

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Aethlon Medical, Inc. (AEMD)



JAMES A. JOYCE founded Aethlon Medical in May 1998, and presently serves as Chairman, President and Chief Executive Officer. During Mr. Joyce's tenure, Aethlon has evolved the concept of a medical device to treat infectious disease into a reality of treating infected patients in a clinical trial environment. The resulting Hemopurifier™ technology is positioned to treat global pandemic issues such as HIV/AIDS, Hepatitis-C, H5N1 Avian Flu, and pathogens most likely to be weaponized for use in bioterrorism. Mr. Joyce has been an active participant in the emerging biodefense industry. He has testified before Congress on issues related to Project BioShield legislation and the deployment of the Hemopurifier as a countermeasure against biological weapons. His efforts have been instrumental in expanding the definition of treatment countermeasure in Project BioShield legislation to include medical devices. Mr. Joyce recently served on the Project BioShield panel at the Federal Biodefense Research Conference, the Biodefense panel at the 2006 Homeland and Global Security Summit, and was named Co-Chairman of the Bioterrorism/Chemical and Nuclear Security Task Force of the Homeland Security Industries Association. Mr. Joyce actively discusses issues related to infectious disease at various conferences, and has been interviewed in related news stories on CNN, NBC, ABC, the BBC, and other media outlets. From February 1993 until founding Aethlon Medical, Mr. Joyce owned James Joyce & Associates, a senior management advisory organization. Previously, he was founder and Chief Executive Officer of Mission Labs, Inc., was a principal at London Zurich Securities, Inc., and was a member of the Denver Broncos of the National Football League. Mr. Joyce is a graduate of the University of Maryland.

TWST: We'd like to begin with a brief historical sketch of Aethlon Medical and a picture of the things you're doing right now.

Mr. Joyce: We are focused on developing and commercializing the first medical devices to treat infectious disease. Aethlon was founded in 1998 as a medical device acquisition company, became public in 2000, and transitioned to developing our Hemopurifier technology as a treatment for drug and vaccine resistant pathogens in 2001.

TWST: Can you explain your basic science?

Mr. Joyce: The basic science converges the well-established principals of hemodialysis with the discovery of affinity agents that have the ability to bind a broad-spectrum of infectious disease targets, including several biological weapon threats, naturally evolving pandemic threats such as H5N1 Avian flu, and chronic infectious disease targets including HIV and Hepatitis-C.

TWST: Can you go a little bit further in describing how your devices work?

Mr. Joyce: Absolutely. The Hemopurifier is designed to mimic the natural immune response of clearing viruses and toxins before the occurrence of cell and organ infection. The cartridge works in conjunction with portable pumps or can be deployed for use in the global infrastructure of dialysis machines already in hospitals and clinics. The treatment is initiated by circulating the patients blood into the Hemopurifier. Once in the cartridge, the blood travels through thousands of hollow-fibers whose walls have pores large enough to allow viruses and toxins to be separated outside of the blood. Once viruses and toxins have been separated, they are captured by affinity agents that bind directly to glycoproteins that reside on the surface of envelope viruses in general. This unique and pro-

proprietary mechanism allows us to target all strains of hard to treat chronic conditions such as HIV, as well as a broad spectrum of naturally evolving pandemic threats and candidate pathogens that could be weaponized by man to be bioterror agents.

TWST: Are any other companies working along similar or parallel lines?

Mr. Joyce: Not yet. However, if we are successful in executing our strategies, it wouldn't surprise me if competition eventually surfaced. Therefore, it is crucial that we continue to expand our already strong intellectual property position. A broader perspective certainly indicates that the infectious disease market is extremely competitive when it comes to anti-viral drugs and vaccines. That being said, our focus is filling voids that exist in drug and vaccine therapy. This means targeting those pathogens not addressed by a vaccine and whose natural mutation causes drug resistance, even when an effective anti-viral treatment already exists. In the case of biological weapons, a total void in drug and vaccine countermeasures is possible as such threats will likely be genetically engineered to be drug and vaccine resistant. In this scenario, the Hemopurifier could be the first line of defense for our military and civilian populations. Supporting this statement, we were presented the 2006 Technology Innovation Award by global researcher Frost & Sullivan because of our broad-spectrum capabilities in biodefense.

