

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2018

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER 001-37487

AETHLON MEDICAL, INC.
(Exact name of registrant as specified in its charter)

NEVADA
(State or other jurisdiction of incorporation or organization)

13-3632859
(I.R.S. Employer Identification No.)

9635 GRANITE RIDGE DRIVE, SUITE 100, SAN DIEGO, CA 92123
(Address of principal executive offices) (Zip Code)

(858) 459-7800
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (ss.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
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.

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

As of February 11, 2019, the registrant had outstanding 18,960,505 shares of common stock, \$0.001 par value.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2018 (Unaudited)	March 31, 2018
ASSETS		
Current assets		
Cash	\$ 4,824,901	\$ 6,974,070
Accounts receivable	–	74,813
Prepaid expenses and other current assets	35,067	181,367
Total current assets	4,859,968	7,230,250
Property and equipment, net	9,669	27,552
Patents, net	68,959	75,832
Deposits	12,159	18,270
Total assets	<u>\$ 4,950,755</u>	<u>\$ 7,351,904</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 69,613	\$ 124,450
Due to related parties	69,750	90,366
Convertible notes payable, net	932,014	–
Other current liabilities	709,348	263,141
Total current liabilities	1,780,725	477,957
Convertible notes payable, net	–	841,153
Total liabilities	1,780,725	1,319,110
Commitments and Contingencies (Note 13)		
Stockholders' Equity		
Common stock, par value \$0.001 per share; 30,000,000 shares authorized as of December 31, 2018 and March 31, 2018; 18,577,123 and 17,739,511 shares issued and outstanding as of December 31, 2018 and March 31, 2018, respectively	18,577	17,740
Additional paid-in capital	107,283,829	105,574,014
Accumulated deficit	(104,010,327)	(99,457,714)
Total Aethlon Medical, Inc. stockholders' equity before noncontrolling interests	3,292,079	6,134,040
Noncontrolling interests	(122,049)	(101,246)
Total stockholders' equity	3,170,030	6,032,794
Total liabilities and stockholders' equity	<u>\$ 4,950,755</u>	<u>\$ 7,351,904</u>

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine Month Periods Ended December 31, 2018 and 2017
(Unaudited)

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
REVENUES				
Government contract revenue	\$ —	\$ 74,813	\$ 149,625	\$ 74,813
OPERATING EXPENSES				
Professional fees	587,192	439,117	1,449,218	1,165,318
Payroll and related expenses	1,161,531	663,245	2,426,828	1,911,553
General and administrative	215,150	136,078	681,678	557,991
Total operating expenses	<u>1,963,873</u>	<u>1,238,440</u>	<u>4,557,724</u>	<u>3,634,862</u>
OPERATING LOSS	<u>(1,963,873)</u>	<u>(1,163,627)</u>	<u>(4,408,099)</u>	<u>(3,560,049)</u>
OTHER EXPENSE				
Interest and other debt expenses	55,107	55,912	165,317	306,495
Loss on share for warrant exchanges	—	—	—	130,214
Loss on debt extinguishment	—	—	—	376,909
Total other expense	<u>55,107</u>	<u>55,912</u>	<u>165,317</u>	<u>813,618</u>
NET LOSS	<u>(2,018,980)</u>	<u>(1,219,539)</u>	<u>(4,573,416)</u>	<u>(4,373,667)</u>
LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>(5,940)</u>	<u>(4,532)</u>	<u>(20,803)</u>	<u>(12,972)</u>
NET LOSS ATTRIBUTABLE TO AETHLON MEDICAL, INC.	<u>\$ (2,013,040)</u>	<u>\$ (1,215,007)</u>	<u>\$ (4,552,613)</u>	<u>\$ (4,360,695)</u>
BASIC AND DILUTED LOSS PER COMMON SHARE	<u>\$ (0.11)</u>	<u>\$ (0.08)</u>	<u>\$ (0.25)</u>	<u>\$ (0.40)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED	<u>18,050,165</u>	<u>14,950,701</u>	<u>17,865,176</u>	<u>10,927,106</u>

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended December 31, 2018 and 2017
(Unaudited)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
Cash flows from operating activities:		
Net loss	\$ (4,573,416)	\$ (4,373,667)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	24,756	27,402
Stock based compensation	944,512	887,607
Common stock issued for services	19,350	33,600
Loss on share for warrant exchanges	-	130,214
Loss on debt extinguishment	-	376,909
Amortization of debt discount	90,861	215,376
Changes in operating assets and liabilities:		
Accounts receivable	74,813	-
Prepaid expenses and other current assets	152,411	23,014
Accounts payable and other current liabilities	391,369	(219,806)
Due to related parties	(20,616)	6,600
Net cash used in operating activities	<u>(2,895,960)</u>	<u>(2,892,751)</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(23,705)
Net cash used in investing activities	<u>-</u>	<u>(23,705)</u>
Cash flows from financing activities:		
Proceeds from the issuance of common stock, net	883,500	7,166,081
Tax withholding payments or tax equivalent payments for net share settlement of restricted stock units	(136,709)	(198,527)
Net cash provided by financing activities	<u>746,791</u>	<u>6,967,554</u>
Net (decrease) increase in cash	(2,149,169)	4,051,098
Cash at beginning of period	<u>6,974,070</u>	<u>1,559,701</u>
Cash at end of period	<u>\$ 4,824,901</u>	<u>\$ 5,610,799</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 95,388</u>	<u>\$ -</u>
Supplemental disclosures of non-cash investing and financing activities:		
Issuance of shares under conversions of convertible notes payable and related accrued interest	<u>\$ -</u>	<u>\$ 362,765</u>
Issuance of shares from vesting of restricted stock units	<u>\$ 138</u>	<u>\$ 120</u>

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
December 31, 2018

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

ORGANIZATION

Aethlon Medical, Inc. and its subsidiary (collectively, "Aethlon", the "Company", "we" or "us") is a medical technology company focused on addressing unmet needs in global health and biodefense. The Aethlon Hemopurifier® is a clinical-stage immunotherapeutic device designed to combat cancer and life-threatening viral infections. In cancer, the Hemopurifier depletes the presence of circulating tumor-derived exosomes that promote immune suppression, seed the spread of metastasis and inhibit the benefit of leading cancer therapies. The U.S. Food and Drug Administration (FDA) has designated the Hemopurifier as a "Breakthrough Device" related to the following two indications:

- the treatment of life-threatening viruses that are not addressed with approved therapies; and
- the treatment of individuals with advanced or metastatic cancer who are either unresponsive to or intolerant of standard of care therapy, and with cancer types in which exosomes have been shown to participate in the development or severity of the disease.

We believe the Hemopurifier can be a part of the broad-spectrum treatment of life-threatening highly glycosylated viruses that are not addressed with an already approved treatment countermeasure objective set forth by the U.S. Government to protect citizens from bioterror and pandemic threats. In small-scale or early feasibility human studies, the Hemopurifier has been administered to individuals infected with HIV, hepatitis-C, and Ebola. Additionally, the Hemopurifier has been validated to capture Zika virus, Lassa virus, MERS-CoV, cytomegalovirus, Epstein-Barr virus, Herpes simplex virus, Chikungunya virus, Dengue virus, West Nile virus, smallpox-related viruses, H1N1 swine flu virus, H5N1 bird flu virus, and the reconstructed Spanish flu virus of 1918. In several cases, these validations were conducted in collaboration with leading government or non-government research institutes. Domestically, we are focused on the clinical advancement of the Hemopurifier through investigational device exemptions (IDEs) approved by the FDA. We recently concluded a feasibility study to demonstrate the safety of our device in health-compromised individuals infected with a viral pathogen.

We are also the majority owner of Exosome Sciences, Inc. (ESI), a company focused on the discovery of exosomal biomarkers to diagnose and monitor life-threatening diseases. Included among ESI's endeavors is the advancement of a TauSome™ biomarker candidate to diagnose chronic traumatic encephalopathy (CTE) in the living. ESI previously documented TauSome levels in former NFL players to be nine times higher than same age-group control subjects.

Successful outcomes of human trials will also be required by the regulatory agencies of certain foreign countries where we intend to sell the Hemopurifier. Some of our patents may expire before FDA approval or approval in a foreign country, if any, is obtained. However, we believe that certain patent applications and/or other patents issued more recently will help protect the proprietary nature of the Hemopurifier treatment technology.

Our executive offices are located at 9635 Granite Ridge Drive, Suite 100, San Diego, California 92123. Our telephone number is (858) 459-7800. Our website address is www.aethlonmedical.com.

Our common stock is listed on the Nasdaq Capital Market under the symbol "AEMD."

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During the nine months ended December 31, 2018, there have been no changes to our significant accounting policies as described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 8 of the Securities and Exchange Commission (SEC) Regulation S-X. Accordingly, they should be read in conjunction with the audited financial statements and notes thereto for the year ended March 31, 2018, included in the Company's Annual Report on Form 10-K filed with the SEC on June 8, 2018. The accompanying unaudited condensed consolidated financial statements include the accounts of Aethlon Medical, Inc. and its majority-owned subsidiary. All significant inter-company transactions and balances have been eliminated in consolidation. The unaudited condensed consolidated financial statements contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the condensed consolidated financial statements as of and for the nine months ended December 31, 2018, and the condensed consolidated statement of cash flows for the nine months ended December 31, 2018. Estimates were made relating to useful lives of fixed assets, impairment of assets, share-based compensation expense and accruals for clinical trial and research and development expenses. Actual results could differ materially from those estimates. The accompanying condensed consolidated balance sheet at March 31, 2018 has been derived from the audited consolidated balance sheet at March 31, 2018, contained in the above referenced 10-K. The results of operations for the nine months ended December 31, 2018 are not necessarily indicative of the results to be expected for the full year or any future interim periods.

LIQUIDITY

Management expects existing cash as of December 31, 2018 to be sufficient to fund the Company's operations for at least twelve months from the issuance date of these condensed consolidated financial statements.

2. LOSS PER COMMON SHARE

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period of computation. The weighted average number of common shares outstanding for the three and nine months ended December 31, 2018 and 2017 included 46,125 vested restricted stock units. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional dilutive common shares that would have been outstanding if potential common shares had been issued, if such additional common shares were dilutive. Since we had net losses for all periods presented, basic and diluted loss per share are the same, and additional potential common shares have been excluded as their effect would be antidilutive.

As of December 31, 2018 and 2017, a total of 6,886,020 and 9,143,480 potential common shares, respectively, consisting of shares underlying outstanding stock options, warrants, unvested restricted stock units and convertible notes payable, were excluded as their inclusion would be antidilutive.

3. RESEARCH AND DEVELOPMENT EXPENSES

Our research and development costs are expensed as incurred. We incurred research and development expenses during the three and nine month periods ended December 31, 2018 and 2017, which are included in various operating expense line items in the accompanying condensed consolidated statements of operations. Our research and development expenses in those periods were as follows:

	December 31, 2018	December 31, 2017
Three months ended	\$ 243,843	\$ 129,207
Nine months ended	\$ 655,760	\$ 462,640

4. FUTURE ACCOUNTING PRONOUNCEMENTS

ASU 2016-02, Leases (Topic 842) changes the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of ASU 2016-02 as of its issuance is permitted. We are evaluating the impact the adoption of ASU 2016-02 will have on our financial statements and disclosures.

5. CONVERTIBLE NOTES PAYABLE, NET

Convertible Notes Payable, Net consisted of the following at December 31, 2018:

	Principal	Unamortized Discount	Net Amount	Accrued Interest
Convertible Notes Payable, Net:				
November 2014 10% Convertible Notes (due July 1, 2019)	\$ 612,811	\$ (37,399)	\$ 575,412	\$ 21,987
December 2016 10% Convertible Notes (due July 1, 2019)	379,780	(23,178)	356,602	12,771
Total Convertible Notes Payable, Net	<u>\$ 992,591</u>	<u>\$ (60,577)</u>	<u>\$ 932,014</u>	<u>\$ 34,758</u>

During the nine months ended December 31, 2018, we recorded interest expense of \$74,445 related to the contractual interest rates of our convertible notes and interest expense of \$90,861 related to the amortization of the note discount for a total interest expense of \$165,306 related to our convertible notes in the nine months ended December 31, 2018. All of the unamortized discount at December 31, 2018 related to the note discount established upon the June 2017 amendment to the November 2014 10% Convertible Notes and to the December 2016 10% Convertible Notes (see below).

Convertible Notes Payable, Net consisted of the following at March 31, 2018:

	Principal	Unamortized Discount	Net Amount	Accrued Interest
Convertible Notes Payable, Net – Non-Current Portion:				
November 2014 10% Convertible Notes (due July 1, 2019)	\$ 612,811	\$ (93,590)	\$ 519,221	\$ 34,386
December 2016 10% Convertible Notes (due July 1, 2019)	379,780	(57,848)	321,932	21,315
Total Convertible Notes Payable, Net	<u>\$ 992,591</u>	<u>\$ (151,438)</u>	<u>\$ 841,153</u>	<u>\$ 55,701</u>

During the nine months ended December 31, 2017, we recorded interest expense of \$87,641 related to the contractual interest rates of our convertible notes and interest expense of \$215,376 related to the amortization of the note discount for a total interest expense of \$303,017 related to our convertible notes. All of the unamortized discount at December 31, 2017 related to the note discount established upon the June 2017 amendment to both the November 2014 10% Convertible Notes and the December 2016 10% Convertible Notes (see below).

NOVEMBER 2014 10% CONVERTIBLE NOTES

In November 2014, we entered into a subscription agreement with two accredited investors providing for the issuance and sale of (i) convertible promissory notes in the aggregate principal amount of \$527,780 (the “Notes”) and (ii) five year warrants to purchase up to 47,125 shares of common stock at a fixed exercise price of \$8.40 per share (the “Warrants”). These Notes bear interest at the annual rate of 10% and originally matured on April 1, 2016.

The aggregate gross cash proceeds to us were \$415,000 after subtracting legal fees of \$35,000, a \$27,780 due diligence fee and an original issuance discount of \$50,000. We recorded deferred financing costs of \$112,780 to reflect the legal fees, due diligence fee and original issuance discount and will amortize those costs over the life of the Notes using the effective interest method.

These Notes were originally convertible at the option of the holders into shares of our common stock at a fixed price of \$5.60 per share, for up to an aggregate of 94,246 shares of common stock. There are no registration requirements with respect to the shares of common stock underlying the Notes or the Warrants.

The estimated relative fair value of the Warrants issued in connection with the Notes was recorded as a debt discount and is amortized as additional interest expense over the term of the underlying debt. We recorded debt discount of \$240,133 based on the relative fair value of these Warrants. In addition, as the effective conversion price of the Notes was less than market price of the underlying common stock on the date of issuance, we recorded an additional debt discount of \$287,647 related to the beneficial conversion feature.

Initial Amendment of the November 2014 10% Convertible Note Terms

On November 12, 2015, we entered into an amendment of terms (“Amendment of Terms”) with the two investors that participated in the November 2014 10% Convertible Notes. The Amendment of Terms modified the terms of the subscription agreement, Notes and Warrants held by those investors to, among other things, extended the maturity date of the Notes from April 1, 2016 to June 1, 2016, temporarily reduced the number of shares that we must reserve with respect to conversion of the Notes, and temporarily suspended the time period during which one of the investors may exercise its Warrants. In exchange for the investors’ agreements in the Amendment of Terms, we paid one of the investors a cash fee of \$90,000, which we recorded as deferred financing costs and amortized over the remaining term of the Notes.

Second Amendment and Extension of the November 2014 10% Convertible Notes

On June 27, 2016, we and certain investors entered into further amendments (the “Amendments”) to the Notes and the Warrants. The Amendments provide that the maturity date was extended from June 1, 2016 to July 1, 2017 and that the conversion price per share of the Notes was reduced from \$5.60 per share of common stock to \$5.00 per share of common stock. In addition, we reduced the exercise price set forth in the Warrants from \$8.40 per share to \$5.00 per share of common stock. In connection with these modifications, each of the investors signed a Consent and Waiver providing its consent under certain restrictive provisions, and waiving certain rights, including a right to participate in certain offerings made by us, under a Securities Purchase Agreement dated June 23, 2015 (the “2015 SPA”) to which we, the investors and certain other investors are parties, in order to facilitate an at-the-market equity program.

The Amendments also increased the principal amount of the Notes to \$692,811 (in the aggregate) to (i) include accrued and unpaid interest through June 15, 2016, and (ii) increase the principal amount by \$80,000 (in the aggregate) as an extension fee for the extended maturity date of the Notes. With respect to each Note, we entered into an Allonge to Convertible Promissory Note (each, an “Allonge”) reflecting the changes in the principal amount, maturity date and conversion price of the Note.

We also issued to the investors new warrants (the “New Warrants”) to purchase an aggregate of 30,000 shares of common stock with an exercise price of \$5.00 per share of common stock. We issued the New Warrants in substantially the same form as the prior Warrants, and the New Warrants will expire on November 6, 2019, the same date on which the prior Warrants will expire.

The modification of the Notes was evaluated under FASB Accounting Standards Codification (“ASC”) Topic No. 470-50-40, “Debt Modification and Extinguishments” (“ASC 470-50-40”). Therefore, according to the guidance, the instruments were determined to be substantially different, and the transaction qualified for extinguishment accounting. As a result, we recorded a loss on debt extinguishment of \$536,889 and recognized an extension fee expense of \$80,000, which are included in other (income) expenses in the accompanying condensed consolidated statements of operations. The debt extinguishment is comprised from the fair value of prior warrants issued in connection with the Notes of \$287,676, as well as \$325,206 related to beneficial conversion feature and offset by debt discount of \$75,993. The beneficial conversion feature is a result of the effective conversion price of the new Notes being less than the market price of the underlying common stock on the date of modification.

Third Amendment and Extension of the November 2014 10% Convertible Notes

In connection with the issuance of the December 2016 10% Convertible Notes, the conversion price of the Notes was reduced from \$5.00 to \$4.00 per share and the maturity date of the Notes was extended from July 1, 2017 to July 1, 2018.

The modification of the Notes was evaluated under ASC 470-50-40 and the instruments were determined to be substantially different, and the transaction qualified for extinguishment accounting. As a result, we recorded a gain on debt extinguishment of \$58,691, which is included in other (income) expenses in the accompanying condensed consolidated statements of operations. The recording of the modified Notes resulted in a beneficial conversion of \$233,748 which is the result of the effective conversion price of the new Notes being less than the market price of the underlying common stock on the date of modification.

June 2017 Amendment to the November 2014 10% Convertible Notes

In June 2017, we agreed with the holders of the Notes to an extension of the maturity dates of the Notes from July 1, 2018 to July 1, 2019 in exchange for the reduction of the conversion price of those Notes from \$4.00 per share to \$3.00 per share. The modification of the Notes was evaluated under ASC 470-50-40 and the instruments were determined to be substantially different, and the transaction qualified for extinguishment accounting. Under the extinguishment accounting we recorded a loss on debt extinguishment of \$178,655 and recalculated a revised debt discount on the notes.

The following table shows the changes to the principal balance of the Notes:

<u>Activity in Notes</u>	
Initial principal balance	\$ 527,780
Increase in principal balance under the second amendment (see above)	165,031
Conversions during the fiscal year ended March 31, 2017	(80,000)
Balance as of December 31, 2018 and March 31, 2018	<u>\$ 612,811</u>

DECEMBER 2016 10% CONVERTIBLE NOTES

In December 2016, we entered into a securities purchase agreement (the "Securities Purchase Agreement") with two accredited investors (collectively, the "Holders"), pursuant to which the Holders purchased an aggregate of \$680,400 principal amount of December 2016 10% Convertible Notes (December 2016 Notes) (inclusive of due diligence fee of \$30,000 deemed paid as a subscription amount in the form of a note in the principal amount of \$32,400) for an aggregate cash subscription amount of \$600,000 and (b) warrants to purchase 127,575 shares of common stock (collectively, the "December 2016 Warrants").

The December 2016 Notes bear interest at the rate of 10% per annum, and the principal amount and all accrued and unpaid interest thereon is convertible into shares of our common stock at a \$4.00 per share conversion price, which is subject to customary adjustment provisions for stock splits, dividends, recapitalizations and the like. The December 2016 Notes mature on July 1, 2018 and are subject to customary and usual terms for events of default and the like. Each Holder has contractually agreed to restrict its ability to convert its December 2016 Note such that the number of shares of the common stock held by the Holder and its affiliates after such exercise does not exceed 4.99% of our then issued and outstanding shares of common stock.

The December 2016 Warrants issued to the Holders are exercisable for a period of five years from the date of issuance at an exercise price of \$4.50, subject to adjustment. A Holder may exercise a December 2016 Warrant by paying the exercise price in cash or by exercising the December 2016 Warrant on a cashless basis. In the event a Holder exercises a December 2016 Warrant on a cashless basis, we will not receive any proceeds. The exercise price of the December 2016 Warrants is subject to customary adjustments provision for stock splits, stock dividends, recapitalizations and the like. Each Holder has contractually agreed to restrict its ability to exercise its December 2016 Warrant such that the number of shares of the common stock held by the Holder and its affiliates after such exercise does not exceed 4.99% of our then issued and outstanding shares of common stock.

