Table of Contents

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 June 30, 2019

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	13-3632859
(State or other jurisdiction of incorporation or organization)	(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)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	AEMD	The Nasdaq Capital Market

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 (§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 August 14, 2019, the registrant had outstanding 19,697,482 shares of common stock, $0.001 par value.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2019 (Unaudited)	March 31, 2019
ASSETS		
Current assets		
Cash	$ 2,492,354	$ 3,828,074
Prepaid expenses and other current assets	151,717	210,042
Total current assets	2,644,071	4,038,116
Property and equipment, net	6,330	6,021
Right-of-use lease asset	205,968	–
Patents, net	64,377	66,668
Deposits	12,159	12,159
Total assets	$ 2,932,905	$ 4,122,964
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 276,116	$ 131,931
Due to related parties	94,442	83,654
Convertible notes payable, net	892,591	962,301
Lease liability, current portion	93,077	–
Other current liabilities	441,228	646,000
Total current liabilities	1,797,454	1,823,886
Lease liability, less current portion	117,259	–
Total liabilities	1,914,713	1,823,886
Commitments and Contingencies (Note 13)		
Stockholders' Equity		
Common stock, par value $0.001 per share; 30,000,000 shares authorized; 19,103,570 and 19,004,253 shares issued and outstanding as of June 30, 2019 and March 31, 2019, respectively	19,104	19,004
Additional paid-in capital	108,844,836	108,058,538
Accumulated deficit	(107,718,857)	(105,652,433)
Total Aethlon Medical, Inc. stockholders' equity before noncontrolling interests	1,145,083	2,425,109
Noncontrolling interests	(126,891)	(126,031)
Total stockholders' equity	1,018,192	2,299,078
Total liabilities and stockholders' equity	$ 2,932,905	$ 4,122,964

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Month Periods Ended June 30, 2019 and 2018
(Unaudited)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
REVENUES		
Government contract revenue	$ 30,000	$ 149,625
OPERATING EXPENSES		
Professional fees	607,578	449,435
Payroll and related expenses	605,995	602,565
General and administrative	382,615	194,897
Total operating expenses	1,596,188	1,246,897
OPERATING LOSS	(1,566,188)	(1,097,272)
OTHER EXPENSE		
Interest and other debt expenses	54,085	55,104
Loss on debt extinguishment	447,011	–
Total other expense	501,096	55,104
NET LOSS	(2,067,284)	(1,152,376)
LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(860)	(6,148)
NET LOSS ATTRIBUTABLE TO AETHLON MEDICAL, INC.	$ (2,066,424)	$ (1,146,228)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.11)	$ (0.06)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED	19,057,255	17,754,728

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three Months Ended June 30, 2019 and 2018
(Unaudited)

	ATTRIBUTABLE TO AETHLON MEDICAL, INC.					
	COMMON STOCK		ADDITIONAL PAID IN	ACCUMULATED	NON-CONTROLLING	TOTAL
	SHARES	AMOUNT	CAPITAL	DEFICIT	INTERESTS	EQUITY
BALANCE - MARCH 31, 2019	19,004,253	$ 19,004	$ 108,058,538	$ (105,652,433)	$ (126,031)	$ 2,299,078
Issuances of common stock for cash under at the market program	46,300	47	36,575	–	–	36,622
Loss on debt extinguishment	–	–	447,011	–	–	447,011
Issuance of common shares upon vesting of restricted stock units	53,017	53	(23,824)	–	–	(23,771)
Stock-based compensation expense	–	–	326,536	–	–	326,536
Net loss	–	–	–	(2,066,424)	(860)	(2,067,284)
BALANCE - JUNE 30, 2019	19,103,570	$ 19,104	$ 108,844,836	$ (107,718,857)	$ (126,891)	$ 1,018,192
BALANCE - MARCH 31, 2018	17,739,511	17,740	105,574,014	(99,457,714)	(101,246)	6,032,794
Issuance of common shares upon vesting of restricted stock units	21,695	22	(32,759)	–	–	(32,737)
Stock-based compensation expense	–	–	263,162	–	–	263,162
Net loss	–	–	–	(1,146,228)	(6,148)	(1,152,376)
BALANCE - JUNE 30, 2018	17,761,206	$ 17,762	$ 105,804,417	$ (100,603,942)	$ (107,394)	$ 5,110,843