TWST: What stage are you at now and what is on your agenda for the next couple of years?

Mr. Joyce: We just completed our first human safety study at the Apollo Hospital in Delhi, India. The study enrolled patients with severely compromised health conditions. In fact, each patient was undergoing dialysis as a result of kidney failure, and was also infected with Hepatitis-C. As a result of their advanced condition, each patient generally spent greater than 50% of his waking hours in bed. While risky, the demonstration of safety in patients most likely to experience an adverse response should benefit our commercialization efforts in the long term. In the end, we demonstrated safety over a series of 24 treatments that were administered to four patients. With our first experience in humans now under our belt, we are now working in-house to complete our first regulatory submission to the FDA. This submission relates to use of the Hemopurifier as a broad spectrum treatment countermeasure against biological weapons and pandemic influenza. We also plan to expand our activities in India. The market opportunity to help afflicted individuals in India is staggering. In this regard, we just received a very nice letter of support from India's Health Minister encouraging us to treat HIV/AIDS and Dengue Hemorrhagic Fever in his country.

TWST: With this very large potential ahead, I would guess that alliances and partnerships could become very important to you.

Mr. Joyce: Alliances and partnerships that advance the utility of our technology are certainly of interest. In fact, we recently entered into a couple of collaborative relationships, including one relationship with Boston University that potentially expands the Hemopurifier applications into the field of cancer. Once we begin to

demonstrate treatment efficacy, it will be necessary to partner with entities that can assist in the manufacturing scale-up.

TWST: What is the picture that you expect to see for the company in about three years and what are some of the milestones that the potential investor should be looking for?

Mr. Joyce: First, an investor should focus on milestones related to reinforcing safety and demonstrating efficacy of the Hemopurifier in multiple disease targets. Speculating on where we will be in three years is difficult as we cannot predict unexpected regulatory hurdles. However, I think it's reasonable for us to expect that multiple acute indications could be cleared for market use in the US, and that we would be actively selling the Hemopurifier to treat at least one large scale chronic condition overseas.

TWST: What challenges or problems could arise?

Mr. Joyce: While we address voids in drug and vaccine therapy, we unfortunately face some of the same challenges as drug and vaccine developers. That being unexpected regulatory hurdles, adverse events in the clinic, and manufacturing scale-up. As a device solution for infectious disease, we also face the challenge of educating the medical community to understand how our science can be implemented to augment current treatment standards and how it can be deployed when such therapeutics are either not available or don't exist.

TWST: You mentioned addressing treatment voids in drug and vaccine therapy. Is that a large market opportunity?

Mr. Joyce: It's the largest opportunity in the infectious disease world. The vast majority of pathogens are not addressed by vaccines and anti-viral treatments. When treatments do exist, they often fail as a result of natural mutation. Regardless, there are approximately 1400 pathogens that can cause disease in humans and on average, we are now seeing one new disease cross the boundaries from animals into humans each year. Recent examples being HIV, Ebola, SARS, West Nile Virus, and now it looks like the H5N1 strain of Avian Flu has done so. While we certainly cannot address every pathogen, there will be many scenarios where we can fill the void until industry colleagues can develop other solutions.

TWST: Perhaps you could tell us a little bit about the backgrounds and the expertise of a couple of the key people in the company.

Mr. Joyce: I'm the founder of Aethlon, and have a background running and advising development stage organizations. Our CFO is very competent, and has made CEO's like myself, look good at a number of successful public companies. My Chief Scientific Officer was the co-founder of a biotech company that advanced from a start-up to become a New York stock exchange company. We have a world-class team of science advisors that includes highly respected individuals in the infectious disease world, as well as some of the top authorities in the dialysis industry. On the biodefense front, we have received support from the former commander of infectious disease research at USAMRIID, which is our nation's top facility in researching countermeasures against biological weapons, and from the former Head of the Russian bioweapons program, which was the largest such program to ever exist.