The estimated relative fair value of December 2016 Warrants issued in connection with the December 2016 Notes was recorded as a debt discount and is being amortized as additional interest expense over the term of the underlying debt. We recorded debt discount of \$232,718 based on the relative fair value of these December 2016 Warrants. In addition, as the effective conversion price of the December 2016 Notes was less than market price of the underlying common stock on the date of issuance, we recorded an additional debt discount of \$262,718 related to the beneficial conversion feature. We also recorded deferred financing costs of \$102,940, which was composed of an 8% original issue discount of \$50,400, a \$30,000 due diligence fee (which was paid in the form of a note), \$22,500 in legal fees, and a \$40 bank charge. The combination of the above items led to a combined discount against the December 2016 Notes of \$598,376.

June 2017 Amendment to the December 2016 10% Convertible Notes

In June 2017, we agreed with the Holders of the December 2016 Notes to an extension of the expiration dates of the December 2016 Notes from July 1, 2018 to July 1, 2019 in exchange for the reduction of the conversion price of the December 2016 Notes from \$4.00 per share to \$3.00 per share. The modification of the December 2016 Notes was evaluated under ASC 470-50-40 and the instruments were determined to be substantially different, and the transaction qualified for extinguishment accounting. Under the extinguishment accounting we recorded a loss on debt extinguishment of \$198,254 and recalculated a revised debt discount on the December 2016 Notes.

The following table shows the changes to the principal balance of the December 2016 Notes:

Activity in the December 2016 Notes

Initial principal balance	\$	680,400
Conversions during the fiscal year ended March 31, 2018		(300,620)
Balance as of December 31, 2018 and March 31, 2018	\$	<u>379,780</u>

6. EQUITY TRANSACTIONS IN THE NINE MONTHS ENDED DECEMBER 31, 2018

Shares Issued for Services

During the nine months ended December 31, 2018, we issued 15,000 shares of restricted common stock at a price of \$1.29 per share, the market price at time of issuance, in payment for investor relations consulting services. The aggregate value of this share issuance was \$19,350.

Common Stock Sales Agreement with H.C. Wainwright

On June 28, 2016, we entered into a Common Stock Sales Agreement (the "Agreement") with H.C. Wainwright & Co., LLC ("H.C. Wainwright") which established an at-the-market equity program pursuant to which we may offer and sell shares of our common stock from time to time as set forth in the Agreement. The Agreement provides for the sale of shares of our common stock having an aggregate offering price of up to \$12,500,000 (the "Shares").

Subject to the terms and conditions set forth in the Agreement, H.C. Wainwright will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell the Shares from time to time, based upon our instructions. We have provided H.C. Wainwright with customary indemnification rights, and H.C. Wainwright will be entitled to a commission at a fixed rate equal to three percent (3.0%) of the gross proceeds per Share sold. In addition, we agreed to pay certain expenses incurred by H.C. Wainwright in connection with the Agreement, including up to \$50,000 of the fees and disbursements of their counsel. The Agreement will terminate upon the sale of all of the Shares under the Agreement unless terminated earlier by either party as permitted under the Agreement (see Note 14).

Sales of the Shares, if any, under the Agreement shall be made in transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act, including sales made by means of ordinary brokers' transactions, including on the Nasdaq Capital Market, at market prices or as otherwise agreed with H.C. Wainwright. We have no obligation to sell any of the Shares, and, at any time, we may suspend offers under the Agreement or terminate the Agreement.

In the nine months ended December 30, 2018, we raised aggregate net proceeds of \$749,803 (net of \$23,289 in commissions to H.C. Wainwright and \$2,395 in other offering expenses) under this agreement through the sale of 555,000 shares of common stock at an average price of \$1.35 per share of net proceeds.

Warrant Exercises

In the nine months ended December 30, 2018, three investors that participated in the October 2017 public offering exercised 129,300 warrants for aggregate cash proceeds to us of \$142,230 before expenses.

Restricted Stock Unit Grants to Executive Officers and Directors

During the nine months ended December 31, 2018, 250,676 Restricted Stock Units ("RSUs") held by our executives and directors were exchanged into the same number of shares of our common stock. As our executives elected to net settle a portion of their RSU's in exchange for us paying the related withholding taxes and our non-employee directors elected to receive a cash equivalent of the value of their shares equal to their estimated income taxes on the share issuance, 112,366 of the RSUs were cancelled and we issued a net 138,311 shares of common stock to our executives and directors (see Note 9).

On June 14, 2018, our Board of Directors (the "Board") approved the issuances of additional RSUs to certain officers and directors (see Note 9).

7. RELATED PARTY TRANSACTIONS

During the nine months ended December 31, 2018 we accrued unpaid Board fees of \$69,750 owed to our non-employee directors as of December 31, 2018.

As a result of entering into a Separation and Consulting Agreement with our former CEO, we paid out accrued vacation of \$32,083 to that former executive in December 2018 (see Note 8 and Note 13). That accrued vacation was previously recorded in the due to related parties account.

8. OTHER CURRENT LIABILITIES

Other current liabilities were comprised of the following items:

	December 31, 2018	March 31, 2018
Accrued interest	\$ 34,758	\$ 55,701
Accrued separation expenses for former executives (see Note 7 and Note 13)	505,609	-
Accrued professional fees	168,981	207,440
Total other current liabilities	<u>\$ 709,348</u>	<u>\$ 263,141</u>

9. STOCK COMPENSATION

The following tables summarize share-based compensation expenses relating to RSUs and options granted and the effect on basic and diluted loss per common share during the three and nine month periods ended December 31, 2018 and 2017:

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
Vesting of stock options and restricted stock units	<u>\$ 344,854</u>	<u>\$ 323,162</u>	<u>\$ 944,512</u>	<u>\$ 887,607</u>
Total stock-based compensation expense	<u>\$ 344,854</u>	<u>\$ 323,162</u>	<u>\$ 944,512</u>	<u>\$ 887,607</u>
Weighted average number of common shares outstanding – basic and diluted	<u>18,050,165</u>	<u>14,950,701</u>	<u>17,865,176</u>	<u>10,927,106</u>
Basic and diluted loss per common share attributable to stock-based compensation expense	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ (0.08)</u>

All of the stock-based compensation expense recorded during the nine months ended December 31, 2018 and 2017, which totaled \$944,512 and \$887,607, respectively, is included in payroll and related expense in the accompanying condensed consolidated statements of operations. Stock-based compensation expense recorded during the nine months ended December 31, 2018 and 2017 represented an impact on basic and diluted loss per common share of \$(0.05) and \$(0.08), respectively.

We review share-based compensation on a quarterly basis for changes to the estimate of expected award forfeitures based on actual forfeiture experience. The cumulative effect of adjusting the forfeiture rate for all expense amortization is recognized in the period the forfeiture estimate is changed. The effect of forfeiture adjustments for the nine months ended December 31, 2018 was insignificant.

Restricted Stock Unit Grants to Directors and Executive Officers

On August 9, 2016, our Board granted RSUs to certain of our officers and directors. The RSUs represent the right to be issued on a future date shares of our common stock for vested RSUs. The Board's Compensation Committee recommended the grants based on a compensation assessment provided by a third-party compensation consulting firm engaged by us that developed a peer group of companies for market assessment and analyzed compensation at such companies.

On June 14, 2018, our Board approved the issuances of additional RSUs of \$35,000 in value to each of our independent directors per the 2012 Non-Employee Directors Compensation Program (the "2012 Program") as the stock-based compensation element of their overall directors' compensation for the fiscal year ending March 31, 2019. The Board also approved the issuance of \$50,000 of RSUs to a prospective director pursuant to the 2012 Program, if he chose to join our Board. Finally, the Board approved the issuance of \$30,000 of RSUs to our Chief Financial Officer. The Board approval called for all of those RSUs to be priced based on the five day trailing averages of our closing stock price leading up to the acceptance of the Board seat by the prospective director, which occurred on June 19, 2018. That average price was \$1.31 per share for the RSU calculations. Therefore, a total of 107,196 RSUs were issued to our existing independent directors, 38,285 RSUs were issued to Mr. Guy Cipriani and 22,971 RSUs were issued to our Chief Financial Officer. All of those RSUs vest ratably on September 30, 2018, December 31, 2018 and March 31, 2019.

The above noted RSUs were granted under our Amended 2010 Stock Incentive Plan and we recorded expense of \$928,762 in the nine months ended December 31, 2018 related to the RSU grants.

RSUs outstanding that have vested and are expected to vest as of December 31, 2018 are as follows:

	Number of RSUs
Vested	46,125
Expected to vest	240,650
Total	<u>286,775</u>

During the nine months ended December 31, 2018, 250,676 RSUs held by our executives and directors were exchanged into the same number of shares of our common stock. As our executives elected to net settle a portion of their RSU's in exchange for us paying the related withholding taxes and our non-employee directors elected to receive a cash equivalent of the value of their shares equal to their estimated income taxes on the share issuance, 112,366 of the RSUs were cancelled and we issued a net 138,311 shares of common stock to our executives and directors.

Stock Option Activity

During the nine months ended December 31, 2018, we issued an option to our new CEO to purchase 552,625 shares of common stock at a price of \$1.25 per share, the closing price on the date of the option grant.

Options outstanding that have vested and are expected to vest as of December 31, 2018 are as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Vested	356,047	\$ 8.83	3.59
Expected to vest	570,625	\$ 1.26	9.95
Total	<u>926,672</u>		

The following outlines the significant weighted average assumptions used to estimate the fair value information presented, with respect to the stock option grant utilizing the Binomial Lattice option pricing models at, and during the nine months ended December 31, 2018:

Risk free interest rate	2.85%
Average expected life	10 years
Expected volatility	94.64%
Expected dividends	None

A summary of stock option activity during the nine months ended December 31, 2018 is presented below:

	<u>Amount</u>	<u>Range of Exercise Price</u>	<u>Weighted Average Exercise Price</u>
Stock options outstanding at March 31, 2018	409,047	\$1.68-\$20.50	\$ 9.51
Exercised	-	-	\$ -
Granted	552,625	\$ 1.25	\$ 1.25
Cancelled/Expired	(35,000)	\$ 20.50	\$ 20.50
Stock options outstanding at December 31, 2018	<u>926,672</u>	<u>\$1.25 – \$12.50</u>	<u>\$ 4.17</u>
Stock options exercisable at December 31, 2018	<u>356,047</u>	<u>\$1.68 – \$12.50</u>	<u>\$ 8.83</u>

On December 31, 2018, our stock options had no intrinsic value since the closing price on that date of \$1.66 per share was below the weighted average exercise price of our outstanding stock options.

At December 31, 2018, there was approximately \$1,740,025 of unrecognized compensation cost related to share-based payments, which is expected to be recognized over a weighted average period of 1.3 years.

10. WARRANTS

During the nine months ended December 31, 2018 and 2017, we did not issue any warrants.

A summary of warrant activity during the nine months ended December 31, 2018 is presented below:

	<u>Amount</u>	<u>Range of Exercise Price</u>	<u>Weighted Average Exercise Price</u>
Warrants outstanding at March 31, 2018	5,922,571	\$1.10 - \$12.05	\$ 1.83
Exercised	(129,300)	\$ 1.10	\$ 1.10
Issued	-	n/a	n/a
Cancelled/Expired	(463,146)	\$2.10 – \$6.25	\$ 2.61
Warrants outstanding at December 31, 2018	<u>5,330,125</u>	<u>\$1.10 – \$12.05</u>	<u>\$ 1.81</u>
Warrants exercisable at December 31, 2018	<u>5,330,125</u>	<u>\$1.10 – \$12.05</u>	<u>\$ 1.81</u>

11. GOVERNMENT CONTRACTS AND RELATED REVENUE RECOGNITION

We have entered into the following two contracts/grants with the National Cancer Institute (NCI), part of the National Institutes of Health (NIH) over the past two years:

Breast Cancer Grant

In September 2018, the NCI awarded us a government grant (number 1R43CA232977-01). The title of this Small Business Innovation Research (SBIR) Phase I grant is “The Hemopurifier Device for Targeted Removal of Breast Cancer Exosomes from the Blood Circulation.”

This NCI Phase I grant period runs from September 14, 2018 through August 31, 2019. The total amount of the firm grant is \$298,444. The grant calls for two subcontractors to work with us. Those subcontractors are University of Pittsburgh and Massachusetts General Hospital.

As of December 31, 2018, we have not recognized any revenue under the grant.

Melanoma Cancer Contract

We entered into a contract with the NCI in September 2017. This award was under the NIH’s SBIR program. The title of the award is “SBIR Topic 359 Phase 1 Device Strategy for Selective Isolation of Oncosomes and Non-Malignant Exosomes.”

The award from NIH was a firm, fixed-price contract with potential total payments to us of \$299,250 over the course of nine months.

Fixed price contracts require the achievement of multiple, incremental milestones to receive the full award during each period of the contract. The NIH also had the unilateral right to require us to perform additional work under an option period for an additional fixed amount of \$49,800.

Under the terms of the contract, we were required to perform certain incremental work towards the achievement of specific milestones against which we would invoice the government for fixed payment amounts.

In the nine months ended December 31, 2018, we performed work under the contract covering the remainder of the technical objectives of the contract (Aim 1: To validate the Hemopurifier as a device for capture and recovery of melanoma exosomes from plasma and Aim 2: To validate a method of melanoma exosome isolation consisting of the Hemopurifier followed by mab-based immunocapture to select out the tumor-derived exosomes from non-malignant exosomes and Aim 3: To evaluate the functional integrity of melanoma exosomes purified by the Hemopurifier and immunocapture isolation steps). As a result, we invoiced NIH for \$149,625 during the nine months ended December 31, 2018.

The Melanoma Cancer Contract is now completed.

12. SEGMENTS

We operate our businesses principally through two reportable segments: Aethlon, which represents our therapeutic business activities, and ESI, which represents our diagnostic business activities. Our reportable segments have been determined based on the nature of the potential products being developed. We record discrete financial information for ESI and our chief operating decision maker reviews ESI’s operating results in order to make decisions about resources to be allocated to the ESI segment and to assess its performance.

Aethlon’s revenue is generated primarily from government contracts to date and ESI does not yet have any revenues. We have not included any allocation of corporate overhead to the ESI segment.

The following tables set forth certain information regarding our segments:

	Nine Months Ended December 31,	
	2018	2017
Revenues:		
Aethlon	\$ 149,625	\$ 74,813
ESI	—	—
Total Revenues	<u>\$ 149,625</u>	<u>\$ 74,813</u>
Operating Losses:		
Aethlon	\$ (4,304,082)	\$ (3,495,189)
ESI	(104,017)	(64,860)
Total Operating Loss	<u>\$ (4,408,099)</u>	<u>\$ (3,560,049)</u>
Net Losses:		
Aethlon	\$ (4,469,399)	\$ (4,308,807)
ESI	(104,017)	(64,860)
Net Loss Before Non-Controlling Interests	<u>\$ (4,573,416)</u>	<u>\$ (4,373,667)</u>
Cash:		
Aethlon	\$ 4,824,225	\$ 5,610,061
ESI	676	738
Total Cash	<u>\$ 4,824,901</u>	<u>\$ 5,610,799</u>
Total Assets:		
Aethlon	\$ 4,950,079	\$ 5,745,031
ESI	676	5,723
Total Assets	<u>\$ 4,950,755</u>	<u>\$ 5,750,754</u>
Capital Expenditures:		
Aethlon	\$ —	\$ 23,705
ESI	—	—
Capital Expenditures	<u>\$ —</u>	<u>\$ 23,705</u>
Depreciation and Amortization:		
Aethlon	\$ 24,756	\$ 27,402
ESI	—	—
Total Depreciation and Amortization	<u>\$ 24,756</u>	<u>\$ 27,402</u>
Interest Expense:		
Aethlon	\$ (165,317)	\$ (306,495)
ESI	—	—
Total Interest Expense	<u>\$ (165,317)</u>	<u>\$ (306,495)</u>

13. COMMITMENTS AND CONTINGENCIES

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

There have been no material changes to our contractual obligations and commitments outside the ordinary course of business from those disclosed under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Contractual Obligations and Commitments” as contained in our Annual Report on Form 10-K for the year ended March 31, 2018 filed by us with the SEC on June 8, 2018 except:

On December 10, 2018, we entered into a Separation and Consulting Agreement with James A. Joyce, our former CEO. Under this agreement, we have a contractual obligation to pay Mr. Joyce a total of \$385,000 and to cover his medical insurance costs over a twelve month period that began on January 10, 2019. We also paid Mr. Joyce accrued vacation of \$32,083 in December 2018. In addition, we entered into a twelve month consulting arrangement with Mr. Joyce with agreed compensation of \$5,000 per month over calendar 2019. Mr. Joyce’s existing RSU’s will continue vesting over the term of the consulting arrangement.

The total expense accrued at December 31, 2018 relating to the separation agreements with Mr. Joyce and our former President, Rodney Kenley, was \$505,609 (see Note 7 and Note 8).

LEASE COMMITMENTS

We currently lease approximately 2,600 square feet of executive office space at 9635 Granite Ridge Drive, Suite 100, San Diego California 92123 under a 39-month gross plus utilities lease that commenced on December 1, 2014 and expires on August 31, 2021. The current rental rate under the lease extension is \$7,986 per month. We believe this leased facility will be satisfactory for our office needs over the term of the lease.

We also rent approximately 1,700 square feet of laboratory space at 11585 Sorrento Valley Road, Suite 109, San Diego, California 92121 at the rate of \$4,700 per month on a one-year lease that expires on November 30, 2019.

Rent expense, which is included in general and administrative expenses, approximated \$126,000 and \$100,000 for the nine month periods ended December 31, 2018 and 2017, respectively.

LEGAL MATTERS

From time to time, claims are made against us in the ordinary course of business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties or injunctions prohibiting us from selling one or more products or engaging in other activities.

The occurrence of an unfavorable outcome in any specific period could have a material adverse effect on our results of operations for that period or future periods. We are not presently a party to any pending or threatened legal proceedings.

14. SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2018 through the date that the accompanying condensed consolidated financial statements were filed with the SEC for transactions and other events which may require adjustment of and/or disclosure in such financial statements.

Restricted Stock Unit (“RSU”) Issuances – In January 2019, 46,125 RSUs held by our current and former executives were exchanged into the same number of shares of our common stock. As our executives elected to net settle a portion of their RSU’s in exchange for us paying the related withholding taxes on the share issuance, 27,014 of the RSUs were cancelled and we issued a net 19,111 shares of common stock to our executives.

ATM Sales – Subsequent to December 31, 2018, we sold 210,271 shares of our common stock under our Common Stock Sales Agreement with H.C. Wainwright (see Note 6) and from those sales raised net proceeds of \$290,954 (after deducting \$9,081 in commissions to H.C. Wainwright and \$2,654 in other offering expenses), at an average price of \$1.38 per share of net proceeds.

Warrant Exercises – Subsequent to December 31, 2018, two investors that participated in the October 2017 public offering exercised 154,000 warrants for aggregate cash proceeds to us of \$169,400 before expenses.

NCI Grant – Subsequent to December 31, 2018, NCI disbursed \$50,000 to us under our grant with that agency.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements and notes thereto included in Item 1 in this Quarterly Report on Form 10-Q. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements.

FORWARD LOOKING STATEMENTS

All statements, other than statements of historical fact, included in this Form 10-Q are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act. Such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of Aethlon Medical, Inc. ("we" or "us") to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements contained in this Form 10-Q. Such potential risks and uncertainties include, without limitation, completion of our capital-raising activities, U.S. Food and Drug Administration (FDA), approval of our products, other regulations, patent protection of our proprietary technology, product liability exposure, uncertainty of market acceptance, competition, technological change, and other risk factors detailed herein and in other of our filings with the Securities and Exchange Commission (the "Commission"). The forward-looking statements are made as of the date of this Form 10-Q, and we assume no obligation to update the forward-looking statements, or to update the reasons actual results could differ from those projected in such forward-looking statements.

Overview

Aethlon Medical, Inc. and its subsidiary (collectively, "Aethlon", the "Company", "we" or "us") is a medical technology company focused on addressing unmet needs in global health and biodefense. The Aethlon Hemopurifier® is a clinical-stage immunotherapeutic device designed to combat cancer and life-threatening viral infections. In cancer, the Hemopurifier depletes the presence of circulating tumor-derived exosomes that promote immune suppression, seed the spread of metastasis and inhibit the benefit of leading cancer therapies. The FDA has designated the Hemopurifier as a "Breakthrough Device" related to the following two indications:

- to the treatment of life-threatening viruses that are not addressed with approved therapies, and
- the treatment of individuals with advanced or metastatic cancer who are either unresponsive to or intolerant of standard of care therapy, and with cancer types in which exosomes have been shown to participate in the development or severity of the disease.

We believe the Hemopurifier can be a part of the broad-spectrum treatment of life-threatening highly glycosylated viruses that are not addressed with an already approved treatment countermeasure objective set forth by the U.S. Government to protect citizens from bioterror and pandemic threats. In small-scale or early feasibility human studies, the Hemopurifier has been administered to individuals infected with HIV, hepatitis-C, and Ebola. Additionally, the Hemopurifier has been validated to capture Zika virus, Lassa virus, MERS-CoV, cytomegalovirus, Epstein-Barr virus, Herpes simplex virus, Chikungunya virus, Dengue virus, West Nile virus, smallpox-related viruses, H1N1 swine flu virus, H5N1 bird flu virus, and the reconstructed Spanish flu virus of 1918. In several cases, these validations were conducted in collaboration with leading government or non-government research institutes. Domestically, we are focused on the clinical advancement of the Hemopurifier through investigational device exemptions (IDEs) approved by the FDA. We recently concluded a feasibility study to demonstrate the safety of our device in health-compromised individuals infected with a viral pathogen.