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended June 30, 2019 and 2018
(Unaudited)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Cash flows used in operating activities:		
Net loss	$ (2,067,284)	$ (1,152,376)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,868	8,109
Stock based compensation	326,536	263,162
Loss on debt extinguishment	447,011	–
Amortization of debt discount	30,287	30,287
Accretion of right-of-use lease asset	661	–
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	58,325	38,886
Accounts payable and other current liabilities	(56,877)	(6,499)
Due to related parties	10,788	–
Net cash used in operating activities	(1,247,685)	(818,431)
Cash flows used in investing activities:		
Purchases of property and equipment	(886)	–
Net cash used in investing activities	(886)	–
Cash flows (used in) provided by financing activities:		
Proceeds from the issuance of common stock, net	36,622	–
Principal payments on convertible notes	(100,000)	–
Tax withholding payments or tax equivalent payments for net share settlement of restricted stock units	(23,771)	(32,737)
Net cash used in financing activities	(87,149)	(32,737)
Net decrease in cash	(1,335,720)	(851,168)
Cash at beginning of period	3,828,074	6,974,070
Cash at end of period	$ 2,492,354	$ 6,122,902
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 71,978	$ –
Supplemental disclosures of non-cash investing and financing activities:		
Initial recognition of right-of-use lease asset and lease liability	$ 228,694	$ –
Par value of shares issued for vested restricted stock units	$ 53	$ 22

See accompanying notes.

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 substantial advance in the treatment of patients with advanced and metastatic cancer through the clearance of exosomes that promote the growth and spread of tumors through multiple mechanisms. We are currently preparing for the initiation of clinical trials in patients with advanced and metastatic cancers. We are initially focused on the treatment of solid tumors, including head and neck cancer, gastrointestinal cancers and other cancers. We are in active communication with FDA in preparation for the initiation of an early clinical trial in one of these areas.

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^{TM} 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 plan 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 three months ended June 30, 2019, 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, 2019 except as described below.

Leases

At lease commencement, the Company records a lease liability based on the present value of lease payments over the expected lease term. The Company calculates the present value of lease payments using the discount rate implicit in the lease, unless that rate cannot be readily determined. In that case, the Company uses its incremental borrowing rate, which is the rate of interest that the Company would have to pay to borrow on a collateralized basis an amount equal to the lease payments over the expected lease term. The Company records a corresponding right-of-use lease asset based on the lease liability, adjusted for any lease incentives received and any initial direct costs paid to the lessor prior to the lease commencement date.

After lease commencement, the Company measures its leases as follows: (i) the lease liability based on the present value of the remaining lease payments using the discount rate determined at lease commencement; and (ii) the right-of-use lease asset based on the remeasured lease liability, adjusted for any unamortized lease incentives received, any unamortized initial direct costs and the cumulative difference between rent expense and amounts paid under the lease agreement. Rent expense is recorded on a straight-line basis over the expected lease term (See Note 4).

Basis of Presentation and Use of Estimates

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 fiscal year ended March 31, 2019, included in the Company's Annual Report on Form 10-K filed with the SEC on July 1, 2019. 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 three months ended June 30, 2019, and the condensed consolidated statement of cash flows for the three months ended June 30, 2019. 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, 2019 has been derived from the audited consolidated balance sheet at March 31, 2019, contained in the above referenced 10-K. The results of operations for the three months ended June 30, 2019 are not necessarily indicative of the results to be expected for the full year or any future interim periods.