Considering that we are just starting to graduate from pure research and development, we are pleased with the talent we have been able to attract.

TWST: For yourself as CEO, what occupies most of your own attention on a week-by-week basis?

Mr. Joyce: That shifts from day to day. As the CEO of a micro-cap company, you don't have the luxury of orchestrating multiple teams of employees to carry out your visions. You wear many hats and multiple skill-sets are necessary if you want to thrive. Today, I am balancing our FDA regulatory efforts with SEC regulatory efforts associated with the upcoming filing of our 10K. In the background is a continued grinding on potential international initiatives and collaborative business and licensing opportunities. I also need to spend time in the labs to insure our research efforts don't get off track. This month, I will additionally speak at a number of conferences around the country in an effort to engage and educate the investment community on the merits of our technology. Related to that initiative, we recently added Jeff Richardson, the former Global Head of Communications at Amgen and Glaxo to our team. Jeff has started planting the seeds of what Aethlon Medical is doing with the media, and already, we've seen coverage on ABC and NBC News, plus a nice feature story in Popular Science Magazine. So we're starting to increase our visibility, but still have a long way to go.

TWST: To crystallize what you've been saying, what would be the two or three best reasons for the long-term investor to take a very close look at Athelon?

Mr. Joyce: First, I think our science is truly important, and for emotional reasons, I feel that aspect should be a driving factor for someone to become a shareholder in Aethlon Medical. However, I am not naive and recognize that valuation, not emotions, is what trips the trigger for intelligent investors. In this regard, a simple exercise for someone considering to become a shareholder, is to look at the valuations awarded to publicly traded therapeutics that target the treatment of an infectious disease target. Specifically, those that have evolved to the point where they have initially demonstrated safety of their treatment in humans. Once a median valuation range is determined, compare it to the sub \$10 million valuation presently placed on Aethlon Medical as a starter. Then analyze the size of the markets addressed by that science as compared to the Aethlon Hemopurifier. Next, I might reference our product pipeline in the context that many biotech pipelines are really a series of unrelated developments that serve as market hedge in case the lead candidate fails. In our case, we have a deep and executable product pipeline that crosses the boundaries of multiple pathogens, yet each treatment application is related as it is driven from the same Hemopurifier platform technology. Advances made in one treatment application, actually assist in the acceptance and commercialization of other applications. By the way, I forgot to clarify that our product is classified by the FDA as a medical device, and therefore does not have the same regulatory burdens as drug and vaccines candidates.

TWST: How rapidly are you burning cash at this point?

Mr. Joyce: Our burn rates today are very well managed. We typically burn just under \$200,000 a month, so we are very fortunate. The number also includes supporting our full-time employees with a multitude of regulatory advisors and consultants who come in and out of the organization as needed. Because our market applications are driven by the same platform technology, there is a certain level of redundancy to equate to lower development costs. However, we're now transitioning from a pure development cycle to planning regulatory and commercialization initiatives. As a result, our monthly burn will increase beyond our past requirements.

TWST: Do you see any need at all to improve the company's capital structure?

Mr. Joyce: Certainly, but at the right time. Improving our capital structure is not just related to product commercialization, there is also an incentive to graduate from the OTC market to an exchange that increases both our credibility and visibility. This will require that we beef up our balance sheet.

TWST: How do you deal with Sarbanes-Oxley?

Mr. Joyce: If implemented as proposed, Sarbanes-Oxley might be the regulatory straw that breaks the back of many micro-caps. Fortunately, our CFO, Jim Dorst, has historically dealt with issues significantly more complicated than Sarbanes-Oxley. Between the two of us, and effective board oversight, I feel we have an understanding of the increased compliance and cost burdens associated with Sarbanes Oxley implementation.

TWST: Is there anything that you'd like to add, particularly regarding strategies and long-term objectives?

Mr. Joyce: Sure, our long-term objective is simple and straightforward. It is to save lives. The extent to which we are successful in saving lives, will be reflected in the value awarded to the shares held by those who became stake-holders in Aethlon Medical.

TWST: Thank you.

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