We are also the majority owner of Exosome Sciences, Inc. (ESI), a company focused on the discovery of exosomal biomarkers to diagnose and monitor life-threatening diseases. Included among ESI's endeavors is the advancement of a TauSome™ biomarker candidate to diagnose Chronic Traumatic Encephalopathy (CTE) in the living. ESI previously documented that TauSome levels in former NFL players to be nine times higher than same age-group control subjects. We consolidate Exosome's activities in our consolidated financial statements.

Successful outcomes of human trials will also be required by the regulatory agencies of certain foreign countries where we intend to sell this device. Some of our patents may expire before FDA approval or approval in a foreign country, if any, is obtained. However, we believe that certain patent applications and/or other patents issued more recently will help protect the proprietary nature of the Hemopurifier treatment technology.

Our common stock is listed on the Nasdaq Capital Market under the symbol "AEMD."

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and must file reports, proxy statements and other information with the Commission. The Commission maintains a web site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants, like us, which file electronically with the Commission. Our headquarters are located at 9635 Granite Ridge Drive, Suite 100, San Diego, CA 92123. Our phone number at that address is (858) 459-7800. Our Web site is <http://www.aethlonmedical.com>.

RESULTS OF OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2018 COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2017

Government Contract Revenues

We did not record any government contract revenue in the three month period ended December 31, 2018 and we recorded \$74,813 of government contract revenue in the three month period ended December 31, 2017.

Operating Expenses

Consolidated operating expenses for the three months ended December 31, 2018 were \$1,963,873 in comparison with \$1,238,440 for the comparable period a year ago. This increase of \$725,433, or 58.6%, was due to increases in payroll and related expenses of \$498,286, in professional fees of \$148,075 and in general and administrative expenses of \$79,072.

The \$498,286 increase in payroll and related expenses was primarily due to the combination of a \$472,639 accrual for the separation payments over calendar 2019 for our former CEO and President and a \$21,692 increase in stock-based compensation.

The \$148,075 increase in our professional fees was due to a \$34,900 increase in our Board fees due to the recent expansion of our Board, a \$7,273 increase in ESI's professional fees and a \$197,426 increase in scientific consulting fees. Those increases were partially offset by a \$71,749 decrease in our legal fees, a \$9,890 decrease in our marketing costs and a \$9,885 decrease in our accounting fees.

The \$79,072 increase in general and administrative expenses was primarily due to the combination of a \$44,592 accrual for the health insurance payments over calendar 2019 for our former CEO and President, a \$26,086 increase in our insurance costs and an \$18,791 increase in rent expense under our renewed leases.

Other Expense

Other expense during the three months ended December 31, 2018 and 2017 consisted of interest expense.

Interest Expense

Interest expense was \$55,107 for the three months ended December 31, 2018 and was \$55,912 for the three months ended December 31, 2017, a decrease of \$805. The various components of our interest expense are shown in the following table:

	Three Months Ended 12/31/18	Three Months Ended 12/31/17	Change
Interest Expense	\$ 24,820	\$ 25,625	\$ (805)
Amortization of Note Discounts	30,287	30,287	—
Total Interest Expense	<u>\$ 55,107</u>	<u>\$ 55,912</u>	<u>\$ (805)</u>

As noted in the above table, since the amortization of note discounts was the same in both periods, the \$805 decrease in our interest expense was due to a reduction in our contractual interest expense.

Net Loss

As a result of the changes in revenues and expenses noted above, our net loss increased from approximately \$1,215,000 in the three month period ended December 31, 2017 to \$2,013,000 in the three month period ended December 31, 2018.

Basic and diluted loss attributable to common stockholders were (\$0.11) for the three month period ended December 31, 2018 compared to (\$0.08) for the period ended December 31, 2017.

NINE MONTHS ENDED DECEMBER 31, 2018 COMPARED TO THE NINE MONTHS ENDED DECEMBER 31, 2017

Government Contract Revenues

We recorded \$149,625 in government contract revenue in the nine months ended December 31, 2018 and we recorded \$74,813 in government contract revenue in the nine months ended December 31, 2017. This revenue arose from work performed under our government contract with National Cancer Institute, part of the National Institutes of Health (“NIH”) as follows:

	Nine Months Ended 12/31/18	Nine Months Ended 12/31/17	Change in Dollars
NIH Contract	\$ 149,625	\$ 74,813	\$ 74,812
Total Government Contract Revenue	\$ 149,625	\$ 74,813	\$ 74,812

We have entered into the following two contracts/grants with the National Cancer Institute (NCI), part of the National Institutes of Health (NIH) over the past two years:

Breast Cancer Grant

In September 2018, the NCI awarded us a government grant (number 1R43CA232977-01). The title of this Small Business Innovation Research (SBIR) Phase I grant is “The Hemopurifier Device for Targeted Removal of Breast Cancer Exosomes from the Blood Circulation.”

This NCI Phase I grant period runs from September 14, 2018 through August 31, 2019. The total amount of the firm grant is \$298,444. The grant calls for two subcontractors to work with us. Those subcontractors are University of Pittsburgh and Massachusetts General Hospital.

As of December 31, 2018, we have not recognized any revenue under this grant.

Melanoma Cancer Contract

We entered into a contract with the NCI in September 2017. This award was under the NIH’s SBIR program. The title of the award is “SBIR Topic 359 Phase 1 Device Strategy for Selective Isolation of Oncosomes and Non-Malignant Exosomes.”

The award from NIH was a firm, fixed-price contract with potential total payments to us of \$299,250 over the course of nine months.

Fixed price contracts require the achievement of multiple, incremental milestones to receive the full award during each period of the contract. The NIH also had the unilateral right to require us to perform additional work under an option period for an additional fixed amount of \$49,800.

Under the terms of the contract, we were required to perform certain incremental work towards the achievement of specific milestones against which we will invoice the government for fixed payment amounts.

In the nine months ended December 31, 2018, we performed work under the contract covering the remainder of the technical objectives of the contract (Aim 1: To validate the Hemopurifier as a device for capture and recovery of melanoma exosomes from plasma, and Aim 2: To validate a method of melanoma exosome isolation consisting of the Hemopurifier followed by mab-based immunocapture to select out the tumor-derived exosomes from non-malignant exosomes, and Aim 3: To evaluate the functional integrity of melanoma exosomes purified by the Hemopurifier and immunocapture isolation steps). As a result we invoiced NIH for \$149,625 during the nine months ended December 31, 2018.

All of the revenue noted above related to the Melanoma Cancer Contract, which is now completed.

Operating Expenses

Consolidated operating expenses for the nine months ended December 31, 2018 were \$4,557,724 in comparison with \$3,634,862 for the comparable period a year ago. This increase of \$922,862, or 25.4%, was due to increases in payroll and related expenses of \$515,275, professional fees of \$283,900 and in general and administrative expenses of \$123,687.

The \$515,275 increase in payroll and related expenses was primarily due to the combination of a \$472,639 accrual for the separation payments over calendar 2019 for our former CEO and President and a \$56,905 increase in stock-based compensation.

The \$283,900 increase in our professional fees was due to a \$126,400 increase in our Board fees due to the recent expansion of our Board, a \$253,262 increase in scientific consulting fees, a \$53,494 increase in our marketing and investor relations fees and a \$40,290 increase in ESI's professional fees. Those increases were partially offset by a \$149,235 decrease in our legal fees, a \$29,529 decrease in our accounting fees and a \$10,782 decrease in website service fees.

The \$123,687 increase in general and administrative expenses was primarily due to the combination of a \$44,592 accrual for the health insurance payments over calendar 2019 for our former CEO and President and \$79,484 of clinical trial expenses associated with the exosome trial at University of California Irvine, which was partially offset by reductions in a number of additional expenses.

Other Expense

Other expense during the nine months ended December 31, 2018 consisted of interest expense and during the nine months ended December 31, 2017 consisted of losses on debt extinguishment, losses on share for warrant exchanges and interest expense. Other expense for the nine months ended December 31, 2018 was \$165,317 in comparison with other expense of \$813,618 for the nine months ended December 31, 2017.

The following table breaks out the various components of our other expense for both periods:

	Nine Months Ended 12/31/18	Nine Months Ended 12/30/17	Change
Loss on Debt Extinguishment	\$ —	\$ 376,909	\$ (376,909)
Loss on Share for Warrant Exchanges	—	130,214	(130,214)
Interest Expense	165,317	306,495	(141,178)
Total Other Expense	<u>\$ 165,317</u>	<u>\$ 813,618</u>	<u>\$ (648,301)</u>

Loss on Debt Extinguishment

Our loss on debt extinguishment for the nine months ended December 31, 2017 resulted from a \$376,909 loss associated with the June 2017 amendments to our convertible notes. There was no loss on debt extinguishment for the nine months ended December 31, 2018 - see below for additional information.

June 2017 Amendments – The \$376,909 loss on debt extinguishment in the nine months ended December 31, 2017 resulted from an Exchange Agreement with two institutional investors under which we issued 57,844 restricted shares of common stock in exchange for the cancellation of 77,125 warrants held by those investors (see Loss on Share for Warrant Exchanges below). Additionally, the investors agreed to extend the expiration dates of the convertible notes held by them from July 1, 2018 to July 1, 2019 in exchange for the reduction of the conversion price of those notes from \$4.00 per share to \$3.00 per share. The modification of the notes was evaluated under FASB Accounting Standards Codification (“ASC”) Topic No. 470-50-40, “Debt Modification and Extinguishments”. Therefore, according to the guidance, the instruments were determined to be substantially different, and the transaction qualified for extinguishment accounting.

This modification of the notes was also evaluated under ASC Topic No. 470-50-40, "Debt Modification and Extinguishments". Therefore, according to the guidance, the instruments were determined to be substantially different, and the transaction qualified for extinguishment accounting.

Loss on Share for Warrant Exchanges

During the nine months ended December 31, 2017, we agreed with two individual investors to exchange 11,497 restricted shares for the cancellation of 22,993 warrants. Additionally, during the period, we entered into an Exchange Agreement with two institutional investors under which we issued 57,844 restricted shares of common stock in exchange for the cancellation of 77,125 warrants held by those investors. We measured the fair value of the shares issued and the fair value of the warrants exchanged for those shares and recorded losses for each of those exchanges based on the changes in fair value between the instruments exchanged. There was no loss on share for warrant exchanges for the nine months ended December 31, 2018.

Interest Expense

Interest expense was \$165,317 for the nine months ended December 31, 2018 and was \$306,495 for the nine months ended December 31, 2017, a decrease of \$141,178. The various components of our interest expense are shown in the following table:

	Nine Months Ended 12/31/18	Nine Months Ended 12/31/17	Change
Interest Expense	\$ 74,456	\$ 91,119	\$ (16,663)
Amortization of Note Discounts	90,861	215,376	(124,515)
Total Interest Expense	<u>\$ 165,317</u>	<u>\$ 306,495</u>	<u>\$ (141,178)</u>

As noted in the above table, the most significant factor in the \$141,178 decrease in our interest expense was the \$124,515 decrease in the amortization of note discounts, which related to the amortization against the discount on our convertible notes. An additional factor in the change in our total interest was a \$16,663 decrease in our contractual interest expense.

Net Loss

As a result of the changes in revenues and expenses noted above, our net loss increased from approximately \$4,361,000 in the nine month period ended December 31, 2017 to \$4,553,000 in the nine month period ended December 31, 2018.

Basic and diluted loss attributable to common stockholders were (\$0.25) for the nine month period ended December 31, 2018 compared to (\$0.40) for the nine month period ended December 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2018, we had a cash balance of \$4,824,901 and working capital of \$3,079,243. This compares to a cash balance of \$6,974,070 and working capital of \$6,752,293 at March 31, 2018. While we expect our current cash levels to support our operations for at least twelve months from the issuance date of these interim financial statements, beyond that timeframe, significant additional financing must be obtained in order to provide a sufficient source of operating capital and to allow us to continue to operate as a going concern. In addition, we will need to raise capital to complete anticipated future human clinical trials in the U.S. We anticipate the primary sources of this additional financing will be from proceeds of our at-the-market offering program, debt financing and other forms of equity placements. If we are unable to raise sufficient capital through the above noted sources of financing, we may elect to reduce our expenditures in order preserve cash. Those expenditure reductions may include stopping or slowing any clinical trials and/or reducing our headcount.

Our primary sources of capital during the nine months ended December 31, 2018 were our Common Stock Sales Agreement with H.C. Wainwright & Co., LLC ("H.C. Wainwright") and exercises of certain of the warrants from our October 2017 Public Offering for cash. The cash raised from those activities is noted below:

Common Stock Sales Agreement with H.C. Wainwright

On June 28, 2016, we entered into a Common Stock Sales Agreement (the "Agreement") with H.C. Wainwright which established an at-the-market equity program pursuant to which we may offer and sell shares of our common stock from time to time as set forth in the Agreement. The Agreement provides for the sale of shares of our common stock having an aggregate offering price of up to \$12,500,000 (the "Shares").

Subject to the terms and conditions set forth in the Agreement, H.C. Wainwright will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell the Shares from time to time, based upon our instructions. We have provided H.C. Wainwright with customary indemnification rights, and H.C. Wainwright will be entitled to a commission at a fixed rate equal to three percent (3.0%) of the gross proceeds per Share sold. In addition, we have agreed to pay certain expenses incurred by H.C. Wainwright in connection with the Agreement, including up to \$50,000 of the fees and disbursements of their counsel. The Agreement will terminate upon the sale of all of the Shares under the Agreement unless terminated earlier by either party as permitted under the Agreement.

Sales of the Shares, if any, under the Agreement shall be made in transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made by means of ordinary brokers' transactions, including on the Nasdaq Capital Market, at market prices or as otherwise agreed with H.C. Wainwright. We have no obligation to sell any of the Shares, and, at any time, we may suspend offers under the Agreement or terminate the Agreement.

In the nine months ended December 31, 2018, we raised aggregate net proceeds of \$749,804 (net of \$23,289 in commissions to H.C. Wainwright and \$2,395 in other offering expenses) under the Agreement through the sale of 555,000 shares at an average price of \$1.35 per share of net proceeds. As of the date of the filing of this Form 10-Q, we had approximately \$8.3 million available under the Agreement.

Warrant Exercises

In the nine months ended December 31, 2018, investors that participated in the October 2017 public offering exercised 129,300 warrants for aggregate cash proceeds to us of \$142,230 before expenses.

Future capital requirements will depend upon many factors, including progress with pre-clinical testing and clinical trials, the number and breadth of our clinical programs, the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other proprietary rights, the time and costs involved in obtaining regulatory approvals, competing technological and market developments, as well as our ability to establish collaborative arrangements, effective commercialization, marketing activities and other arrangements. We expect to continue to incur increasing negative cash flows and net losses for the foreseeable future.

Cash Flows

Cash flows from operating, investing and financing activities, as reflected in the accompanying Condensed Consolidated Statements of Cash Flows, are summarized as follows:

	(In thousands)	
	For the nine months ended	
	December 31, 2018	December 31, 2017
Cash provided by (used in):		
Operating activities	\$ (2,896)	\$ (2,893)
Investing activities	—	(24)
Financing activities	747	6,968
Net (decrease) increase in cash	<u>\$ (2,149)</u>	<u>\$ 4,051</u>

NET CASH USED IN OPERATING ACTIVITIES. We used cash in our operating activities due to our losses from operations. Net cash used in operating activities was approximately \$2,896,000 in both of the nine month periods ended December 31, 2018 and 2017.

NET CASH USED IN INVESTING ACTIVITIES. We used approximately \$24,000 of cash to purchase laboratory and office equipment in the nine months ended December 31, 2017. We had no investing activities in the nine months ended December 31, 2018.

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES. In the nine months ended December 31, 2018 we raised approximately \$884,000 from the sale of common stock, which was partially offset by the payment of approximately \$137,000 for tax withholding on vested rights while in the nine months ended December 31, 2017 we raised approximately \$7,166,000 from the sale of common stock, which was partially offset by the payment of approximately \$199,000 for tax withholding on vested rights.

As of the date of this filing, we plan to invest significantly into purchases of our raw materials and into our contract manufacturing arrangement subject to successfully raising additional capital.

CRITICAL ACCOUNTING POLICIES

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of expenses during the reporting period. On an ongoing basis, we evaluate estimates and assumptions based upon historical experience and various other factors and circumstances. We believe our estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates under different future conditions.

We believe that the estimates and assumptions that are most important to the portrayal of our financial condition and results of operations, in that they require the most difficult, subjective or complex judgments, form the basis for the accounting policies deemed to be most critical to us. These critical accounting policies relate to revenue recognition, measurement of stock purchase warrants issued with notes payable, beneficial conversion feature of convertible notes payable, impairment of intangible assets and long lived assets, stock compensation, and the classification of warrant obligations, and evaluation of contingencies. We believe estimates and assumptions related to these critical accounting policies are appropriate under the circumstances; however, should future events or occurrences result in unanticipated consequences, there could be a material impact on our future financial condition or results of operations.

There have been no changes to our critical accounting policies as disclosed in our Form 10-K for the year ended March 31, 2018.

OFF-BALANCE SHEET ARRANGEMENTS

We have no obligations required to be disclosed herein as off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this item.

ITEM 4. CONTROLS AND PROCEDURES.

DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report.

Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, claims are made against us in the ordinary course of business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties or injunctions prohibiting us from selling one or more products or engaging in other activities.

The occurrence of an unfavorable outcome in any specific period could have a material adverse effect on our results of operations for that period or future periods. We are not presently a party to any pending or threatened legal proceedings.

ITEM 1A. RISK FACTORS.

As a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this item. For a discussion of our potential risks and uncertainties, please see the information listed in the item captioned "Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2018. Except as provided below, there have been no material changes to the risk factors as disclosed in the Form 10-K. You should carefully consider the risk factors discussed below and in our Annual Report on Form 10-K for the year ended March 31, 2018, which could materially affect our business, financial position and results of operations.

Our success is dependent in part on a few key executive officers.

Our success depends to a critical extent on the continued services of our Chief Executive Officer, Timothy Rodell, MD, and our Chief Financial Officer, James B. Frakes. If one or both of these key executive officers were to leave us, we would be forced to expend significant time and money in the pursuit of a replacement, which would result in both a delay in the implementation of our business plan and the diversion of limited working capital. The unique knowledge and expertise of these individuals would be difficult to replace within the biotechnology field. We can give you no assurances that we can find satisfactory replacements for these key executive officers at all, or on terms that are not unduly expensive or burdensome to us. We do not currently carry key man life insurance policies on any of our key executive officers which would assist us in recouping our costs in the event of the loss of those officers. If either of our key officers were to leave us, it could make it impossible, if not cause substantial delays and costs, to implement our long-term business objectives and growth.

Our failure to meet the continued listing requirements of The Nasdaq Capital Market could result in a de-listing of our common stock.

If we fail to satisfy the continued listing requirements of The Nasdaq Capital Market, such as the minimum stockholders' equity requirement, Nasdaq may take steps to de-list our common stock. Such a de-listing would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a de-listing, we would take actions to restore our compliance with Nasdaq's listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, or prevent future non-compliance with Nasdaq's listing requirements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

We did not issue or sell any unregistered securities during the three months ended December 31, 2018.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

We have no disclosure applicable to this item.

ITEM 4. MINE SAFETY DISCLOSURES.

We have no disclosure applicable to this item.

ITEM 5. OTHER INFORMATION.

We have no disclosure applicable to this item.

ITEM 6. EXHIBITS.

(a) Exhibits. The following documents are filed as part of this report:

- 10.1 [Separation and Consulting Agreement by and between Aethlon Medical, Inc. and James Joyce dated December 10, 2018.](#)
- 10.2 [Employment Agreement by and between Aethlon Medical, Inc. and Timothy C. Rodell dated December 10, 2018.](#)
- 10.3 [Employment Agreement by and between Aethlon Medical, Inc. and James Frakes dated December 12, 2018.](#)
- 10.4 [Form of Indemnification Agreement for Officers and Directors](#)
- 10.5 [Form of Option Grant Agreement for Officers and Directors](#)
- 10.6 [Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement for Directors](#)
- 10.7 [Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement for Executives](#)
- 31.1 [Certification of Principal Executive Officer pursuant to Securities Exchange Act rules 13a- 14\(a\) and 15d-14\(a\) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification of Principal Financial Officer pursuant to Securities Exchange Act rules 13a- 14\(a\) and 15d-14\(a\) as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 [Certification of Principal Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [Certification of Principal Financial Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101 Interactive Data Files
 - 101.INS XBRL Instance Document
 - 101.SCH XBRL Schema Document
 - 101.CAL XBRL Calculation Linkbase Document
 - 101.DEF XBRL Definition Linkbase Document
 - 101.LAB XBRL Label Linkbase Document
 - 101.PRE XBRL Presentation Linkbase Document

SIGNATURES

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

AETHLON MEDICAL, INC.

Date: February 11, 2019

By: /s/ JAMES B. FRAKES
JAMES B. FRAKES
CHIEF FINANCIAL OFFICER
CHIEF ACCOUNTING OFFICER

December 10, 2018

Via Email and Hand Delivery

Mr. James A. Joyce
Chief Executive Officer

Re: Separation and Consulting Agreement

Dear James:

This letter sets forth the substance of our agreement (the "**Agreement**") regarding your transition and separation from Aethlon Medical, Inc. (the "**Company**"). This Agreement will become effective only upon the Effective Date specified in Section 11 below.