LIQUIDITY AND GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the ordinary course of business. We have incurred continuing losses from operations and at June 30, 2019 had an accumulated deficit of approximately $107,719,000. These factors, among other matters, raise substantial doubt about our ability to continue as a going concern for the twelve months from the issuance of these financial statements. A significant amount of additional capital will be necessary to advance the development of our products to the point at which they may become commercially viable. We intend to fund operations, working capital and other cash requirements through at least twelve months from the issuance date of these condensed consolidated financial statements through debt and/or equity financing arrangements as well as through revenues and related cash receipts under our government contract (see Note 9).

We are currently addressing our liquidity issue by seeking additional investment capital through issuances of common stock under our existing S-3 registration statement, or by issuing shares under S-1 registration statements and by applying for additional grants issued by government agencies in the United States. We believe that our cash on hand and funds expected to be received from additional debt and equity financing arrangements will be sufficient to meet our liquidity needs for the twelve month period from the date of this filing. However, no assurance can be given that we will receive any funds in addition to the funds we have received to date.

The successful outcome of future activities cannot be determined at this time and there is no assurance that, if achieved, we will have sufficient funds to execute our intended business plan or generate positive operating results.

The condensed consolidated financial statements do not include any adjustments related to this uncertainty and as to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

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 months ended June 30, 2019 and 2018 included common shares underlying 42,875 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 June 30, 2019 and 2018, a total of 7,534,759 and 7,145,647 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 month periods ended June 30, 2019 and 2018, 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:

	June 30, 2019	June 30, 2018
Three months ended	$ 248,871	$ 194,784

4. RECENT ACCOUNTING PRONOUNCEMENTS

The Company adopted ASU 2016-02 on April 1, 2019 utilizing the alternative transition method allowed for under ASU 2018-11. As a result, the Company recorded lease liabilities and right-of-use lease assets of $228,694 on its balance sheet as of April 1, 2019. The lease liabilities represent the present value of the remaining lease payments of the Company's corporate headquarters lease (see Note 13), discounted using the Company's incremental borrowing rate as of April 1, 2019. The corresponding right-of-use lease assets are recorded based on the lease liabilities and the cumulative difference between rent expense and amounts paid under its corporate headquarters lease. The Company also elected the short-term lease recognition exemption for its laboratory lease. For the laboratory lease that qualified as short-term, the Company did not recognize ROU assets or lease liabilities at adoption. The adoption of ASU 2016-02 did not have a material impact on either the statement of operations or statement of cash flows for the three months ended June 30, 2019.

Topic 842 also allows lessees and lessors to elect certain practical expedients. The Company elected the following practical expedients:

- Transitional practical expedients, which must be elected as a package and applied consistently to all of the Company's leases:
    - The Company need not reassess whether any expired or existing contracts are or contain leases.
    - The Company need not reassess the lease classification for any expired or existing leases (that is, all existing leases that were classified as operating leases in accordance with the previous guidance will be classified as operating leases, and all existing leases that were classified as capital leases in accordance with the previous guidance will be classified as finance leases).
    - The Company need not reassess initial direct costs for any existing leases.
- Hindsight practical expedient. The Company elected the hindsight practical expedient in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the Company's right-of-use assets.

5. CONVERTIBLE NOTES PAYABLE, NET

Convertible Notes Payable, Net consisted of the following at June 30, 2019:

	Principal	Unamortized Discount	Net Amount	Accrued Interest
Convertible Notes Payable, Net:				
November 2014 10% Convertible Notes (due July 1, 2019)	$ 512,811	$ –	$ 512,811	$ 6,604
December 2016 10% Convertible Notes (due July 1, 2019)	379,780	–	379,780	4,748
Total Convertible Notes Payable, Net	$ 892,591	$ –	$ 892,591	$ 11,352

During the three months ended June 30, 2019, we recorded interest expense of $23,759 related to the contractual interest rates of our convertible notes and interest expense of $30,287 related to the amortization of the note discount for a total interest expense of $54,046 related to our convertible notes in the three month period ended June 30, 2019. Accrued interest is included in other current liabilities (see Note 8).

