result of any such breach or an action for specific performance of any such covenant or agreement contained in this Agreement.

Section 10. Indemnification; Limitations on Liability. The Corporation shall indemnify, defend and hold the Subscribers harmless from and against all liabilities, losses, and damages, together with all reasonable costs and expenses related thereto (including, without limitation, reasonable legal and accounting fees and expenses), which would not have been incurred if (a) all of the representations and warranties of the Corporation in Section 3 of this Agreement had been true and correct when made and at the time of the Closing and (b) all of the covenants and agreements of the Corporation in this Agreement had been duly and timely complied with and performed; *provided*, however, that the aggregate liability of the Corporation to the Subscribers under this Section 10 shall not exceed the Subscription Amount.

Section 11. Survival of Representations, Warranties and Agreements. The covenants, representations and warranties of the parties contained herein shall survive the Closing. Each of the parties may rely on such covenants, representations and warranties irrespective of any investigation made, or notice or knowledge held by, it or any other person.

Section 12. Legend. It is understood that the Shares and the Underlying Shares may bear the following legend (or substantially similar legends):

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES OR BLUE SKY LAWS. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT OR LAWS.

Section 13. Entire Agreement; Effect on Prior Documents. This Agreement and the other documents referred to herein or delivered pursuant hereto contain the entire agreement among the parties with respect to the transactions contemplated hereby and supersede all prior negotiations, commitments, agreements and understandings among them with respect thereto.

Section 14. Notices. Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration, service of process or other communication (“Notices”) that is required, contemplated, or permitted under this Agreement or with respect to the subject matter hereof shall be in writing, which shall include email communication, and shall be deemed to have been validly served, given, delivered, and received upon the earlier of: (i) the day of transmission by facsimile, email communication or hand delivery if transmission or delivery occurs on a business day at or before 5:00 pm in the time zone of the recipient, or, if transmission or delivery occurs on a non-business day or after such time, the first business day thereafter, or the first business day after deposit with an overnight express service or overnight mail delivery service; or (ii) the third calendar day after deposit in the United States mails, with proper first class postage prepaid, and shall be addressed to the party to be notified as follows:

(a) if to the Corporation, to:

Diffusion Pharmaceuticals Inc.
300 East Main Street, Suite 201
Charlottesville, Virginia 22902
Attn: William R. Elder, General Counsel & Corporate Secretary

(b) if to the Subscribers, to the address on their respective signature page.

Section 15. Amendments; Waivers. This Agreement may be amended, and compliance with the provisions of this Agreement may be omitted or waived, only by the written agreement of the Corporation and the Subscribers which purchased at least 50.1% in interest of the Series C Preferred Stock based on the initial Subscription Amounts hereunder.

Section 16. Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts, each such counterpart shall be deemed to be an original instrument, and all such counterparts together shall constitute but one agreement. Any such counterpart may contain one or more signature pages. This Agreement may be executed and delivered by facsimile, or by email in portable document format (.pdf) and upon such delivery of the signature page by such method will be deemed to have the same effect as if the original signature had been delivered to the other parties.

Section 17. Headings. The headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

Section 18. Nouns and Pronouns. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of names and pronouns shall include the plural and vice-versa.

Section 19. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of New York without regard to its principles of conflicts of laws.

Section 20. Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, each of the successors and assigns of the parties hereto and, except as otherwise expressly provided herein, each other person who shall become a registered holder of the Shares transferred to such holder by the Subscriber or its permitted transferees, and (except as aforesaid) its legal representatives, successors and assigns.

Section 21. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22. Termination. This Agreement may be terminated by any Subscriber, as to such Subscriber’s obligations hereunder only and without any effect whatsoever on the obligations between the Corporation and the other Subscribers, by written notice to the other parties, if the Closing has not been consummated on or before the fifth (5th) day on which the Nasdaq Capital Market is open for trading following the date hereof. The provisions of Sections 8, 13 through 15, and 17 through 21 shall survive any termination hereof pursuant to this Section 22.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned have executed this Subscription Agreement as of the day and year first written above.

DIFFUSION PHARMACEUTICALS INC.

By: _____
Name:
Title :

[Corporation Signature Page to Subscription Agreement]

[SUBSCRIBER SIGNATURE PAGES TO DFFN SUBSCRIPTION AGREEMENT]

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

Name of Subscriber: _____

Signature of Authorized Signatory of Subscriber: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Email Address of Authorized Signatory: _____

Address for Notice to Subscriber:

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

Subscription Amount: \$ _____

Shares of Series C Preferred Stock: _____

EIN Number (if applicable): _____