1. Separation. Your employment from any and all employment and officer positions you hold or have held shall cease effective December 10, 2018 (the "**Separation Date**"), which will be your last day of employment with the Company. Your service on the Company's Board of Directors (the "**Board**") shall also cease as of the Separation Date. Pursuant to the terms of your Employment Agreement with the Company dated April 1, 1999, as amended by Amendment No. 1 to Employment Agreement, dated October 16, 2015 (together, the "**Employment Agreement**"), and provided that the Effective Date occurs, the Company will provide you with the involuntary termination benefits specified in Section 4.3 of your Employment Agreement, which include, for the avoidance of doubt (i) commencing on the 30th day following your Separation Date, continued payment of your current base salary for twelve (12) months (the "**Severance Period**"), and (ii) payment of COBRA premiums for up to twelve (12) months (collectively, the "**Separation Benefits**"). The Separation Benefits will be paid in the forms and at the times specified in the Employment Agreement. Your receipt of the Separation Benefits is expressly conditioned upon your continuing to comply with your obligations under the Employment Agreement, including Article V thereof, and the Effective Date.

2. Consultancy. The Company agrees to retain you as a consultant, and you agree to provide consulting services, under the terms specified below.

a. Consulting Period. The consulting relationship shall commence on the Separation Date and continue until the earlier of: (i) the date that is twelve (12) months from the Separation Date; (ii) in the event you breach your Post-Employment Obligations (as defined in Section 2(e) below), the date of any such breach; or (iii) a date mutually agreed between you and the Board (the "**Consulting Period**").

b. Consulting Services. You agree to make yourself available to provide consulting services consistent with your expertise and experience, at the request of the Board, up to a maximum of ten (10) hours per month (the "**Consulting Services**"). You agree to exercise the highest degree of professionalism and utilize your expertise and creative talents to the fullest in performing the Consulting Services. Your relationship with the Company during the Consulting Period will be that of an independent contractor, and nothing in this Agreement is intended to, or should be construed to, create a partnership, agency, joint venture or employment relationship after the Separation Date.

c. Consulting Compensation. You will be paid at the rate of \$5,000 per month for your Consulting Services during the Consulting Period (the "**Consulting Fees**"). The Consulting Fees shall be payable in equal monthly installments on the first payroll date following each month and, because you will be providing the Consulting Services as an independent contractor, the Company will not withhold any amount for taxes, social security or other payroll deductions from the Consulting Fees.

d. Protection of Confidential and Proprietary Information, Non-Compete Period. You acknowledge your obligations and promises to the Company under Article V, Section 5.1 (Confidentiality), Section 5.2 (Non-Competition; Non-Solicitation; etc.), Section 5.3 (Non-Disparagement), Section 5.4 (Remedies), and Section 5.5 (Ownership of Inventions) of the Employment Agreement (collectively, the "**Post-Employment Obligations**") and you agree that such Post-Employment Obligations shall continue to apply in full force and effect during the Consulting Period; for the avoidance of doubt, the length of the Non-Compete Period (as defined in the Employment Agreement) extends through the Consulting Period and your continued receipt of the Consulting Fees and Separation Benefits during the Consulting Period is contingent on your compliance with the Post-Employment Obligations. Any and all work product you create in connection with the Consulting Services will be the sole and exclusive property of the Company. You hereby assign to the Company all right, title, and interest in all inventions, techniques, processes, materials, and other intellectual property developed in the course of performing the Consulting Services.

e. **Authority and Facilities Usage During Consulting Period.** After the Separation Date, you will have no authority to bind the Company (or to represent that you have authority to bind the Company) to any contractual obligations, whether written, oral or implied. You hereby agree that after the Separation Date, you will not represent or purport to represent the Company in any manner whatsoever to any third party, unless authorized to do so in writing by the Board. Access to and use of Company facilities or equipment to perform the Consulting Services will be coordinated through the Board or the Company's Chief Executive Officer.

f. **Breach of Obligations.** If you breach your Post-Employment Obligations or the nondisparagement obligations under this Agreement during the Consulting Period, the Company's obligation to pay you Consulting Compensation and your severance under the Employment Agreement will cease immediately. Nothing in this paragraph waives the Company's right to pursue other action against you for any breach of your obligations under this Agreement or the Employment Agreement.

3. **Accrued Salary and Vacation.** On the Separation Date, the Company shall pay you all accrued salary, and all accrued and unused vacation, earned through the Separation Date, subject to standard payroll deductions and withholdings. You are entitled to these payments by law.

4. **Equity Awards.** The stock options to purchase Company common stock that you hold as of your Separation Date (the "*Options*") and the restricted stock units to be issued to you in Company common stock that you hold as of your Separation Date (the "*RSUs*" and, collectively with the Options, the "*Equity Awards*") will continue to vest during the Consulting Period. All terms, conditions, and limitations applicable to your Equity Awards will remain in full force and effect pursuant to the applicable Equity Award agreements between you and the Company, the applicable equity incentive plan documents, and any other documents applicable to the Equity Awards (the "*Equity Documents*"). You will be eligible to exercise any vested Options for up to the period set forth in the Equity Documents and you will immediately forfeit any unvested RSUs upon conclusion of the Consulting Period. Pursuant to tax rules, any Options that you hold which are "incentive stock options" under Section 422 of the Internal Revenue Code of 1986, as amended, shall cease to qualify as "incentive stock options" on the date three (3) months following your Separation Date. You are advised by the Company to seek independent legal advice with respect to tax and securities law issues regarding your Options and any sale of Company stock you may make.

5. **Other Compensation or Benefits.** You acknowledge that, except as expressly provided in this Agreement, you will not receive any additional compensation, severance or benefits after the Separation Date. Because your relationship with the Company during the Consulting Period will be that of an independent contractor, other than the severance benefits set forth in this Agreement, you will not be entitled to any of the benefits that the Company may make available to its employees, including but not limited to, group health or life insurance, equity or option vesting, profit-sharing or retirement benefits, and you acknowledge and agree that your relationship with the Company during the Consulting Period will not be subject to the Fair Labor Standards Act or other laws or regulations governing employment relationships.

6. **Expense Reimbursement.** You agree that, no later than thirty (30) days following the Separation Date, you will submit your final documented employee expense reimbursement statement reflecting all business expenses you incurred through the Separation Date, if any, for which you seek reimbursement. You will also be reimbursed for reasonable and appropriate expenses you incur in performing the Consulting Services. All claims for reimbursement shall be submitted by documented business expense report upon Company-approved forms and shall include receipts. The Company will reimburse you for these expenses pursuant to its regular business practice.

7. **Return of Company Property.** You hereby represent that you have returned to the Company all Company documents (and all copies thereof) and other Company property in your possession or control, including, but not limited to, Company files, correspondence, memoranda, notes, notebooks, drawings, books and records, plans, forecasts, reports, proposals, studies, agreements, financial information, personnel information, sales and marketing information, research and development information, systems information, specifications, computer-recorded information, tangible property and equipment, credit cards, entry cards, identification badges and keys; and any materials of any kind that contain or embody any proprietary or confidential information of the Company (and all reproductions thereof in whole or in part) ("*Company Property*"); provided, however, that the foregoing shall not apply to information and documentation you received solely in your capacity as a member of the Board, or as a stockholder, option holder or restricted stock unit holder of the Company. You also represent that you have performed a good faith search to ensure that you are no longer in possession or control of any Company Property.

8. **Nondisparagement.** Both you and the Company (and its officers and directors) agree not to disparage the other party, and the other party's officers, directors, employees, shareholders and agents, to any third party in any manner likely to be harmful to them or their business, business reputation or personal reputation; provided that both you and the Company may respond accurately and fully to any question, inquiry or request for information when required by legal process.

9. **Release. (a) General Release.** In exchange for the consideration provided to you by this Agreement that you are not otherwise entitled to receive, you hereby generally and completely release the Company and its directors, officers, employees, shareholders, members, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to your signing this Agreement. **(b) Scope of Release.** This general release includes, but is not limited to: (1) all claims arising out of or in any way related to your employment with the Company or service on the Board or the termination of that employment or service; (2) all claims related to your compensation or benefits from the Company, including, but not limited to, salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including, but not limited to, claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including, but not limited to, claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), and the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("**ADEA**"). **(c) Excluded Claims.** The claims described above that you are releasing do not include: (1) any rights or claims for indemnification you may have pursuant to any written indemnification agreement with the Company to which you are a party, the charter or bylaws of the Company, or under applicable law; (2) any rights which cannot be waived as a matter of law; or (3) any claims arising from breach of this Agreement. Nothing in this Agreement prevents you from filing a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (collectively, the "**Government Agencies**"). You understand this Agreement does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. While this Agreement does not limit your right to receive an award for information provided to the Securities and Exchange Commission, you understand and agree that, to maximum extent permitted by law, you are otherwise waiving any and all rights you may have to individual relief based on any claims that you have released and any rights you have waived by signing this Agreement. You represent and warrant that you are not aware of any claims you have or might have against any of the Released Parties that are not included in the Released Claims.

10. **Waiver of Unknown Claims.** In giving the releases set forth in this Agreement, which include claims which may be unknown to you at present, you acknowledge that you have read and understand Section 1542 of the California Civil Code which reads as follows: "**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**" You hereby expressly waive and relinquish all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to your release of claims herein, including but not limited to the release of unknown and unsuspected claims.

11. **ADEA Waiver.** You acknowledge that you are knowingly and voluntarily waiving and releasing any rights you may have under ADEA, and that the consideration given for the waiver and release in the preceding paragraph is in addition to anything of value to which you were already entitled. You further acknowledge that you have been advised by this writing that: (a) your waiver and release do not apply to any rights or claims that may arise after the execution date of this Agreement; (b) you should consult with an attorney prior to executing this Agreement; (c) you have twenty-one (21) days after the date of your receipt of this Agreement to consider this Agreement (although you may choose to voluntarily execute this Agreement earlier); (d) you have seven (7) days following the execution of this Agreement by the parties to revoke the Agreement; and (e) this Agreement will not be effective until the eighth day after you sign this Agreement, provided the revocation period has expired without your having revoked (the "**Effective Date**"), and you will not receive the benefits specified by this Agreement unless and until it becomes effective.

12. Disputes. Any dispute or controversy between you and the Company, arising out of or relating to this Agreement, the breach of this Agreement, your employment or consulting to the Company, or otherwise, shall be settled by binding arbitration conducted by and before a single arbitrator in San Diego, California administered by the American Arbitration Association in accordance with its Employment Arbitration Rules (the “*AAA Rules*”) then in effect and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Both you and the Company hereby waive the right to a trial by jury or judge, or by administrative proceeding, for any covered claim or dispute. To the extent the AAA Rules conflict with any provision or aspect of this Agreement, this Agreement shall control. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, apply to any court having jurisdiction over such dispute or controversy and seek interim provisional, injunctive or other equitable relief until the arbitration award is rendered or the controversy is otherwise resolved. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of the Company and you. All claims, disputes, or causes of action under this Agreement, whether by you or the Company, must be brought in an individual capacity, and shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. This Agreement is made under the provisions of the Federal Arbitration Act (9 U.S.C., Sections 1-14) (“*FAA*”) and will be construed and governed accordingly. It is the parties’ intention that both the procedural and the substantive provisions of the FAA shall apply. **Questions of arbitrability (that is whether an issue is subject to arbitration under this agreement) shall be decided by the arbitrator.** Likewise, procedural questions which grow out of the dispute and bear on the final disposition are also matters for the arbitrator. However, where a party already has initiated a judicial proceeding, a court may decide procedural questions that grow out of the dispute and bear on the final disposition of the matter. Each party shall bear its or his costs and expenses in any arbitration hereunder and one-half of the arbitrator’s fees and costs; provided, however, that the arbitrator shall have the discretion to award the prevailing party reimbursement of its or his reasonable attorney’s fees and costs, unless such award is prohibited by applicable law. Notwithstanding the foregoing, you and the Company shall each have the right to resolve any dispute or cause of action involving trade secrets, proprietary information, or intellectual property (including, without limitation, inventions assignment rights, and rights under patent, trademark, or copyright law) by court action instead of arbitration.

13. Miscellaneous. This Agreement, together with the continuing obligations under the Employment Agreement described herein, constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company with regard to this subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations. This Agreement may not be modified or amended except in a writing signed by both you and an authorized member of the Board. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. The failure to enforce any breach of this Agreement shall not be deemed to be a waiver of any other or subsequent breach. For purposes of construing this Agreement, any ambiguities shall not be construed against either party as the drafter. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination will not affect any other provision of this Agreement and the provision in question will be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible. This Agreement will be deemed to have been entered into and will be construed and enforced in accordance with the laws of the State of California as applied to contracts made and to be performed entirely within California. This Agreement may be executed in counterparts or with facsimile signatures, which shall be deemed equivalent to originals.

Signature Page Follows.

If this Agreement is acceptable to you, please sign below and return one original to me.

I wish you all the best in your future endeavors.

Sincerely,

Aethlon Medical, Inc.

By: /s/ Charles J. Fisher, Jr.

Name: Charles J. Fisher, Jr., M.D.

Title: Chairman of the Board

Agreed and Accepted:

/s/ James A. Joyce

James A. Joyce

Chief Executive Officer

Date

Signature page to Separation Agreement.

AETHLON MEDICAL, INC.
EXECUTIVE EMPLOYMENT AGREEMENT

for

Timothy C. Rodell, M.D., FCCP

This Executive Employment Agreement (this “**Agreement**”), is made and entered into as of December 10, 2018 (the “**Effective Date**”), by and between Timothy C. Rodell (“**Employee**”) and Aethlon Medical, Inc. (the “**Company**”).

1. Employment by the Company.

1.1 Position. Employee shall serve as the Company’s Interim Chief Executive Officer, initially reporting to the Company’s Board of Directors (the “**Board**”). During the term of Employee’s employment with the Company, Employee will devote Employee’s best efforts and substantially all of Employee’s business time and attention to the business of the Company, except for as permitted in Section 7.1 below and except for approved vacation periods and reasonable periods of illness or other incapacities permitted by the Company’s general employment policies. Employee’s anticipated start date will be December 10, 2018 (the “**Start Date**”).

1.2 Duties and Location. Employee shall perform such duties as are customarily associated with the position of Interim Chief Executive Officer and such other duties as are assigned to Employee by the Company. The Employee will be based in Aspen Colorado; provided, however, Employee will maintain an office at 9635 Granite Ridge Drive, Suite 100, San Diego, California and is expected to spend a substantial amount of time there as necessary and appropriate. Subject to the terms of this Agreement, the Company reserves the right to (i) reasonably require Employee to perform Employee’s duties at places other than Employee’s primary office location from time to time and to require reasonable business travel, and (ii) modify Employee’s job title and duties as it deems necessary and appropriate in light of the Company’s needs and interests from time to time.

1.3 Policies and Procedures. The employment relationship between the parties shall be governed by the general employment policies and practices of the Company, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

2. Compensation.

2.1 Base Salary. For services to be rendered hereunder, Employee shall receive a base salary at the rate of \$390,000 per year (the “**Base Salary**”), less standard payroll deductions and withholdings and payable in accordance with the Company’s regular payroll schedule.

2.2 Annual Bonus. Employee will be eligible for an annual discretionary bonus (the “**Annual Bonus**”) approved by the Board. Whether Employee receives an Annual Bonus for any given year, and the amount of any such Annual Bonus, will be determined in the sole discretion of the Board (or the Compensation Committee thereof), based upon the Company’s and Employee’s achievement of objectives and milestones to be determined on an annual basis by the Board (or Compensation Committee thereof). No Annual Bonus is guaranteed and, in addition to the other conditions for earning such compensation, Employee must remain an employee in good standing of the Company on the scheduled Annual Bonus payment date in order to be eligible for any Annual Bonus.

2.3 Cash Bonus and Equity Grant Upon Strategic Transaction. Employee shall also be entitled to a cash bonus equal to fifty percent (50%) of Employee’s annual base salary upon consummation of a strategic transaction by the Company, within two years of Employee’s Start Date, resulting in (a) a sale of all or substantially all of the Company’s assets or stock on terms acceptable to the Board, in its sole discretion; (b) the Company remaining as a publicly listed company on Nasdaq or the NYSE, with a post money valuation of at least \$50 million; or (c) completion of a financing of the Company, resulting in an increase in the post money valuation of the Company to at least \$50 million, with retirement of the Company’s outstanding convertible debt. Following a strategic transaction set forth in (b) or (c), Employee will also receive a stock option grant of a number of shares of common stock that will result in Employee’s total equity in the Company following such strategic transaction being equal to three percent (3%) of the outstanding shares on a fully-diluted basis, with an exercise price equal to the fair market value on the date of the grant (the “**Additional Option**”). The Additional Option, including vesting terms, will be subject to the terms and conditions of the Company’s 2010 Equity Incentive Plan (the “**Plan**”) and your grant agreement. The Additional Option shall vest over four years of continuous service to the Company, with twenty-five percent (25%) of the shares subject to the Additional Option grant becoming vested on the first year anniversary of the vesting commencement date, and the remaining shares becoming vested in equal monthly installments over the following thirty-six (36) months of continuous service. The exercise price of the Additional Option, as well as all other matters related to the Additional Option, will be governed by and subject to the terms and conditions set forth in the Plan, and the stock option agreement Employee will be required to execute. Notwithstanding the foregoing, in the event Employee’s service with the Company is terminated as a result of such strategic transaction, then the Additional Option shall be fully vested on the date of grant.

3. **Standard Company Benefits.** Employee shall, in accordance with Company policy and the terms and conditions of the applicable Company benefit plan documents, be eligible to participate in the benefit and fringe benefit programs provided by the Company to its employees from time to time. Any such benefits shall be subject to the terms and conditions of the governing benefit plans and policies and may be changed by the Company in its discretion. Executive is entitled to participate in personal time off, including vacation and holiday benefits in accordance with Company policy from time to time for its senior executives. Executive shall initially be entitled to four weeks of vacation time per year.

4. **Expenses.** The Company will reimburse Employee for reasonable travel and other reasonable and documented expenses incurred by Employee in furtherance or in connection with the performance of Employee's duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time. Reimbursable expenses will include travel from Aspen, Colorado and Atlanta, Georgia to the Company's office in San Diego and lodging in San Diego. Airline travel shall be coach class for flight durations under four hours and business or first class for flight times of four hours or longer.

5. **Equity.** Upon approval of the Compensation Committee of the Board, Employee will be granted an option to purchase a number of shares of the Company's common stock equal to three percent (3%) of the outstanding shares, on a fully diluted basis, at an exercise price equal to the fair market value as determined by the Compensation Committee as of the date of grant (the "**Option**"). The Option, including vesting terms, will be subject to the terms and conditions of the Plan and your grant agreement. The Option shall vest over four years of continuous service to the Company, with twenty-five percent (25%) of the shares subject to the Option grant becoming vested on the first year anniversary of the vesting commencement date, and the remaining shares becoming vested in equal monthly installments over the following thirty-six (36) months of continuous service. The exercise price of the Option, as well as all other matters related to the Option, will be governed by and subject to the terms and conditions set forth in the Plan, and the stock option agreement Employee will be required to execute.

6. **Proprietary Information Obligations.**

6.1 **Proprietary Information Agreement.** As a condition of employment, Employee shall execute and abide by the Company's standard form of Proprietary Information and Invention Assignment Agreement attached hereto as **Appendix 1** (the "**Proprietary Agreement**").

6.2 **Third-Party Agreements and Information.** Employee represents and warrants that Employee's employment by the Company does not conflict with any prior employment or consulting agreement or other agreement with any third party, and that Employee will perform Employee's duties to the Company without violating any such agreement. Employee represents and warrants that Employee does not possess confidential information arising out of prior employment, consulting, or other third party relationships, that would be used in connection with Employee's employment by the Company, except as expressly authorized by that third party. During Employee's employment by the Company, Employee will use in the performance of Employee's duties only information that is generally known and used by persons with training and experience comparable to Employee's own, common knowledge in the industry, otherwise legally in the public domain, or obtained or developed by the Company or by Employee in the course of Employee's work for the Company.

7. **Outside Activities and Non-Competition During Employment**

7.1 **Outside Activities.** Throughout Employee's employment with the Company, Employee may engage in civic and not-for-profit activities so long as such activities do not interfere with the performance of Employee's duties hereunder or present a conflict of interest with the Company or its affiliates. Subject to the restrictions set forth herein, and only with prior written disclosure to and consent of the Board, Employee may engage in other types of business or public activities. The activities listed in **Appendix B** attached hereto are acknowledged and approved by the Board. The Board may rescind such consent, if the Board determines, in its sole discretion, that such activities compromise or threaten to compromise the Company's or its affiliates' business interests or conflict with Employee's duties to the Company or its affiliates.

7.2 **Non-Competition During Employment.** During Employee's employment by the Company, Employee will not, without the express written consent of the Board, directly or indirectly serve as an officer, director, stockholder, employee, partner, proprietor, investor, joint ventures, associate, representative or consultant of any person or entity engaged in, or planning or preparing to engage in, business activity competitive with any line of business engaged in (or planned to be engaged in) by the Company or its affiliates; provided, however, that Employee may purchase or otherwise acquire up to (but not more than) one percent (1%) of any class of securities of any enterprise (without participating in the activities of such enterprise) if such securities are listed on any national or regional securities exchange. In addition, Employee will be subject to certain restrictions (including restrictions continuing after Employee's employment ends) under the terms of the Proprietary Agreement.

8. Termination of Employment; Severance and Change in Control Benefits.

8.1 At-Will Employment. Employee's employment relationship is at-will. Either Employee or the Company may terminate the employment relationship at any time, with or without Cause (as defined below) with 30 days advance written notice.