During the three months ended June 30, 2019, we reduced the conversion price on the convertible notes from $3.00 per share to $0.68 per share. The modification of the convertible 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 $447,011.

Also during the three months ended June 30, 2019, we paid down $100,000 of the principal balances of the convertible notes and paid the accrued interest through May 2019. In July 2019, we paid off the remaining principal balance and accrued interest shown in the above table (see Note 14).

Convertible Notes Payable, Net consisted of the following at March 31, 2019:

	Principal	Unamortized Discount	Net Amount	Accrued Interest
Convertible Notes Payable, Net:				
November 2014 10% Convertible Notes (due July 1, 2019)	$ 612,811	$ (18,701)	$ 594,110	$ 37,309
December 2016 10% Convertible Notes (due July 1, 2019)	379,780	(11,589)	368,191	22,264
Total Convertible Notes Payable, Net	$ 992,591	$ (30,290)	$ 962,301	$ 59,573

During the three months ended June 30, 2018, we recorded interest expense of $24,817 related to the contractual interest rates of our convertible notes and interest expense of $30,287 related to the amortization of the note discount for a total interest expense of $55,104 related to our convertible notes in the three months ended June 30, 2018.

6. EQUITY TRANSACTIONS IN THE THREE MONTHS ENDED JUNE 30, 2019

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.

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 three months ended June 30, 2019, we raised aggregate net proceeds of $36,622 (net of $1,141 in commissions to H.C. Wainwright and $266 in other offering expenses) under this Agreement through the sale of 46,300 shares at an average price of $0.79 per share of net proceeds.

Restricted Stock Unit Grants

Our Board of Directors established the 2012 Non-Employee Directors Compensation Program, as amended through August 2016, or the Non-Employee Directors Plan, pursuant to which, in addition to cash compensation, directors of the Company who are not also employees may be granted stock-based compensation in the form of restricted stock units, or RSU's. The RSUs represent the right to be issued on a future date shares of our common stock for RSUs which have then vested.

In April 2019, pursuant to the Non-Employee Directors Plan, we issued RSUs with a value of $35,000 to each of our non-employee directors, as the stock-based compensation element of their overall directors' compensation, for the fiscal year ending March 31, 2020. Those grants were based on the closing price of our common stock on the one business day prior to the grant date, $0.95 per share. Therefore, 36,842 RSUs were issued to each of our five non-employee directors, for a total of 184,210 RSUs. All of the RSUs are subject to vesting in equal quarterly installments on June 30, 2019, September 30, 2019, December 31, 2019 and March 31, 2020.

In June 2019, 46,053 vested RSUs held by our non-employee directors were exchanged into the same number of shares of our common stock. Four of our five non-employee directors elected to return 40% of their vested RSUs in exchange for cash, in order to pay their withholding taxes on the share issuances, resulting in 14,737 of the vested RSUs being cancelled in exchange for $5,453 in aggregate cash proceeds to those independent directors.

In April 2019, 46,125 vested RSUs held by our current and former executive officers were exchanged for the same number of shares of our common stock. As these executives elected to net settle a portion of their vested RSUs in exchange for the Company paying the related withholding taxes of $18,318 on the share issuance, 34,174 of the vested RSUs were cancelled and we issued a net 21,701 shares to the executives and former executive.

RSUs outstanding that have vested as of, and are expected to vest subsequent to, June 30, 2019 are as follows:

	Number of RSUs
Vested	42,875
Expected to vest	223,908
Total	266,783

During the three months ended June 30, 2019, 101,928 vested RSUs held by our non-employee directors and our executives and a former executive were exchanged into the same number of shares of our common stock. As our non-employee directors and the executives elected to net settle a portion of their RSU's in exchange for a cash equivalent of the value of their shares equal to their estimated income taxes on the share issuance, 48,911 of the RSUs were cancelled and we issued a net 53,017 shares of common stock to our non-employee directors and the executive.

7. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2019 we accrued unpaid Board fees of $69,750 owed to our non-employee directors as of June 30, 2019.

Due to related parties were comprised of the following items:

	June 30, 2019	March 31, 2019
Accrued Board fees	$ 69,750	$ 69,750
Accrued vacation to all employees	24,692	13,904
Total due to related parties	$ 94,442	$ 83,654

8. OTHER CURRENT LIABILITIES

Other current liabilities were comprised of the following items:

	June 30, 2019	March 31, 2019
Accrued interest	$ 11,354	$ 59,573
Accrued separation expenses for former executives	218,343	355,189
Accrued professional fees	211,531	231,238
Total other current liabilities	$ 441,228	$ 646,000

9. STOCK COMPENSATION

The following tables summarize share-based compensation expenses relating to RSUs and stock options and the effect on basic and diluted loss per common share during the three month periods ended June 30, 2019 and 2018:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Vesting of stock options and restricted stock units	$ 326,536	$ 263,162
Total stock-based compensation expense	$ 326,536	$ 263,162
Weighted average number of common shares outstanding – basic and diluted	19,057,255	17,754,728
Basic and diluted loss per common share attributable to stock-based compensation expense	$ (0.02)	$ (0.01)

All of the stock-based compensation expense recorded during the three months ended June 30, 2019 and 2018, which totaled $326,536 and $263,162, respectively, is included in payroll and related expense in the accompanying condensed consolidated statements of operations. Stock-based compensation expense recorded during the three months ended June 30, 2019 and 2018 represented an impact on basic and diluted loss per common share of $(0.02) in both periods.

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 three months ended June 30, 2019 was insignificant.

Stock Option Activity

We did not issue any stock options during the three months ended June 30, 2019 and June 30, 2018.

Options outstanding that have vested and are expected to vest as of June 30, 2019 are as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Vested	325,047	$ 8.18	3.60
Expected to vest	561,625	$ 1.26	9.48
Total	886,672		

A summary of stock option activity during the three months ended June 30, 2019 is presented below:

	Amount	Range of Exercise Price	Weighted Average Exercise Price
Stock options outstanding at March 31, 2019	886,672	$1.25-$12.50	$ 3.79
Exercised	–	$ –	$ –
Granted	–	$ –	$ –
Cancelled/Expired	–	$ –	$ –
Stock options outstanding at June 30, 2019	886,672	$1.25 – $12.50	$ 3.79
Stock options exercisable at June 30, 2019	325,047	$1.68 – $12.50	$ 8.18

On June 30, 2019, our stock options had no intrinsic value since the closing price on that date of $0.37 per share was below the weighted average exercise price of our outstanding stock options.

At June 30, 2019, there was approximately $1,847,266 of unrecognized compensation cost related to share-based payments, which is expected to be recognized over a weighted average period of 1.4 years.

10. WARRANTS

During the three months ended June 30, 2019 and 2018, we did not issue any warrants.

A summary of warrant activity during the three months ended June 30, 2019 is presented below:

	Amount	Range of Exercise Price	Weighted Average Exercise Price
Warrants outstanding at March 31, 2019	5,144,875	$1.10 - $12.05	$ 2.54
Cancelled/Expired	(92,901)	$5.35 – $12.05	$ 6.94
Warrants outstanding at June 30, 2019	5,051,974	$1.10 – $8.35	$ 2.46
Warrants exercisable at June 30, 2019	5,051,974	$1.10 – $8.35	$ 2.46

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.

During the three months ended June 30, 2019, we recognized $30,000 in government contract revenue under this grant as a result of the work involved in one of the three technical objectives of the contract (Aim 2. "Elution of a population of breast cancer exosomes from Hemopurifier cartridges that bear the signatures of malignancy based on expression of CSPG4 and HER2, for triple-negative or HER2-overexpressing cancers, respectively").