8.2 Equity Acceleration. Notwithstanding anything to the contrary set forth in the Company's 2010 Equity Incentive Plan, any prior equity incentive plans or any award agreement, effective upon consummation of a Change in Control (as defined below), the vesting and exercisability of all unvested time-based vesting equity awards then held by Employee shall accelerate such that all shares become immediately vested and exercisable, if applicable, by Employee upon such Change in Control and shall remain exercisable, if applicable, following the Change in Control as set forth in the applicable equity award documents. With respect to any performance-based vesting equity award, such award, if any, shall continue to be governed in all respects by the terms of the applicable equity award documents.

8.3 Termination for Cause; Resignation Without Good Reason; Death or Disability. Employee will not be eligible for, or entitled to any severance benefits, including (without limitation) the Equity Acceleration in Section 8.2 above, if the Company terminates Employee's employment for Cause, Employee resigns Employee's employment without Good Reason, or Employee's employment terminates due to Employee's death or disability.

9. Section 280G; Limitations on Payment

9.1 If any payment or benefit Employee will or may receive from the Company or otherwise (a "**280G Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such 280G Payment provided pursuant to this Agreement (a "**Payment**") shall be equal to the Reduced Amount. The "**Reduced Amount**" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (i.e., the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Employee's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for Employee. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

9.2 Notwithstanding any provision of Section 9.1 to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for Employee as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (e.g., being terminated without Cause), shall be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A shall be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A.

9.3 Unless Employee and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the Change in Control transaction shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control transaction, the Company shall appoint a nationally recognized accounting or law firm to make the determinations required by this Section 9. The Company shall bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder. The Company shall use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to Employee and the Company within fifteen (15) calendar days after the date on which Employee's right to a 280G Payment becomes reasonably likely to occur (if requested at that time by Employee or the Company) or such other time as requested by Employee or the Company.

9.4 If Employee receives a Payment for which the Reduced Amount was determined pursuant to clause (x) of Section 9.1 and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, Employee agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of Section 9.1) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of Section 9.1, Employee shall have no obligation to return any portion of the Payment pursuant to the preceding sentence.

10. **Section 409A.** It is intended that all of the severance benefits and other payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A provided under Treasury Regulations 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9), and this Agreement will be construed to the greatest extent possible as consistent with those provisions, and to the extent not so exempt, this Agreement (and any definitions hereunder) will be construed in a manner that complies with Section 409A. Notwithstanding any provision to the contrary in this Agreement, if Employee is deemed by the Company at the time of Employee's Separation from Service to be a "specified employee" for purposes of Code Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth herein and/or under any other agreement with the Company are deemed to be "deferred compensation", then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Code Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided to Employee prior to the earliest of (i) the expiration of the six-month and one day period measured from the date of Employee's Separation from Service with the Company, (ii) the date of Employee's death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Paragraph shall be paid in a lump sum to Employee, and any remaining payments due shall be paid as otherwise provided herein or in the applicable agreement. No interest shall be due on any amounts so deferred. If the Company determines that any severance benefits provided under this Agreement constitutes "deferred compensation" under Section 409A, for purposes of determining the schedule for payment of the severance benefits, the effective date of the Release will not be deemed to have occurred any earlier than the sixtieth (60th) date following the Separation From Service, regardless of when the Release actually becomes effective. In addition to the above, to the extent required to comply with Section 409A and the applicable regulations and guidance issued thereunder, if the applicable deadline for Employee to execute (and not revoke) the applicable Release spans two calendar years, payment of the applicable severance benefits shall not commence until the beginning of the second calendar year. To the extent required to avoid accelerated taxation and/or tax penalties under Code Section 409A, amounts reimbursable to Employee under this Agreement shall be paid to Employee on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Employee) during any one year may not effect amounts reimbursable or provided in any subsequent year. The Company makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with Code Section 409A and makes no undertaking to preclude Code Section 409A from applying to any such payment.

11. Definitions.

11.1 **Cause.** For purposes of this Agreement, "Cause" means the occurrence of any one or more of the following: (i) Employee's conviction of or plea of guilty or *nolo contendere* to any felony or a crime of moral turpitude; (ii) Employee's willful and continued failure or refusal to follow lawful and reasonable instructions of the Company or lawful and reasonable policies and regulations of the Company or its affiliates; (iii) Employee's willful and continued failure to faithfully and diligently perform the assigned duties of Employee's employment with the Company or its affiliates; (iv) unprofessional, unethical, immoral or fraudulent conduct by Employee; (v) conduct by Employee that materially discredits the Company or any affiliate or is materially detrimental to the reputation, character and standing of the Company or any affiliate; or (vi) Employee's material breach of this Agreement, the Proprietary Agreement, or any applicable Company policies. An event described in Section 11.1(ii) through Section 11.1(vi) herein shall not be treated as "Cause" until after Employee has been given written notice of such event, failure, conduct or breach and Employee fails to cure such event, failure, conduct or breach within 30 calendar days from such written notice; provided, however, that such 30-day cure period shall not be required if the event, failure, conduct or breach is incapable of being cured.

11.2 **Change in Control.** For purposes of this Agreement, "Change in Control" means: (a) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly owned subsidiary, a reincorporation of the Company in a different jurisdiction, or another transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings), (b) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to such merger (other than any stockholder that merges, or that owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest in the Company, (c) the sale of substantially all of the assets of the Company, or (d) the acquisition, sale, or transfer of more than 50% of the outstanding shares or the Company by tender offer or similar transaction.

11.3 Good Reason. For purposes of this Agreement, Employee shall have “**Good Reason**” for resignation from employment with the Company if any of the following actions are taken by the Company without Employee’s prior written consent: (i) a material reduction in Employee’s Base Salary, unless pursuant to a salary reduction program applicable generally to the Company’s senior executives; (ii) a material reduction in Employee’s duties (including responsibilities and/or authorities), provided, however, that a change in job position (including a change in title) or reporting line shall not be deemed a “material reduction” in and of itself unless Employee’s new duties are materially reduced from the prior duties; or (iii) relocation of Employee’s principal place of employment to a place that increases Employee’s one-way commute by more than fifty (50) miles as compared to Employee’s then-current principal place of employment immediately prior to such relocation. In order for Employee to resign for Good Reason, each of the following requirements must be met: (iv) Employee must provide written notice to the Board within 30 calendar days after the first occurrence of the event giving rise to Good Reason setting forth the basis for Employee’s resignation, (v) Employee must allow the Company at least 30 calendar days from receipt of such written notice to cure such event, (vi) such event is not reasonably cured by the Company within such 30 calendar day period (the “**Cure Period**”), and (vii) Employee must resign from all positions Employee then holds with the Company not later than 30 calendar days after the expiration of the Cure Period.

12. Dispute Resolution. To ensure the rapid and economical resolution of disputes that may arise in connection with Employee’s employment with the Company, Employee and the Company agree that any and all disputes, claims, or causes of action, in law or equity, including but not limited to statutory claims, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, Employee’s employment with the Company, or the termination of Employee’s employment from the Company, will be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §1-16, and to the fullest extent permitted by law, by final, binding and confidential arbitration conducted in San Diego, California by JAMS, Inc. (“**JAMS**”) or its successors before a single arbitrator, under JAMS’ then applicable rules and procedures for employment disputes (which will be provided to Employee upon request); provided that the arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision including the arbitrator’s essential findings and conclusions and a statement of the award. Employee and the Company shall be entitled to all rights and remedies that either would be entitled to pursue in a court of law. **Both Employee and the Company acknowledge that by agreeing to this arbitration procedure, they waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** The Company shall pay all filing fees in excess of those which would be required if the dispute were decided in a court of law, and shall pay the arbitrator’s fee. Nothing in this Agreement is intended to prevent either the Company or Employee from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration.

13. General Provisions.

13.1 Notices. Any notices provided must be in writing and will be deemed effective upon the earlier of personal delivery (including personal delivery by fax) or the next day after sending by overnight carrier, to the Company at its primary office location and to Employee at the address as listed on the Company payroll.

13.2 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction to the extent possible in keeping with the intent of the Parties.

13.3 Waiver. Any waiver of any breach of any provisions of this Agreement must be in writing to be effective, and it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

13.4 Complete Agreement. This Agreement, together with the Proprietary Agreement, constitutes the entire agreement between Employee and the Company with regard to the subject matter hereof and is the complete, final, and exclusive embodiment of the Company’s and Employee’s agreement with regard to this subject matter. This Agreement is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations. It cannot be modified or amended except in a writing signed by a duly authorized officer of the Company, with the exception of those changes expressly reserved to the Company’s discretion in this Agreement.

13.5 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but both of which taken together will constitute one and the same Agreement.

13.6 Headings. The headings of the paragraphs hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

13.7 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Employee and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Employee may not assign any of Employee's duties hereunder and Employee may not assign any of Employee's rights hereunder without the written consent of the Company, which shall not be withheld unreasonably.

13.8 Tax Withholding. All payments and awards contemplated or made pursuant to this Agreement will be subject to withholdings of applicable taxes in compliance with all relevant laws and regulations of all appropriate government authorities. Employee acknowledges and agrees that the Company has neither made any assurances nor any guarantees concerning the tax treatment of any payments or awards contemplated by or made pursuant to this Agreement. Employee has had the opportunity to retain a tax and financial advisor and fully understands the tax and economic consequences of all payments and awards made pursuant to this Agreement.

13.9 Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the laws of the State of California.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement to become effective as of the Effective Date written above.

Aethlon Medical, Inc.

By: /s/ Charles J. Fisher, Jr.
Charles J. Fisher, Jr., M.D.
Chairman of the Board

Employee

/s/ Timothy C. Rodell
Timothy C. Rodell, M.D., FCCP

APPENDIX 1

**EMPLOYEE CONFIDENTIAL INFORMATION AND
INVENTION ASSIGNMENT AGREEMENT**

APPENDIX 2

OUTSIDE ACTIVITIES APPROVED BY THE BOARD

1. Managing Director and Chairman of SMG, Inc., Aspen, Colorado.
2. Director, GlobelImmune, Inc., Louisville, Colorado.
3. Consultant, GlobelImmune, Inc., Louisville, Colorado.

AETHLON MEDICAL, INC.
EXECUTIVE EMPLOYMENT AGREEMENT

for

JAMES B. FRAKES

This Executive Employment Agreement (this “**Agreement**”) is made and entered into as of December 12, 2018 (the “**Effective Date**”), by and between James B. Frakes (“**Employee**”) and Aethlon Medical, Inc. (the “**Company**”).

1. Employment by the Company.

1.1 Position. Employee shall serve as the Company’s Chief Financial Officer and Senior Vice President - Finance, reporting to the Company’s Board of Directors (the “**Board**”) and the Chief Executive Officer. During the term of Employee’s employment with the Company, Employee will devote Employee’s best efforts and substantially all of Employee’s business time and attention to the business of the Company, except for as permitted in Section 7.1 below and except for approved vacation periods and reasonable periods of illness or other incapacities permitted by the Company’s general employment policies.

1.2 Duties and Location. Employee shall perform such duties as are customarily associated with the position of Chief Financial Officer and Senior Vice President - Finance and such other duties as are assigned to Employee by the Company. Employee’s primary office location shall be the Company’s office in San Diego, California. Subject to the terms of this Agreement, the Company reserves the right to (i) reasonably require Employee to perform Employee’s duties at places other than Employee’s primary office location from time to time and to require reasonable business travel, and (ii) modify Employee’s job title and duties as it deems necessary and appropriate in light of the Company’s needs and interests from time to time.

1.3 Policies and Procedures. The employment relationship between the parties shall be governed by the general employment policies and practices of the Company, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

2. Compensation.

2.1 Base Salary. For services to be rendered hereunder, Employee shall receive a base salary at the rate of \$260,000 per year, less standard payroll deductions and withholdings and payable in accordance with the Company’s regular payroll schedule.

2.2 Annual Bonus. Employee will be eligible for an annual discretionary bonus (the “**Annual Bonus**”). Whether Employee receives an Annual Bonus for any given year, and the amount of any such Annual Bonus, will be determined in the discretion of the Board (or the Compensation Committee thereof), based upon the Company’s and Employee’s achievement of objectives and milestones to be determined on an annual basis by the Board (or Compensation Committee thereof). No Annual Bonus is guaranteed and, in addition to the other conditions for earning such compensation, Employee must remain an employee in good standing of the Company on the scheduled Annual Bonus payment date in order to be eligible for any Annual Bonus.

3. **Standard Company Benefits.** Employee shall, in accordance with Company policy and the terms and conditions of the applicable Company benefit plan documents, be eligible to participate in the benefit and fringe benefit programs provided by the Company to its employees from time to time, including health insurance for Employee and eligible dependents. Any such benefits shall be subject to the terms and conditions of the governing benefit plans and policies and may be changed by the Company in its discretion.

4. **Expenses.** The Company will reimburse Employee for reasonable travel, entertainment or other expenses incurred by Employee in furtherance or in connection with the performance of Employee's duties hereunder, in accordance with the Company's expense reimbursement policy as in effect from time to time.

5. **Equity.** Any stock, stock options, or other equity awards that Employee has previously been granted by the Company shall continue to be governed in all respects by the terms of the applicable grant agreements, grant notices, and plan documents.

6. **Confidential Information Obligations.**

6.1 **Confidential Information Agreement.** As a condition of employment, Employee shall execute and abide by the Company's standard form of Confidential Information and Invention Assignment Agreement (the "**Confidential Information Agreement**").

6.2 **Third-Party Agreements and Information.** Employee represents and warrants that Employee's employment by the Company does not conflict with any prior employment or consulting agreement or other agreement with any third party, and that Employee will perform Employee's duties to the Company without violating any such agreement. Employee represents and warrants that Employee does not possess confidential information arising out of prior employment, consulting, or other third party relationships, that would be used in connection with Employee's employment by the Company, except as expressly authorized by that third party. During Employee's employment by the Company, Employee will use in the performance of Employee's duties only information that is generally known and used by persons with training and experience comparable to Employee's own, common knowledge in the industry, otherwise legally in the public domain, or obtained or developed by the Company or by Employee in the course of Employee's work for the Company.

7. **Outside Activities and Non-Competition During Employment**

7.1 **Outside Activities.** During Employee's employment with the Company, Employee may engage in civic and not-for-profit activities so long as such activities do not interfere with the performance of Employee's duties hereunder or present a conflict of interest with the Company or its affiliates. Subject to the restrictions set forth herein, and only with prior written disclosure to and consent of the Board, Employee may engage in other types of business or public activities. The Board may rescind such consent, if the Board determines, in its sole discretion, that such activities compromise or threaten to compromise the Company's or its affiliates' business interests or conflict with Employee's duties to the Company or its affiliates.

7.2 Non-Competition During Employment. During Employee's employment with the Company, Employee will not, without the express written consent of the Board, directly or indirectly serve as an officer, director, stockholder, employee, partner, proprietor, investor, joint ventures, associate, representative or consultant of any person or entity engaged in, or planning or preparing to engage in, business activity competitive with any line of business engaged in (or planned to be engaged in) by the Company or its affiliates; provided, however, that Employee may purchase or otherwise acquire up to (but not more than) one percent (1%) of any class of securities of any enterprise (without participating in the activities of such enterprise) if such securities are listed on any national or regional securities exchange. In addition, Employee will be subject to certain restrictions (including restrictions continuing after Employee's employment ends) under the terms of the Confidential Information Agreement.

8. Termination of Employment; Severance Benefits.

8.1 At-Will Employment. Employee's employment relationship is at-will. Either Employee or the Company may terminate the employment relationship at any time, with or without Cause (as defined below) or advance notice.

8.2 Termination Without Cause or Resignation for Good Reason. In the event Employee's employment with the Company is terminated by the Company without Cause (and other than as a result of Employee's death or disability) or Employee resigns for Good Reason, then provided such termination constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder, a "**Separation from Service**"), and provided that Employee satisfies the Release Requirement in Section 9 below, and remains in compliance with the terms of this Agreement and the Confidential Information Agreement, the Company shall provide Employee with the following "**Severance Benefits**":

8.2.1 Severance Payments. Severance pay in the form of continuation of Employee's final monthly base salary for a period of twelve (12) months following termination, subject to required payroll deductions and tax withholdings (the "**Severance Payments**"). Subject to Section 10 below, the Severance Payments shall be made on the Company's regular payroll schedule in effect following Employee's termination date; provided, however that any such payments that are otherwise scheduled to be made prior to the Release Effective Date (as defined below) shall instead accrue and be made on the first regular payroll date following the Release Effective Date. For such purposes, Employee's final base salary will be calculated prior to giving effect to any reduction in base salary that would give rise to Employee's right to resign for Good Reason.

8.2.2 Health Care Continuation Coverage Payments.

(i) **COBRA Premiums.** If Employee timely elects continued coverage under COBRA, the Company will pay Employee's COBRA premiums to continue Employee's coverage (including coverage for Employee's eligible dependents, if applicable) ("**COBRA Premiums**") through the period starting on the termination date and ending twelve (12) months after the termination date (the "**COBRA Premium Period**"); provided, however, that the Company's provision of such COBRA Premium benefits will immediately cease if during the COBRA Premium Period Employee becomes eligible for group health insurance coverage through a new employer or Employee ceases to be eligible for COBRA continuation coverage for any reason, including plan termination. In the event Employee becomes covered under another employer's group health plan or otherwise ceases to be eligible for COBRA during the COBRA Premium Period, Employee must immediately notify the Company of such event.

(ii) **Special Cash Payments in Lieu of COBRA Premiums.** Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot pay the COBRA Premiums without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), regardless of whether Employee or Employee's dependents elect or are eligible for COBRA coverage, the Company instead shall pay to Employee, on the first day of each calendar month following the termination date, a fully taxable cash payment equal to the applicable COBRA premiums for that month (including the amount of COBRA premiums for Employee's eligible dependents), subject to applicable tax withholdings (such amount, the "**Special Cash Payment**"), for the remainder of the COBRA Premium Period. Employee may, but is not obligated to, use such Special Cash Payments toward the cost of COBRA premiums or toward premium costs under an individual health plan.

8.3 Termination for Cause; Resignation Without Good Reason; Death or Disability. Employee will not be eligible for, or entitled to any severance benefits, including (without limitation) the Severance Benefits listed in Section 8.2 above, if the Company terminates Employee's employment for Cause, Employee resigns Employee's employment without Good Reason, or Employee's employment terminates due to Employee's death or disability.

9. Conditions to Receipt of Severance Benefits. To be eligible for the Severance Benefits pursuant to Section 8.2 above, Employee must satisfy the following release requirement (the "**Release Requirement**"): return to the Company a signed and dated general release of all known and unknown claims in a termination agreement acceptable to the Company (the "**Release**") within the applicable deadline set forth therein, but in no event later than forty-five (45) calendar days following Employee's termination date, and permit the Release to become effective and irrevocable in accordance with its terms (such effective date of the Release, the "**Release Effective Date**"). No Severance Benefits will be paid hereunder prior to the Release Effective Date. Accordingly, if Employee breaches the preceding sentence and/or refuses to sign and deliver to the Company an executed Release or signs and delivers to the Company the Release but exercises Employee's right, if any, under applicable law to revoke the Release (or any portion thereof), then Employee will not be entitled to any severance, payment or benefit under this Agreement.

10. Section 409A. It is intended that all of the severance benefits and other payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A provided under Treasury Regulations 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9), and this Agreement will be construed to the greatest extent possible as consistent with those provisions, and to the extent not so exempt, this Agreement (and any definitions hereunder) will be construed in a manner that complies with Section 409A. For purposes of Code Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Employee's right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, if Employee is deemed by the Company at the time of Employee's Separation from Service to be a "specified employee" for purposes of Code Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth herein and/or under any other agreement with the Company are deemed to be "deferred compensation", then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Code Section 409A(a)(2)(B)(i) and the related adverse taxation under Section 409A, such payments shall not be provided to Employee prior to the earliest of (i) the expiration of the six-month and one day period measured from the date of Employee's Separation from Service with the Company, (ii) the date of Employee's death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Paragraph shall be paid in a lump sum to Employee, and any remaining payments due shall be paid as otherwise provided herein or in the applicable agreement. No interest shall be due on any amounts so deferred. If the Company determines that any severance benefits provided under this Agreement constitutes "deferred compensation" under Section 409A, for purposes of determining the schedule for payment of the severance benefits, the effective date of the Release will not be deemed to have occurred any earlier than the sixtieth (60th) date following the Separation From Service, regardless of when the Release actually becomes effective. In addition to the above, to the extent required to comply with Section 409A and the applicable regulations and guidance issued thereunder, if the applicable deadline for Employee to execute (and not revoke) the applicable Release spans two calendar years, payment of the applicable severance benefits shall not commence until the beginning of the second calendar year. To the extent required to avoid accelerated taxation and/or tax penalties under Code Section 409A, amounts reimbursable to Employee under this Agreement shall be paid to Employee on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Employee) during any one year may not effect amounts reimbursable or provided in any subsequent year. The Company makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with Code Section 409A and makes no undertaking to preclude Code Section 409A from applying to any such payment.

11. Definitions.

11.1 Cause. For purposes of this Agreement, “Cause” means the occurrence of any one or more of the following: (i) Employee’s conviction of or plea of guilty or *nolo contendere* to any felony or a crime of moral turpitude; (ii) Employee’s willful and continued failure or refusal to follow lawful and reasonable instructions of the Board and/or the Company or lawful and reasonable policies and regulations of the Company or its affiliates; (iii) Employee’s willful and continued failure to faithfully and diligently perform the assigned duties of Employee’s employment with the Company or its affiliates; (iv) unprofessional, unethical, immoral or fraudulent conduct by Employee; (v) conduct by Employee that materially discredits the Company or any affiliate or is materially detrimental to the reputation, character and standing of the Company or any affiliate; or (vi) Employee’s material breach of this Agreement, the Confidential Information Agreement, or any applicable Company policies. An event described in Section 11.1(ii) through Section 11.1(vi) herein shall not be treated as “Cause” until after Employee has been given written notice of such event, failure, conduct or breach and Employee fails to cure such event, failure, conduct or breach within 30 calendar days from such written notice; provided, however, that such 30-day cure period shall not be required if the event, failure, conduct or breach is incapable of being cured.

11.2 Good Reason. For purposes of this Agreement, Employee shall have “Good Reason” for resignation from employment with the Company if any of the following actions are taken by the Company without Employee’s prior written consent: (i) a material reduction in Employee’s base salary, unless pursuant to a salary reduction program applicable generally to the Company’s senior executives of not more than 10%; (ii) a material reduction in Employee’s duties (including responsibilities and/or authorities), provided, however, that a change in job position (including a change in title) or reporting line shall not be deemed a “material reduction” in and of itself unless Employee’s new duties are materially reduced from the prior duties; or (iii) relocation of Employee’s principal place of employment to a place that increases Employee’s one-way commute by more than twenty-five (25) miles as compared to Employee’s then-current principal place of employment immediately prior to such relocation. In order for Employee to resign for Good Reason, each of the following requirements must be met: (iv) Employee must provide written notice to the Board within 30 calendar days after the first occurrence of the event giving rise to Good Reason setting forth the basis for Employee’s resignation, (v) Employee must allow the Company at least 30 calendar days from receipt of such written notice to cure such event, (vi) such event is not reasonably cured by the Company within such 30 calendar day period (the “Cure Period”), and (vii) Employee must resign from all positions Employee then holds with the Company not later than 30 calendar days after the expiration of the Cure Period.

12. Dispute Resolution. To ensure the rapid and economical resolution of disputes that may arise in connection with Employee’s employment with the Company, Employee and the Company agree that any and all disputes, claims, or causes of action, in law or equity, including but not limited to statutory claims, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, Employee’s employment with the Company, or the termination of Employee’s employment from the Company, will be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §1-16, and to the fullest extent permitted by law, by final, binding and confidential arbitration conducted in San Diego, California by JAMS, Inc. (“JAMS”) or its successors before a single arbitrator, under JAMS’ then applicable rules and procedures for employment disputes (which will be provided to Employee upon request); provided that the arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision including the arbitrator’s essential findings and conclusions and a statement of the award. Employee and the Company shall be entitled to all rights and remedies that either would be entitled to pursue in a court of law. Questions of whether a claim is subject to arbitration under this Agreement shall be decided by the arbitrator. Likewise, procedural questions which grow out of the dispute and bear on the final disposition are also matters for the arbitrator. **Both Employee and the Company acknowledge that by agreeing to this arbitration procedure, they waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** The Company shall pay all filing fees in excess of those that would be required if the dispute were decided in a court of law, and shall pay the arbitrator’s fee and any other fees or costs unique to arbitration. Nothing in this Agreement is intended to prevent either the Company or Employee from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration.

13. General Provisions.

13.1 Notices. Any notices provided must be in writing and will be deemed effective upon the earlier of personal delivery (including personal delivery by fax) or the next day after sending by overnight carrier, to the Company at its primary office location and to Employee at the address as listed on the Company payroll.

13.2 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction to the extent possible in keeping with the intent of the Parties.

13.3 Waiver. Any waiver of any breach of any provisions of this Agreement must be in writing to be effective, and it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

13.4 Complete Agreement. This Agreement, together with the Confidential Information Agreement, constitutes the entire agreement between Employee and the Company with regard to the subject matter hereof and is the complete, final, and exclusive embodiment of the Company's and Employee's agreement with regard to this subject matter. This Agreement is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes, extinguishes, and replaces in their entirety all other or prior agreements, whether oral or written, with respect to Employee's employment compensation, benefits, and terms with the Company or its affiliates or predecessors. It cannot be modified or amended except in a writing signed by a duly authorized member of the Board, with the exception of those changes expressly reserved to the Company's discretion in this Agreement.

13.5 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but both of which taken together will constitute one and the same Agreement.

13.6 Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

13.7 **Successors and Assigns.** This Agreement is intended to bind and inure to the benefit of and be enforceable by Employee and the Company, and their respective successors, assigns, heirs, executors and administrators, except that Employee may not assign any of Employee's duties hereunder and Employee may not assign any of Employee's rights hereunder without the written consent of the Company, which shall not be withheld unreasonably.

13.8 **Tax Withholding.** All payments and awards contemplated or made pursuant to this Agreement will be subject to withholdings of applicable taxes in compliance with all relevant laws and regulations of all appropriate government authorities. Employee acknowledges and agrees that the Company has neither made any assurances nor any guarantees concerning the tax treatment of any payments or awards contemplated by or made pursuant to this Agreement. Employee has had the opportunity to retain a tax and financial advisor and fully understands the tax and economic consequences of all payments and awards made pursuant to this Agreement.

13.9 **Choice of Law.** All questions concerning the construction, validity and interpretation of this Agreement will be governed by the laws of the State of California.

[Signature Page to Follow]

In Witness Whereof, the Parties have executed this Agreement to become effective as of the Effective Date written above.

AETHLON MEDICAL, INC.

By: _____
Print Name: _____
Title: _____

EMPLOYEE

Signature: _____
James B. Frakes

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this “*Agreement*”) dated as of December __, 20__, is made by and between **Aethlon Medical, Inc.**, a Nevada corporation (the “*Company*”), and _____ (“*Indemnitee*”).

Recitals

A. The Company desires to attract and retain the services of highly qualified individuals as directors, officers, employees and agents.

B. The Company’s Bylaws (the “*Bylaws*”) require that the Company indemnify its directors and officers, as authorized by Chapter 78 of the Nevada Revised Statutes, as amended (the “*NRS*”), under which the Company is organized and such Bylaws expressly provide that the indemnification provided therein is not exclusive and contemplate that the Company may enter into separate agreements with its directors, officers and other persons to set forth specific indemnification provisions.

C. Indemnitee does not regard the protection currently provided by applicable law, the Company’s governing documents and available insurance as adequate under the present circumstances, and the Company has determined that Indemnitee and other directors, officers, employees and agents of the Company may not be willing to serve or continue to serve in such capacities without additional protection.

D. The Company desires and has requested Indemnitee to serve or continue to serve as a director, officer, employee or agent of the Company, as the case may be, and has proffered this Agreement to Indemnitee as an additional inducement to serve in such capacity.

E. Indemnitee is willing to serve, or to continue to serve, as a director, officer, employee or agent of the Company, as the case may be, if Indemnitee is furnished the indemnity provided for herein by the Company.

Agreement

Now Therefore, in consideration of the mutual covenants and agreements set forth herein, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

(a) Agent. For purposes of this Agreement, the term “*agent*” of the Company means any person who: (i) is or was a director, officer, employee or other fiduciary of the Company or a subsidiary of the Company; or (ii) is or was serving at the request or for the convenience of, or representing the interests of, the Company or a subsidiary of the Company, as a director, officer, employee or other fiduciary of a foreign or domestic corporation, partnership, joint venture, trust or other enterprise.

(b) **Expenses.** For purposes of this Agreement, the term “*expenses*” shall be broadly construed and shall include, without limitation, all direct and indirect costs of any type or nature whatsoever (including, without limitation, all attorneys’, witness, or other professional fees and related disbursements, premiums, security for and other costs relating to any bonds and other out-of-pocket costs of whatever nature), actually and reasonably incurred by Indemnitee in connection with the investigation, defense or appeal of a proceeding or establishing or enforcing a right to indemnification under this Agreement, the NRS or otherwise, and amounts paid in settlement by or on behalf of Indemnitee, but shall not include any judgments, fines or penalties actually levied against Indemnitee for such individual’s violations of law. The term “*expenses*” shall also include reasonable compensation for time spent by Indemnitee for which he is not compensated by the Company or any subsidiary or third party (i) for any period during which Indemnitee is not an agent, in the employment of, or providing services for compensation to, the Company or any subsidiary; and (ii) if the rate of compensation and estimated time involved is approved by the directors of the Company who are not parties to any action with respect to which expenses are incurred, for Indemnitee while an agent of, employed by, or providing services for compensation to, the Company or any subsidiary.

(c) **Proceedings.** For purposes of this Agreement, the term “*proceeding*” shall be broadly construed and shall include, without limitation, any threatened, pending, or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, and whether formal or informal in any case, in which Indemnitee was, is or will be involved as a party or otherwise by reason of: (i) the fact that Indemnitee is or was a director or officer of the Company; (ii) the fact that any action taken by Indemnitee or of any action on Indemnitee’s part while acting as director, officer, employee or agent of the Company; or (iii) the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, and in any such case described above, whether or not serving in any such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses may be provided under this Agreement.

(d) **Subsidiary.** For purposes of this Agreement, the term “*subsidiary*” means any corporation or limited liability company of which more than 50% of the outstanding voting securities or equity interests are owned, directly or indirectly, by the Company and one or more of its subsidiaries, and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary.

(e) **Independent Counsel.** For purposes of this Agreement, the term “*independent counsel*” means a law firm, or a partner (or, if applicable, member) of such a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five (5) years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party, or (ii) any other party to the proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “*independent counsel*” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

2. Agreement to Serve. Indemnitee will serve, or continue to serve, as a director, officer, employee or agent of the Company or any subsidiary, as the case may be, faithfully and to the best of his ability, at the will of such corporation (or under separate agreement, if such agreement exists), in the capacity Indemnitee currently serves as an agent of such corporation, so long as Indemnitee is duly appointed or elected and qualified in accordance with the applicable provisions of the bylaws or other applicable charter documents of such corporation, or until such time as Indemnitee tenders his resignation in writing; provided, however, that nothing contained in this Agreement is intended as an employment agreement between Indemnitee and the Company or any of its subsidiaries or to create any right to continued employment of Indemnitee with the Company or any of its subsidiaries in any capacity.

The Company acknowledges that it has entered into this Agreement and assumes the obligations imposed on it hereby, in addition to and separate from its obligations to Indemnitee under the Bylaws, to induce Indemnitee to serve, or continue to serve, as a director, officer, employee or agent of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director, officer, employee or agent of the Company.

3. Indemnification.

(a) Indemnification in Third Party Proceedings. Subject to Section 10 below, the Company shall indemnify Indemnitee if Indemnitee, by reason of such person's agent status, is a party to or threatened to be made a party to or otherwise involved in any proceeding, for any and all expenses, actually and reasonably incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of such proceeding.

(b) Indemnification in Derivative Actions and Direct Actions by the Company. Subject to Section 10 below, the Company shall indemnify Indemnitee, if Indemnitee, by reason of such person's agent status, is a party to or threatened to be made a party to or otherwise involved in any proceeding by or in the right of the Company to procure a judgment in its favor, against any and all expenses actually and reasonably incurred by Indemnitee in connection with the investigation, defense, settlement, or appeal of such proceedings.

(c) Additional Indemnity. In addition to the indemnification provided for in Sections 3(a) and 3(b) but subject to the other provisions of this Agreement, the Company shall and hereby does indemnify and hold harmless Indemnitee against all expenses incurred or paid by Indemnitee or on Indemnitee's behalf if Indemnitee is, or is threatened to be made, a party to or participant in any proceeding (including a proceeding by or in the right of the Company), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. Subject to the other provisions of this Agreement, the only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall be that the Company shall not be obligated to make any payment to Indemnitee that is finally determined to be unlawful under Nevada law, applicable state or federal securities laws or other applicable law.

4. Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any proceeding or in defense of any claim, issue or matter therein, including the dismissal of any action without prejudice, the Company shall indemnify Indemnitee against all expenses actually and reasonably incurred in connection with the investigation, defense or appeal of such proceeding. The Company and Indemnitee acknowledge and agree that settlement of claims prior to final adjudication shall be deemed to be success on the merits.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any expenses actually and reasonably incurred by Indemnitee in the investigation, defense, settlement or appeal of a proceeding, but is precluded by applicable law or the specific terms of this Agreement to indemnification for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

6. Advancement of Expenses. To the extent not prohibited by law, the Company shall advance the expenses incurred by Indemnitee in connection with any proceeding, and such advancement shall be made within twenty (20) days after the receipt by the Company of a statement or statements requesting such advances (which shall include invoices received by Indemnitee in connection with such expenses but, in the case of invoices in connection with legal services, any references to legal work performed or to expenditures made that would cause Indemnitee to waive any privilege accorded by applicable law shall not be included with the invoice) and upon request of the Company, an undertaking to repay the advancement of expenses if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that Indemnitee is not entitled to be indemnified by the Company. Advances shall be unsecured, interest free and without regard to Indemnitee's ability to repay the advances. Advances shall include any and all expenses actually and reasonably incurred by Indemnitee pursuing an action to enforce Indemnitee's right to indemnification under this Agreement or otherwise and this right of advancement, including expenses incurred preparing and forwarding statements to the Company to support the advances claimed. Indemnitee acknowledges that the execution and delivery of this Agreement shall constitute an undertaking providing that Indemnitee shall, to the fullest extent required by law, repay the advance if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that Indemnitee is not entitled to be indemnified by the Company. The right to advances under this Section shall continue until final disposition of any proceeding, including any appeal therein. This Section 6 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 10(b).

7. Notice and Other Indemnification Procedures.

(a) Notification of Proceeding. Indemnitee will notify the Company in writing promptly upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any proceeding or matter which may be subject to indemnification or advancement of expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise.

(b) **Request for Indemnification and Indemnification Payments.** Indemnitee shall notify the Company promptly in writing upon receiving notice of any demand, judgment or other requirement for payment that Indemnitee reasonably believes to be subject to indemnification under the terms of this Agreement, and shall request payment thereof by the Company. Indemnification payments requested by Indemnitee under Section 3 hereof shall be made by the Company no later than thirty (30) days after receipt of the written request of Indemnitee. Claims for advancement of expenses shall be made under the provisions of Section 6 herein.

(c) **Application for Enforcement.** In the event the Company fails to make timely payments as set forth in Sections 6 or 7(b) above, Indemnitee shall have the right to apply to any court of competent jurisdiction for the purpose of enforcing Indemnitee's right to indemnification or advancement of expenses pursuant to this Agreement. In such an enforcement hearing or proceeding, the burden of proof shall be on the Company to prove that indemnification or advancement of expenses to Indemnitee is not required under this Agreement or permitted by applicable law. Any determination by the Company (including its Board of Directors, stockholders or independent counsel) that Indemnitee is not entitled to indemnification hereunder, shall not be a defense by the Company to the action nor create any presumption that Indemnitee is not entitled to indemnification or advancement of expenses hereunder.

(d) **Indemnification of Certain Expenses.** The Company shall indemnify Indemnitee against all expenses incurred in connection with any hearing or proceeding under this Section 7 unless the Company prevails in such hearing or proceeding on the merits in all material respects.

(e) **Contribution in the Event of Joint Liability.**

(i) Whether or not the indemnification provided in Section 3 hereof is available, and except to the extent that the amounts owed by Indemnitee are in respect of judgments, fines or penalties actually levied against Indemnitee for such individual's violation of law, in respect of any proceeding in which the Company is jointly liable with Indemnitee, the Company shall pay, in the first instance, the entire amount of any expenses of such proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee.

(ii) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, and except to the extent that the amounts owed by Indemnitee are in respects of judgments, fines or penalties actually levied against Indemnitee for such individual's violations of law, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of expenses in any proceeding in which the Company is jointly liable with Indemnitee, the Company shall contribute to the amount of expenses actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than any Indemnitee, who are jointly liable with such Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from which such proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than any Indemnitee who are jointly liable with such Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such expenses, as well as any other equitable considerations which the NRS may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than any Indemnitee, who are jointly liable with such Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and such Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(iii) Except to the extent based on transactions for which the applicable Indemnitee has had judgments, fines or penalties actually levied against Indemnitee for such individual's violations of law, the Company hereby agrees to fully indemnify and hold each Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company, other than any Indemnitee, who may be jointly liable with such Indemnitee.

8. Assumption of Defense. In the event the Company shall be requested by Indemnitee to pay the expenses of any proceeding, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, or to participate to the extent permissible in such proceeding, with counsel reasonably acceptable to Indemnitee. Upon assumption of the defense by the Company and the retention of such counsel by the Company, the Company shall not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, provided that Indemnitee shall have the right to employ separate counsel in such proceeding at Indemnitee's sole cost and expense. Notwithstanding the foregoing, if Indemnitee's counsel delivers a written notice to the Company stating that such counsel has reasonably concluded that there is an actual or potential conflict of interest between the Company and Indemnitee in the conduct of any such defense or the Company shall not, in fact, have employed counsel or otherwise actively pursued the defense of such proceeding within a reasonable time, then in any such event the fees and expenses of Indemnitee's counsel to defend such proceeding shall be subject to the indemnification and advancement of expenses provisions of this Agreement. In the event the Company assumes the defense of such proceeding, as contemplated herein, the Company may not enter into a settlement of claims with respect to such proceeding as it relates to claims against Indemnitee without the prior consent of the Indemnitee, which shall not be unreasonably withheld.

9. Insurance. To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Company or of any subsidiary ("**D&O Insurance**"), Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has D&O Insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

10. Exceptions.

(a) **Certain Matters.** Any provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee on account of any proceeding with respect to (i) remuneration paid to Indemnitee if it is determined by final judgment or other final adjudication that such remuneration was in violation of law (and, in this respect, both the Company and Indemnitee have been advised that the Securities and Exchange Commission believes that indemnification for liabilities arising under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication, as indicated in Section 10(d) below); (ii) a final judgment rendered against Indemnitee for an accounting, disgorgement or repayment of profits made from the purchase or sale by Indemnitee of securities of the Company against Indemnitee or in connection with a settlement by or on behalf of Indemnitee to the extent it is acknowledged by Indemnitee and the Company that such amount paid in settlement resulted from Indemnitee's conduct from which Indemnitee received monetary personal profit, pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or other provisions of any federal, state or local statute or rules and regulations thereunder; (iii) a final judgment or other final adjudication that Indemnitee's conduct was in bad faith, knowingly fraudulent or deliberately dishonest or constituted willful misconduct (but only to the extent of such specific determination); or (iv) on account of conduct that is established by a final judgment as constituting a breach of Indemnitee's duty of loyalty to the Company or resulting in any personal profit or advantage to which Indemnitee is not legally entitled. For purposes of the foregoing sentence, a final judgment or other adjudication may be reached in either the underlying proceeding or action in connection with which indemnification is sought or a separate proceeding or action to establish rights and liabilities under this Agreement.

(b) **Claims Initiated by Indemnitee.** Any provision herein to the contrary notwithstanding, the Company shall not be obligated to indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought by Indemnitee against the Company or its directors, officers, employees or other agents and not by way of defense, except (i) with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or under any other agreement, provision in the Bylaws or the Company's Articles of Incorporation (the "*Articles of Incorporation*") or applicable law, or (ii) with respect to any other proceeding initiated by Indemnitee that is either approved by the Board of Directors or Indemnitee's participation is required by applicable law. However, indemnification or advancement of expenses may be provided by the Company in specific cases if the Board of Directors determines it to be appropriate.

(c) **Unauthorized Settlements.** Any provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee under this Agreement for any amounts paid in settlement of a proceeding effected without the Company's written consent. Neither the Company nor Indemnitee shall unreasonably withhold consent to any proposed settlement; provided, however, that the Company may in any event decline to consent to (or to otherwise admit or agree to any liability for indemnification hereunder in respect of) any proposed settlement if the Company is also a party in such proceeding and determines in good faith that such settlement is not in the best interests of the Company and its stockholders.

(d) **Securities Act Liabilities.** Any provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement to indemnify Indemnitee or otherwise act in violation of any undertaking appearing in and required by the rules and regulations promulgated under the Securities Act of 1933, as amended (the "*Act*"), or in any registration statement filed with the SEC under the Act. Indemnitee acknowledges that paragraph (h) of Item 512 of Regulation S-K currently requires the Company to undertake in connection with certain registration statements filed under the Act to submit the issue of the enforceability of Indemnitee's rights under this Agreement in connection with any liability under the Act on public policy grounds to a court of appropriate jurisdiction and to be governed by any final adjudication of such issue. Indemnitee and the Company specifically agree that in the event the Company is required to make such undertaking in connection with a registration statement filed under the Act, any such undertaking shall supersede the provisions of this Agreement, and Indemnitee and the Company shall be bound by such undertaking, to the extent set forth therein, to submit the issue of the enforceability of Indemnitee's rights under this Agreement in connection with any liability under the Act on public policy grounds to a court of appropriate jurisdiction and to be governed by any final adjudication of such issue.

11. Nonexclusivity and Survival of Rights. The provisions for indemnification and advancement of expenses set forth in this Agreement shall not be deemed exclusive of any other rights which Indemnitee may at any time be entitled under any provision of applicable law, the Company's Articles of Incorporation, Bylaws or other agreements, both as to action in Indemnitee's official capacity and Indemnitee's action as an agent of the Company, in any court in which a proceeding is brought, and Indemnitee's rights hereunder shall continue after Indemnitee has ceased acting as an agent of the Company and shall inure to the benefit of the heirs, executors, administrators and assigns of Indemnitee. The obligations and duties of the Company to Indemnitee under this Agreement shall be binding on the Company and its successors and assigns until terminated in accordance with its terms. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree in writing to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his corporate status prior to such amendment, alteration or repeal. To the extent that a change in the NRS, whether by statute or judicial decision, permits greater indemnification or advancement of expenses than would be afforded currently under the Company's Articles of Incorporation, Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, by Indemnitee shall not prevent the concurrent assertion or employment of any other right or remedy by Indemnitee.

12. Term. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an officer or director of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any proceeding (or any proceeding commenced under Section 7 hereof).

No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against an Indemnitee or an Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of five (5) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such five-year period; provided, however, that if any shorter period of limitations is otherwise applicable to such cause of action, such shorter period shall govern.

13. Interpretation of Agreement. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to Indemnitee to the fullest extent now or hereafter permitted by law.

14. Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (a) the validity, legality and enforceability of the remaining provisions of the Agreement (including without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to Section 13 hereof.

15. Amendment and Waiver. No supplement, modification, amendment, termination or cancellation of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. Notice. Except as otherwise provided herein, any notice or demand which, by the provisions hereof, is required or which may be given to or served upon the parties hereto shall be in writing and, if by telegram, telecopy or telex, shall be deemed to have been validly served, given or delivered when sent, if by overnight delivery, courier or personal delivery, shall be deemed to have been validly served, given or delivered upon actual delivery and, if mailed, shall be deemed to have been validly served, given or delivered three (3) business days after deposit in the United States mail, as registered or certified mail, with proper postage prepaid and addressed to the party or parties to be notified at the addresses set forth on the signature page of this Agreement (or such other address(es) as a party may designate for itself by like notice). If to the Company, notices and demands shall be delivered to the attention of the Secretary of the Company.

17. Governing Law. This Agreement shall be governed exclusively by and construed according to the laws of the State of Nevada, as applied to contracts between Nevada residents entered into and to be performed entirely within Nevada.

18. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute but one and the same Agreement. Only one such counterpart need be produced to evidence the existence of this Agreement.

19. Headings. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

20. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, written and oral, between the parties with respect to the subject matter of this Agreement; provided, however, that this Agreement is a supplement to and in furtherance of the Company's Articles of Incorporation, Bylaws, the NRS and any other applicable law, and shall not be deemed a substitute therefor, and does not diminish or abrogate any rights of Indemnitee thereunder.

[Remainder of Page Intentionally Left Blank]

In Witness Whereof, the parties hereto have entered into this Agreement effective as of the date first above written.

AETHLON MEDICAL, INC.

By: _____
Name: _____
Title: _____

Address: 9635 Granite Ridge Drive
Suite 100
San Diego, CA 92123

INDEMNITEE

Signature: _____
Name: _____
Address: _____

AETHLON MEDICAL, INC.
AMENDED 2010 STOCK INCENTIVE PLAN

NOTICE OF GRANT OF STOCK OPTION

Notice is hereby given of the following grant of an option (the "Option") to purchase shares of the Common Stock of Aethlon Medical, Inc., a Nevada corporation (the "Company"):

<u>Optionee:</u>	[_____]
<u>Grant Date:</u>	[_____]
<u>Exercise Price:</u>	[\$____] per share
<u>Number of Option Shares:</u>	[_____]
<u>Expiration Date:</u>	[_____]
<u>Type of Option:</u>	[Incentive Stock Option ¹][Nonqualified Stock Option]
<u>Vesting Commencement Date:</u>	[_____]
<u>Vesting Schedule:</u>	Subject to the Optionee's continued services with the Company through the applicable vesting dates, the Option will vest and become exercisable as follows: [1/4th of the shares vest and become exercisable one year after the Vesting Commencement Date; the balance of the shares vest and become exercisable in a series of thirty-six (36) successive equal monthly installments measured from the first anniversary of the Vesting Commencement Date, with such monthly vesting installments occurring on the same day of the month as the Vesting Commencement Date.]

¹ If this is an Incentive Stock Option, it (plus other outstanding Incentive Stock Options) cannot be first exercisable for more than \$100,000 in value (measured by exercise price) in any calendar year. Any excess over \$100,000 is a Nonqualified Stock Option.

The Option is subject to the terms of the Stock Option Agreement in the form attached hereto as Exhibit A and the Company's Amended 2010 Stock Incentive Plan (the "Plan") the terms of which are incorporated into this Notice of Grant of Stock Option ("Notice") in their entirety.

Optionee Acknowledgements:

Option Terms. By Optionee's signature below, Optionee understands and agrees that the Option is governed by this Notice, the provisions of the Plan and the Stock Option Agreement, all of which are made a part of this Notice. The Optionee acknowledges that copies of the Plan and the prospectus for the Plan (the "Prospectus") are available on the Company's internal web site and may be viewed and printed by the Optionee. Optionee represents that he or she has read and is familiar with the provisions of the Plan, the Stock Option Agreement and the Prospectus for the Plan. Optionee acknowledges and agrees that this Notice and the Stock Option Agreement (together, the "Option Agreement") may not be modified, amended or revised except in a writing signed by Optionee and a duly authorized officer of the Company. Optionee further acknowledges that in the event of any conflict between the provisions in the Option Agreement or the Prospectus and the terms of the Plan, the terms of the Plan shall control. Optionee further acknowledges that the Option Agreement sets forth the entire understanding between Optionee and the Company regarding the acquisition of Common Stock and supersedes all prior oral and written agreements, promises and/or representations on that subject with the exception of other equity awards previously granted to Optionee and Common Stock previously issued to Optionee.

No Employment or Service Contract. Nothing in the Option Agreement or the Plan shall confer upon Optionee any right to continue in service in any capacity, including as an employee, for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's service and/or employment at any time for any reason, with or without Cause.

[Signature page follows.]

Definitions. All capitalized terms in this Notice shall have the meaning assigned to them in this Notice, the attached Stock Option Agreement or the Plan.

Aethlon Medical, Inc.

By: _____
[Name, Title]

Date: _____

OPTIONEE

Name: [_____]
Address: [_____]
[_____]

Date: _____

ATTACHMENTS

Exhibit A - Stock Option Agreement

EXHIBIT A

**AETHLON MEDICAL, INC.
STOCK OPTION AGREEMENT**

All capitalized terms in this Stock Option Agreement not defined herein shall have the meaning assigned to them in the Notice of Grant of Stock Option to which this Stock Option Agreement is attached as Exhibit A, the Appendix attached hereto, or in the Company's Amended 2010 Stock Incentive Plan (the "Plan").

AGREEMENT

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Option.** The Company hereby grants to the Optionee, as of the Grant Date, an option to purchase up to the number of Option Shares specified in the Grant Notice. The Option Shares shall be purchasable from time to time during the option term specified in Paragraph 2 at the Exercise Price. Except as otherwise provided herein, this option shall be subject to the terms and conditions of the Plan.

2. **Option Term.** This option shall expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 5. This option may not be exercised after its expiration or earlier termination.

3. **Limited Transferability.** During the Optionee's lifetime, this option shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or by the laws of descent and distribution following the Optionee's death.

4. **Dates of Exercise.** This option shall become exercisable for the Option Shares that have vested as specified in the Vesting Schedule.

5. **Cessation of Service.** The option term specified in Paragraph 2 shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following events occur:

(a) If the Optionee's service is terminated for any reason other than death or disability, then the Optionee may exercise this option, only to the extent that the option would have been exercisable upon the date of such termination (the "Termination Date"), no later than twelve (12) months after the Termination Date.

(b) If the Optionee's service is terminated because of the Optionee's death or disability (or the Optionee dies within twelve (12) months after a termination other than for Cause or because of the Optionee's disability), then this option may be exercised only to the extent that it would have been exercisable by the Optionee on the Termination Date and must be exercised by the Optionee (or the Optionee's legal representative) no later than twelve (12) months after the Termination Date.

(c) Notwithstanding the provisions above, if the Optionee's service is terminated for Cause, neither the Optionee, the Optionee's estate nor such other person who may then hold this option shall be entitled to exercise it with respect to any Option Shares whatsoever.

6. **Adjustment in Option Shares.** Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Company's receipt of consideration, appropriate adjustments shall be made to (i) the total number and/or class of securities subject to this option and (ii) the Exercise Price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

7. **Stockholder Rights.** The holder of this option shall not have any rights as a stockholder of the Company with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become a holder of record of the purchased shares.

8. **Manner of Exercising Option.**

(a) In order to exercise this option with respect to all or any part of the Option Shares for which this option is at the time vested and exercisable, the Optionee (or any other person or persons exercising the option) shall take the following actions:

- (i) Execute and deliver to the Company a written notice setting forth the number of Option Shares for which the option is exercised;
- (ii) Pay the aggregate Exercise Price for the purchased shares in cash or check, bank draft or money order payable to the Company or in one or more of the following forms:

(A) if approved by the Board, by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock that are already owned by the Optionee free and clear of any liens, claims, encumbrances or security interests, with a Fair Market Value on the date of exercise that does not exceed the exercise price, provided that (A) at the time of exercise the Common Stock is publicly traded, (B) any remaining balance of the exercise price not satisfied by such delivery is paid by the Optionee in cash or other permitted form of payment, (C) such delivery would not violate any applicable law or agreement restricting the redemption of the Common Stock, (D) any certificated shares are endorsed or accompanied by an executed assignment separate from certificate, and (E) such shares have been held by the Optionee for any minimum period necessary to avoid adverse accounting treatment as a result of such delivery;

(B) provided that at such time the Common Stock is publicly traded, pursuant to a “cashless exercise” program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the Common Stock subject to the option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the exercise price to the Company from the sales proceeds; or

(C) by any combination of the foregoing. Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the written notice delivered to the Company in connection with the option exercise;

(iii) Furnish to the Company appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise this option;

(iv) Execute and deliver to the Company such written representations as may be requested by the Company in order for it to comply with the applicable requirements of federal and state securities laws; and

(v) Make appropriate arrangements with the Company for the satisfaction of all federal, state and local income and employment tax withholding requirements applicable to the option exercise.

(b) As soon as practical after the Exercise Date, the Company shall issue to or on behalf of the Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares, with the appropriate legends affixed thereto.

(c) In no event may this option be exercised for any fractional shares.

9. Compliance with Laws and Regulations.

(a) The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Company and the Optionee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange (or the Nasdaq Stock Market or the OTC Bulletin Board, if applicable) on which the Common Stock may be listed for trading (or quoted) at the time of such exercise and issuance.

(b) The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Company of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

10. **Successors and Assigns.** Except to the extent otherwise provided in Paragraph 3, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and the Optionee, the Optionee's assigns and the legal representatives, heirs and legatees of the Optionee's estate.

11. **Notices.** Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to the Optionee shall be in writing and addressed to the Optionee at the address indicated below the Optionee's signature line on the Grant Notice. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

12. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to any conflict-of-laws rules that would result in the application of the laws of any other jurisdiction.

APPENDIX A

The following definitions shall be in effect under the Agreement:

1. **Agreement** shall mean this Stock Option Agreement.
2. **Code** shall mean the Internal Revenue Code of 1986, as amended.
3. **Common Stock** shall mean the Company's common stock.
4. **Exercise Date** shall mean the date on which the option shall have been exercised in accordance with Paragraph 8 of the Agreement.
5. **Exercise Price** shall mean the exercise price payable per Option Share as specified in the Grant Notice.
6. **Expiration Date** shall mean the date on which the option expires as specified in the Grant Notice.
7. **Grant Date** shall mean the date of grant of the option as specified in the Grant Notice.
8. **Grant Notice** shall mean the Notice of Grant of Stock Option accompanying the Agreement, pursuant to which Optionee has been informed of the basic terms of the option evidenced hereby.
9. **Nonqualified Stock Option** shall mean an option not intended to satisfy the requirements of Section 422 of the Code.
10. **Option Shares** shall mean the number of shares of Common Stock subject to the option.
11. **Vesting Schedule** shall mean the vesting schedule specified in the Grant Notice pursuant to which the Option Shares shall become exercisable.

Aethlon Medical, Inc.
Stock Unit Grant Notice (Directors)
(Amended 2010 Stock Incentive Plan)

Aethlon Medical, Inc. (the “*Company*”), pursuant to Section 9.2 of the Company’s Amended 2010 Stock Incentive Plan (the “*Plan*”), hereby awards to Participant Stock Units for the number of shares of the Company’s Common Stock (“*Stock Units*” or the “*Award*”) set forth below. The Award is subject to all of the terms and conditions as set forth in this grant notice (this “*Stock Unit Grant Notice*”) and in the Plan and the Award Agreement (the “*Stock Unit Agreement*”), both of which are attached hereto and incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan or the Award Agreement. In the event of any conflict between the terms in the Award and the Plan, the terms of the Plan shall control.

Participant: _____
Date of Grant: _____
Vesting Commencement Date: _____
Number of Stock Units/Shares: _____

Vesting Schedule: The Stock Units shall vest as follows: [_____].

Issuance Schedule: Subject to any change on an adjustment of shares pursuant to Sections 3.2 and 20.1 of the Plan, one share of Common Stock will be issued for each Stock Unit that vests at the time set forth in Section 6 of the Award Agreement.

Change in Control

Acceleration: See Section 2 of the Award Agreement.

Election Regarding Stock Sale Arrangement: At the time of executing this Grant Notice, Participant must make an election whether to sell to the Company a portion of the shares of Common Stock underlying the Stock Units on the applicable vesting date, as described in 11(d) of the Agreement. If one of the options below is not selected, then the Company will assume that the Participant did not elect to participate in the stock sale arrangement described in Section 11(d) of the Agreement. Please chose one of the following options:

- I DO NOT wish to participate in the stock sale arrangement described in Section 11(d) of the Agreement. *(This will be the default choice if no box is checked.)*
- I DO wish to participate in the stock sale arrangement described in Section 11(d) of the Agreement with respect to ____ percent of the shares covered by the Award. *(The default percentage if no percentage is filled in will be 40%.)*

Additional Terms/Acknowledgements: Participant acknowledges receipt of, and understands and agrees to, this Stock Unit Grant Notice, the Award Agreement and the Plan. Participant further acknowledges that as of the Date of Grant, this Stock Unit Grant Notice, the Award Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the acquisition of the Common Stock pursuant to the Award specified above and supersedes all prior oral and written agreements on the terms of this Award.

By accepting this Award, Participant acknowledges having received and read this Stock Unit Grant Notice, the Award Agreement and the Plan and agrees to all of the terms and conditions set forth in these documents. Participant consents to receive Plan documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

Aethlon Medical, Inc.

Participant

By: _____
Signature

Signature

Title: _____

Date: _____

Date: _____

Attachments: Stock Unit Agreement and Amended 2010 Stock Incentive Plan

Attachment I

**Aethlon Medical, Inc.
Stock Unit Agreement
(Amended 2010 Stock Incentive Plan)**

Pursuant to the Stock Unit Grant Notice (the "**Grant Notice**") and this Stock Unit Agreement (the "**Agreement**"), Aethlon Medical, Inc. (the "**Company**") has awarded you ("**Participant**") Stock Units ("**Stock Units**" or the "**Award**") pursuant to the Company's Amended 2010 Stock Incentive Plan (the "**Plan**") for the number of Stock Units indicated in the Grant Notice. Capitalized terms not explicitly defined in this Agreement or the Grant Notice shall have the same meanings given to them in the Plan. The terms of your Stock Units, in addition to those set forth in the Grant Notice, are as follows.

1. Grant of the Award. This Award represents the right to be issued on a future date one (1) share of Common Stock for each Stock Unit that vests on the applicable vesting date(s) (subject to any adjustment under Section 3 below) as indicated in the Grant Notice. This Award was granted in consideration of your past or expected future services to the Company or its affiliates.

2. Vesting and Acceleration.

(a) Subject to the limitations contained herein, your Stock Units will vest, if at all, in accordance with the vesting schedule provided in the Grant Notice, provided that vesting will cease upon your Termination. Upon such Termination, the Stock Units that were not vested on the date of such termination will be forfeited at no cost to the Company and you will have no further right, title or interest in or to the underlying shares of Common Stock subject to the forfeited Stock Units.

(b) Notwithstanding the foregoing, in the event that a successor corporation refuses to assume or substitute Awards following a corporate transaction (as described in Section 20.1 of the Plan), the vesting of any then-unvested Stock Units shall accelerate in full such that 100% of the then unvested Stock Units will become vested upon a corporate transaction described in Section 20.1 of the Plan.

3. Number of Shares. The number of Stock Units/shares subject to your Award may be adjusted from time to time pursuant to Sections 3 and 20 of the Plan. Any additional Stock Units, shares, cash or other property that becomes subject to the Award pursuant to this Section 3, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Stock Units and shares covered by your Award. Notwithstanding the provisions of this Section 3, no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 3. Fractions of a share will not be issued but will either be replaced by a cash payment equal to the Fair Market Value of such fraction of a share or will be rounded up to the nearest whole share, as determined by the Committee.

4. Securities Law Compliance. You may not be issued any Common Stock under your Award unless the shares of Common Stock underlying the Stock Units are either (i) then registered under the Securities Act, or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award must also comply with other applicable laws and regulations governing the Award, and you shall not receive such Common Stock if the Company determines that such receipt would not be in material compliance with such laws and regulations.

5. Non-Transferability. Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of the Stock Units or the shares issuable in respect of your Stock Units, except as expressly provided in this Section 5. For example, you may not use shares that may be issued in respect of your Stock Units as security for a loan. The restrictions on transfer set forth herein will lapse upon delivery to you of shares in respect of your vested Stock Units.

(a) Death. Your Award is transferable by will and by the laws of descent and distribution. At your death, vesting of your Stock Units will cease and your executor or administrator of your estate shall be entitled to receive, on behalf of your estate, any Common Stock or other consideration that vested but was not issued before your death.

(b) Domestic Relations Orders. Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your Stock Units or the shares of Common Stock issued upon vesting of your Stock Units pursuant to a domestic relations order or marital settlement agreement that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this Award with the Company prior to finalizing the domestic relations order or marital settlement agreement to verify that you may make such transfer, and if so, to help ensure the required information is contained within the domestic relations order or marital settlement agreement.

6. Date of Issuance.

(a) The issuance of shares in respect of the Stock Units is intended to comply with Treasury Regulations Section 1.409A-1(b)(4) and will be construed and administered in such a manner. Subject to the satisfaction of the withholding obligations set forth in this Agreement, in the event one or more Stock Units vests, the Company shall issue to you one (1) share of Common Stock for each Stock Unit that vests on the applicable vesting date(s) (subject to any adjustment under Section 3 above). The issuance date determined by this paragraph is referred to as the “*Original Issuance Date*.”

(b) If the Original Issuance Date falls on a date that is not a business day, delivery shall instead occur on the next following business day. In addition, if:

(i) the Original Issuance Date does not occur (1) during an “open window period” applicable to you, as determined by the Company in accordance with the Company’s then-effective policy on trading in Company securities, or (2) on a date when you are otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market, *and*

(ii) either (1) Withholding Taxes do not apply, or (2) the Company decides, prior to the Original Issuance Date, (A) not to satisfy the Withholding Taxes by withholding shares of Common Stock from the shares otherwise due, on the Original Issuance Date, to you under this Award, and (B) not to permit you to pay your Withholding Taxes in cash,

then the shares that would otherwise be issued to you on the Original Issuance Date will not be delivered on such Original Issuance Date and will instead be delivered on the first business day when you are not prohibited from selling shares of the Company’s Common Stock in the open public market, but in no event later than December 31 of the calendar year in which the Original Issuance Date occurs (that is, the last day of your taxable year in which the Original Issuance Date occurs), or, if and only if permitted in a manner that complies with Treasury Regulations Section 1.409A-1(b)(4), no later than the date that is the 15th day of the third calendar month of the applicable year following the year in which the shares of Common Stock under this Award are no longer subject to a “substantial risk of forfeiture” within the meaning of Treasury Regulations Section 1.409A-1(d).

(c) The form of delivery (*e.g.*, a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

7. **Dividends.** You shall receive no benefit or adjustment to your Award with respect to any cash dividend, stock dividend or other distribution that does not result from an adjustment of shares as described in Section 3 of the Plan.

8. **Restrictive Legends.** The shares of Common Stock issued under your Award shall be endorsed with appropriate legends as determined by the Company.

9. **Execution of Documents.** You hereby acknowledge and agree that the manner selected by the Company by which you indicate your consent to your Grant Notice is also deemed to be your execution of your Grant Notice and of this Agreement. You further agree that such manner of indicating consent may be relied upon as your signature for establishing your execution of any documents to be executed in the future in connection with your Award.

10. **Award not a Service Contract.**

(a) Nothing in this Agreement (including, but not limited to, the vesting of your Stock Units or the issuance of the shares subject to your Stock Units), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an affiliate; (ii) constitute any promise or commitment by the Company or an affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have.

(b) The Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or affiliates at any time or from time to time, as it deems appropriate (a “*reorganization*”). Such a reorganization could result in your Termination, or the termination of affiliate status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting in the Award. This Agreement, the Plan, the transactions contemplated hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued engagement as an employee or consultant for the term of this Agreement, for any period, or at all, and shall not interfere in any way with the Company’s right to conduct a reorganization.

11. Withholding Obligations.

(a) On each vesting date, and on or before the time you receive a distribution of the shares underlying your Stock Units, and at any other time as reasonably requested by the Company in accordance with applicable tax laws, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision in cash for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any affiliate that arise in connection with your Award (the “*Withholding Taxes*”). Additionally, the Company or any affiliate may, in its sole discretion, satisfy all or any portion of the Withholding Taxes obligation relating to your Stock Units by any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company; (ii) causing you to tender a cash payment; (iii) permitting or requiring you to enter into a “same day sale” commitment, if applicable, with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a “*FINRA Dealer*”) whereby you irrevocably elect to sell a portion of the shares to be delivered in connection with your Stock Units to satisfy the Withholding Taxes and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company and/or its affiliates; or (iv) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the Award with a Fair Market Value (measured as of the date shares of Common Stock are issued pursuant to Section 6) equal to the amount of such Withholding Taxes; *provided, however*, that the number of such shares of Common Stock so withheld will not exceed the amount necessary to satisfy the Company’s required tax withholding obligations using the minimum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income; and *provided*, further, that to the extent necessary to qualify for an exemption from application of Section 16(b) of the Exchange Act, if applicable, such share withholding procedure will be subject to the express prior approval of the Committee.

(b) Unless the tax withholding obligations of the Company and/or any affiliate are satisfied, the Company shall have no obligation to deliver to you any Common Stock.

(c) In the event the Company's obligation to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Company's withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

(d) Because the vesting of Stock Units creates tax obligations to you and the Company has no authority to withhold otherwise deliverable shares from, or to make tax payments on behalf of, members of the Company's Board of Directors who are not employees of the Company, the Company is hereby offering you the opportunity at the time of executing this Agreement to elect to sell to the Company, on the vesting date, a whole number of shares of Common Stock underlying your Stock Units equal as nearly as possible to such percentage of the shares covered by the Award (as is reflected in the Grant Notice) that vest on such vesting date, at a price per share equal to the Fair Market Value of a share of the Common Stock on the vesting date. If you elect to participate in this stock sale arrangement, the Company will remit promptly to you the aggregate purchase price for the shares of Common Stock so purchased at the address on file with the Company and will distribute the balance of the shares underlying the Stock Units in the manner provided in Section 6 of this Agreement.

12. Tax Consequences. The Company has no duty or obligation to minimize the tax consequences to you of this Award and shall not be liable to you for any adverse tax consequences to you arising in connection with this Award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this Award and by signing the Grant Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so. You understand that you (and not the Company) shall be responsible for your own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

13. Unsecured Obligation. Your Award is unfunded, and as a holder of vested Stock Units, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement. You shall not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you pursuant to Section 6 of this Agreement. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

14. Notices. Any notice or request required or permitted hereunder shall be given in writing to each of the other parties hereto and shall be deemed effectively given on the earlier of (i) the date of personal delivery, including delivery by express courier, or delivery via electronic means, or (ii) the date that is five (5) days after deposit in the United States Post Office (whether or not actually received by the addressee), by registered or certified mail with postage and fees prepaid, addressed at the following addresses, or at such other address(es) as a party may designate by ten (10) days' advance written notice to each of the other parties hereto:

Company: Aethlon Medical, Inc.
Attn: Stock Administrator
9635 Granite Ridge Drive, Suite 100
San Diego, CA 92123

Participant: Your address as on file with the Company at the time notice is given

15. Headings. The headings of the Sections in this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement or to affect the meaning of this Agreement.

16. Miscellaneous.

(a) The rights and obligations of the Company under your Award shall be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by, the Company's successors and assigns.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You agree that you will not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale with respect to any shares of Common Stock or other securities of the Company held by you, for a period of 180 days following the effective date of a registration statement of the Company filed under the Securities Act or such longer period as the underwriters or the Company will request to facilitate compliance with FINRA Rule 2711 or NYSE Member Rule 472 or any successor or similar rules or regulation (the "**Lock-Up Period**"). You further agree to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriters that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to your shares of Common Stock until the end of such Lock-Up Period. You also agree that any transferee of any shares of Common Stock (or other securities) of the Company held by you will be bound by this Section 16(c). The underwriters of the Company's stock are intended third party beneficiaries of this Section 16(c) and will have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

(d) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award.

(e) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(f) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

17. Governing Plan Document. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. Your Award (and any compensation paid or shares issued under your Award) is subject to recoupment in accordance with The Dodd–Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law. No recovery of compensation under such a clawback policy will be an event giving rise to a right to voluntarily terminate employment upon a resignation for “good reason,” or for a “constructive termination” or any similar term under any plan of or agreement with the Company.

18. Effect on Other Employee Benefit Plans. The value of the Stock Units subject to this Agreement or the stock underlying the Stock Units upon issuance to you shall not be included as compensation, earnings, salaries, or other similar terms used when calculating benefits under any employee benefit plan (other than the Plan) sponsored by the Company or any affiliate except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any or all of the employee benefit plans of the Company or any affiliate.

19. Choice of Law. The interpretation, performance and enforcement of this Agreement shall be governed by the law of the State of California without regard to that state’s conflicts of laws rules.

20. Severability. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

21. Other Documents. You acknowledge receipt of and the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Plan prospectus. In addition, you acknowledge receipt of the Company’s insider trading policy.

22. Amendment. This Agreement may not be modified, amended or terminated except by an instrument in writing, signed by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, and provided that, except as otherwise expressly provided in the Plan, no such amendment materially adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the Award as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change shall be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided herein.

23. Compliance with Section 409A of the Code. This Award is intended to comply with the “short-term deferral” rule set forth in Treasury Regulation Section 1.409A-1(b)(4). Notwithstanding the foregoing, if it is determined that the Award fails to satisfy the requirements of the short-term deferral rule and is otherwise deferred compensation subject to Section 409A, and if you are a “Specified Employee” (within the meaning set forth in Section 409A(a)(2)(B)(i) of the Code) as of the date of your “separation from service” (within the meaning of Treasury Regulation Section 1.409A-1(h) and without regard to any alternative definition thereunder), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, with the balance of the shares issued thereafter in accordance with the original vesting and issuance schedule set forth above, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of adverse taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is intended to constitute a “separate payment” for purposes of Treasury Regulation Section 1.409A-2(b)(2).

* * * * *

This Stock Unit Agreement shall be deemed to be signed by the Company and the Participant upon the signing by the Participant of the Stock Unit Grant Notice to which it is attached.

Attachment II
2010 Amended Stock Incentive Plan

Aethlon Medical, Inc.
Stock Unit Grant Notice (Executive)
(Amended 2010 Stock Incentive Plan)

Aethlon Medical, Inc. (the “*Company*”), pursuant to Section 9.2 of the Company’s Amended 2010 Stock Incentive Plan (the “*Plan*”), hereby awards to Participant Stock Units for the number of shares of the Company’s Common Stock (“*Stock Units*” or the “*Award*”) set forth below. The Award is subject to all of the terms and conditions as set forth in this grant notice (this “*Stock Unit Grant Notice*”) and in the Plan and the Award Agreement (the “*Stock Unit Agreement*”), both of which are attached hereto and incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan or the Award Agreement. In the event of any conflict between the terms in the Award and the Plan, the terms of the Plan shall control.

Participant: _____
Date of Grant: _____
Vesting Commencement Date: _____
Number of Stock Units/Shares: _____

Vesting Schedule: The Stock Units shall vest as follows: [_____].

Issuance Schedule: Subject to any change on an adjustment of shares pursuant to Sections 3.2 and 20.1 of the Plan, one share of Common Stock will be issued for each Stock Unit that vests at the time set forth in Section 6 of the Award Agreement. Notwithstanding the provisions in Section 6 of the Award Agreement, any Stock Units that vest on or prior to December 31, 20__ shall be issued on [January __, 20__].

Change in Control Acceleration: See Section 2 of the Award Agreement.

Additional Terms/Acknowledgements: Participant acknowledges receipt of, and understands and agrees to, this Stock Unit Grant Notice, the Award Agreement and the Plan. Participant further acknowledges that as of the Date of Grant, this Stock Unit Grant Notice, the Award Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the acquisition of the Common Stock pursuant to the Award specified above and supersedes all prior oral and written agreements on the terms of this Award.

By accepting this Award, Participant acknowledges having received and read this Stock Unit Grant Notice, the Award Agreement and the Plan and agrees to all of the terms and conditions set forth in these documents. Participant consents to receive Plan documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

Aethlon Medical, Inc.

Participant

By: _____
Signature

Signature

Title: _____

Date: _____

Date: _____

Attachments: Stock Unit Agreement and Amended 2010 Stock Incentive Plan

Attachment I

**Aethlon Medical, Inc.
Stock Unit Agreement
(Amended 2010 Stock Incentive Plan)**

Pursuant to the Stock Unit Grant Notice (the “*Grant Notice*”) and this Stock Unit Agreement (the “*Agreement*”), Aethlon Medical, Inc. (the “*Company*”) has awarded you (“*Participant*”) Stock Units (“*Stock Units*” or the “*Award*”) pursuant to the Company’s Amended 2010 Stock Incentive Plan (the “*Plan*”) for the number of Stock Units indicated in the Grant Notice. Capitalized terms not explicitly defined in this Agreement or the Grant Notice shall have the same meanings given to them in the Plan. The terms of your Stock Units, in addition to those set forth in the Grant Notice, are as follows.

1. Grant of the Award. This Award represents the right to be issued on a future date one (1) share of Common Stock for each Stock Unit that vests on the applicable vesting date(s) (subject to any adjustment under Section 3 below) as indicated in the Grant Notice. This Award was granted in consideration of your past or expected future services to the Company or its affiliates.

2. Vesting and Acceleration.

(a) Subject to the limitations contained herein, your Stock Units will vest, if at all, in accordance with the vesting schedule provided in the Grant Notice, provided that vesting will cease upon your Termination. Upon such Termination, the Stock Units that were not vested on the date of such termination will be forfeited at no cost to the Company and you will have no further right, title or interest in or to the underlying shares of Common Stock subject to the forfeited Stock Units.

(b) Notwithstanding the foregoing, in the event that a successor corporation refuses to assume or substitute Awards following a corporate transaction (as described in Section 20.1 of the Plan), the vesting of any then-unvested Stock Units shall accelerate in full such that 100% of the then unvested Stock Units will become vested upon a corporate transaction described in Section 20.1 of the Plan.

3. Number of Shares. The number of Stock Units/shares subject to your Award may be adjusted from time to time pursuant to Sections 3 and 20 of the Plan. Any additional Stock Units, shares, cash or other property that becomes subject to the Award pursuant to this Section 3, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Stock Units and shares covered by your Award. Notwithstanding the provisions of this Section 3, no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 3. Fractions of a share will not be issued but will either be replaced by a cash payment equal to the Fair Market Value of such fraction of a share or will be rounded up to the nearest whole share, as determined by the Committee.

4. Securities Law Compliance. You may not be issued any Common Stock under your Award unless the shares of Common Stock underlying the Stock Units are either (i) then registered under the Securities Act, or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award must also comply with other applicable laws and regulations governing the Award, and you shall not receive such Common Stock if the Company determines that such receipt would not be in material compliance with such laws and regulations.

5. Non-Transferability. Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of the Stock Units or the shares issuable in respect of your Stock Units, except as expressly provided in this Section 5. For example, you may not use shares that may be issued in respect of your Stock Units as security for a loan. The restrictions on transfer set forth herein will lapse upon delivery to you of shares in respect of your vested Stock Units.

(a) Death. Your Award is transferable by will and by the laws of descent and distribution. At your death, vesting of your Stock Units will cease and your executor or administrator of your estate shall be entitled to receive, on behalf of your estate, any Common Stock or other consideration that vested but was not issued before your death.

(b) Domestic Relations Orders. Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your Stock Units or the shares of Common Stock issued upon vesting of your Stock Units pursuant to a domestic relations order or marital settlement agreement that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this Award with the Company prior to finalizing the domestic relations order or marital settlement agreement to verify that you may make such transfer, and if so, to help ensure the required information is contained within the domestic relations order or marital settlement agreement.

6. Date of Issuance.

(a) The issuance of shares in respect of the Stock Units is intended to comply with Treasury Regulations Section 1.409A-1(b)(4) and will be construed and administered in such a manner. Subject to the satisfaction of the withholding obligations set forth in this Agreement, and subject to the provisions contained in the Grant Notice, in the event one or more Stock Units vests, the Company shall issue to you one (1) share of Common Stock for each Stock Unit that vests on the applicable vesting date(s) (subject to any adjustment under Section 3 above). The issuance date determined by this paragraph is referred to as the "**Original Issuance Date.**"

(b) If the Original Issuance Date falls on a date that is not a business day, delivery shall instead occur on the next following business day. In addition, if:

(i) the Original Issuance Date does not occur (1) during an “open window period” applicable to you, as determined by the Company in accordance with the Company’s then-effective policy on trading in Company securities, or (2) on a date when you are otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market, *and*

(ii) either (1) Withholding Taxes do not apply, or (2) the Company decides, prior to the Original Issuance Date, (A) not to satisfy the Withholding Taxes by withholding shares of Common Stock from the shares otherwise due, on the Original Issuance Date, to you under this Award, and (B) not to permit you to pay your Withholding Taxes in cash,

then the shares that would otherwise be issued to you on the Original Issuance Date will not be delivered on such Original Issuance Date and will instead be delivered on the first business day when you are not prohibited from selling shares of the Company’s Common Stock in the open public market, but in no event later than December 31 of the calendar year in which the Original Issuance Date occurs (that is, the last day of your taxable year in which the Original Issuance Date occurs), or, if and only if permitted in a manner that complies with Treasury Regulations Section 1.409A-1(b)(4), no later than the date that is the 15th day of the third calendar month of the applicable year following the year in which the shares of Common Stock under this Award are no longer subject to a “substantial risk of forfeiture” within the meaning of Treasury Regulations Section 1.409A-1(d).

(c) The form of delivery (*e.g.*, a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

7. **Dividends.** You shall receive no benefit or adjustment to your Award with respect to any cash dividend, stock dividend or other distribution that does not result from an adjustment of shares as described in Section 3 of the Plan.

8. **Restrictive Legends.** The shares of Common Stock issued under your Award shall be endorsed with appropriate legends as determined by the Company.

9. **Execution of Documents.** You hereby acknowledge and agree that the manner selected by the Company by which you indicate your consent to your Grant Notice is also deemed to be your execution of your Grant Notice and of this Agreement. You further agree that such manner of indicating consent may be relied upon as your signature for establishing your execution of any documents to be executed in the future in connection with your Award.

10. **Award not a Service Contract.**

(a) Nothing in this Agreement (including, but not limited to, the vesting of your Stock Units or the issuance of the shares subject to your Stock Units), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an affiliate; (ii) constitute any promise or commitment by the Company or an affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have.

(b) The Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or affiliates at any time or from time to time, as it deems appropriate (a “*reorganization*”). Such a reorganization could result in your Termination, or the termination of affiliate status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting in the Award. This Agreement, the Plan, the transactions contemplated hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued engagement as an employee or consultant for the term of this Agreement, for any period, or at all, and shall not interfere in any way with the Company’s right to conduct a reorganization.

11. Withholding Obligations.

(a) On each vesting date, and on or before the time you receive a distribution of the shares underlying your Stock Units, and at any other time as reasonably requested by the Company in accordance with applicable tax laws, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision in cash for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any affiliate that arise in connection with your Award (the “*Withholding Taxes*”). Additionally, the Company or any affiliate may, in its sole discretion, satisfy all or any portion of the Withholding Taxes obligation relating to your Stock Units by any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company; (ii) causing you to tender a cash payment; (iii) permitting or requiring you to enter into a “same day sale” commitment, if applicable, with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a “*FINRA Dealer*”) whereby you irrevocably elect to sell a portion of the shares to be delivered in connection with your Stock Units to satisfy the Withholding Taxes and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company and/or its affiliates; or (iv) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the Award with a Fair Market Value (measured as of the date shares of Common Stock are issued pursuant to Section 6) equal to the amount of such Withholding Taxes; *provided, however*, that the number of such shares of Common Stock so withheld will not exceed the amount necessary to satisfy the Company’s required tax withholding obligations using the minimum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income; and *provided*, further, that to the extent necessary to qualify for an exemption from application of Section 16(b) of the Exchange Act, if applicable, such share withholding procedure will be subject to the express prior approval of the Committee.

(b) Unless the tax withholding obligations of the Company and/or any affiliate are satisfied, the Company shall have no obligation to deliver to you any Common Stock.

(c) In the event the Company's obligation to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Company's withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

12. Tax Consequences. The Company has no duty or obligation to minimize the tax consequences to you of this Award and shall not be liable to you for any adverse tax consequences to you arising in connection with this Award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this Award and by signing the Grant Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so. You understand that you (and not the Company) shall be responsible for your own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

13. Unsecured Obligation. Your Award is unfunded, and as a holder of vested Stock Units, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement. You shall not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you pursuant to Section 6 of this Agreement. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

14. Notices. Any notice or request required or permitted hereunder shall be given in writing to each of the other parties hereto and shall be deemed effectively given on the earlier of (i) the date of personal delivery, including delivery by express courier, or delivery via electronic means, or (ii) the date that is five (5) days after deposit in the United States Post Office (whether or not actually received by the addressee), by registered or certified mail with postage and fees prepaid, addressed at the following addresses, or at such other address(es) as a party may designate by ten (10) days' advance written notice to each of the other parties hereto:

Company: Aethlon Medical, Inc.
Attn: Stock Administrator
9635 Granite Ridge Drive, Suite 100
San Diego, CA 92123

Participant: Your address as on file with the Company at the time notice is given

15. Headings. The headings of the Sections in this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement or to affect the meaning of this Agreement.

16. Miscellaneous.

(a) The rights and obligations of the Company under your Award shall be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by, the Company's successors and assigns.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You agree that you will not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale with respect to any shares of Common Stock or other securities of the Company held by you, for a period of 180 days following the effective date of a registration statement of the Company filed under the Securities Act or such longer period as the underwriters or the Company will request to facilitate compliance with FINRA Rule 2711 or NYSE Member Rule 472 or any successor or similar rules or regulation (the "**Lock-Up Period**"). You further agree to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriters that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to your shares of Common Stock until the end of such Lock-Up Period. You also agree that any transferee of any shares of Common Stock (or other securities) of the Company held by you will be bound by this Section 16(c). The underwriters of the Company's stock are intended third party beneficiaries of this Section 16(c) and will have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

(d) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award.

(e) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(f) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

17. Governing Plan Document. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. Your Award (and any compensation paid or shares issued under your Award) is subject to recoupment in accordance with The Dodd–Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law. No recovery of compensation under such a clawback policy will be an event giving rise to a right to voluntarily terminate employment upon a resignation for “good reason,” or for a “constructive termination” or any similar term under any plan of or agreement with the Company.

18. Effect on Other Employee Benefit Plans. The value of the Stock Units subject to this Agreement or the stock underlying the Stock Units upon issuance to you shall not be included as compensation, earnings, salaries, or other similar terms used when calculating benefits under any employee benefit plan (other than the Plan) sponsored by the Company or any affiliate except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any or all of the employee benefit plans of the Company or any affiliate.

19. Choice of Law. The interpretation, performance and enforcement of this Agreement shall be governed by the law of the State of California without regard to that state’s conflicts of laws rules.

20. Severability. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

21. Other Documents. You acknowledge receipt of and the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Plan prospectus. In addition, you acknowledge receipt of the Company’s insider trading policy.

22. Amendment. This Agreement may not be modified, amended or terminated except by an instrument in writing, signed by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, and provided that, except as otherwise expressly provided in the Plan, no such amendment materially adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the Award as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change shall be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided herein.

23. Compliance with Section 409A of the Code. This Award is intended to comply with the “short-term deferral” rule set forth in Treasury Regulation Section 1.409A-1(b)(4). Notwithstanding the foregoing, if it is determined that the Award fails to satisfy the requirements of the short-term deferral rule and is otherwise deferred compensation subject to Section 409A, and if you are a “Specified Employee” (within the meaning set forth in Section 409A(a)(2)(B)(i) of the Code) as of the date of your “separation from service” (within the meaning of Treasury Regulation Section 1.409A-1(h) and without regard to any alternative definition thereunder), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date(s) and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, with the balance of the shares issued thereafter in accordance with the original vesting and issuance schedule set forth above, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of adverse taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is intended to constitute a “separate payment” for purposes of Treasury Regulation Section 1.409A-2(b)(2).

* * * * *

This Stock Unit Agreement shall be deemed to be signed by the Company and the Participant upon the signing by the Participant of the Stock Unit Grant Notice to which it is attached.

Attachment II
2010 Amended Stock Incentive Plan

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy C. Rodell, MD certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aethlon Medical, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2019

/s/ TIMOTHY C. RODELL, MD
TIMOTHY RODELL
CHIEF EXECUTIVE OFFICER
(PRINCIPAL EXECUTIVE OFFICER)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James Frakes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aethlon Medical, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2019

/s/ JAMES B. FRAKES
JAMES B. FRAKES
CHIEF FINANCIAL OFFICER
(PRINCIPAL FINANCIAL OFFICER)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aethlon Medical, Inc. (the "Registrant") on Form 10-Q for the nine-month period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof, I, Timothy C. Rodell, MD, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Aethlon Medical, Inc.

Dated: February 11, 2019

/s/ TIMOTHY C. RODELL, MD
Timothy C. Rodell, MD
Chief Executive Officer
Aethlon Medical, Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Aethlon Medical, Inc. and will be retained by Aethlon Medical, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aethlon Medical, Inc. (the "Registrant") on Form 10-Q for the nine-month period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof, I, James B. Frakes, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Aethlon Medical, Inc.

Dated: February 11, 2019

/s/ JAMES B. FRAKES

James B. Frakes
Chief Financial Officer
Aethlon Medical, Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Aethlon Medical, Inc. and will be retained by Aethlon Medical, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.