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 three months ended June 30, 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 three months ended June 30, 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 Exosome Sciences, Inc., or 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:

	Three Months Ended June 30,	
	2019	2018
Revenues:		
Aethlon	$ 30,000	$ 149,625
ESI	–	–
Total Revenues	$ 30,000	$ 149,625
Operating Losses:		
Aethlon	$ (1,561,885)	$ (1,066,530)
ESI	(4,303)	(30,742)
Total Operating Loss	$ (1,566,188)	$ (1,097,272)
Net Losses:		
Aethlon	$ (2,062,981)	$ (1,121,634)
ESI	(4,303)	(30,742)
Net Loss Before Non-Controlling Interests	$ (2,067,284)	$ (1,152,376)
Cash:		
Aethlon	$ 2,492,170	$ 6,120,796
ESI	184	2,106
Total Cash	$ 2,492,354	$ 6,122,902
Total Assets:		
Aethlon	$ 2,932,721	$ 6,451,635
ESI	184	2,106
Total Assets	$ 2,932,905	$ 6,453,741
Capital Expenditures:		
Aethlon	$ 886	$ –
ESI	–	–
Capital Expenditures	$ 886	$ –
Depreciation and Amortization:		
Aethlon	$ 2,868	$ 8,109
ESI	–	–
Total Depreciation and Amortization	$ 2,868	$ 8,109
Interest Expense:		
Aethlon	$ (54,085)	$ (55,104)
ESI	–	–
Total Interest Expense	$ (54,085)	$ (55,104)

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, 2019 filed by us with the SEC on July 1, 2019.

LEASE COMMITMENTS

We currently lease approximately 2,600 square feet of executive office space at 9635 Granite Ridge Drive, Suite 100, San DiegoCalifornia 92123 under a 39-month gross plus utilities lease that commenced on December 1, 2014 and expires on August 31, 2021 the "Granite Ridge Lease." The current rental rate under the lease extension is $8,265 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 $40,000 and $50,000 for the three month periods ended June 30, 2019 and 2018, respectively.

Future minimum lease payments under the Granite Ridge Lease as of June 30, 2019, are as follows:

July 1, 2019 through March 31, 2020	$	74,386
April 1, 2020 through March 31, 2021		102,074
April 1, 2021 through August 31, 2021		43,670
Total future minimum lease payments		220,130
Less: discount		(9,794)
Total lease liability	$	210,336

On April 1, 2019, we recorded a lease liability and ROU lease asset for the Granite Ridge Lease based on the present value of lease payments over the expected remaining lease term of 2.2 years, discounted using our estimated incremental borrowing rate of 4%. For the three months ended June 30, 2019, amortization for the right-of-use lease asset was $22,725 and amortization for the lease liability was $22,064, which resulted in a net accretion of the right-of-use lease asset of $661 during the period (See Note 4).

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 June 30, 2019 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 July 2019, 42,875 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, 22,630 of the RSUs were cancelled and we issued a net 20,245 shares of common stock to our executives.

Payoff of Convertible Notes – In July 2019, we paid off the outstanding principal balance on our convertible notes and related accrued interest, in the aggregate amount of $903,944.

ATM Sales – In July 2019, we sold 570,006 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 $290,976 (after deducting $9,056 in commissions to H.C. Wainwright and $1,843 in other offering expenses), at an average price of $0.51 per share of net proceeds. In August 2019, we executed Amendment No. 1 to our Common Stock Sales Agreement to provide that references in that agreement to the Registration Statement shall refer to the registration statement on Form S-3 (File No. 333-231397), originally filed with the Securities and Exchange Commission on May 10, 2019, declared effective by the Securities and Exchange Commission on August 1, 2019.

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 our actual results, performance, or achievements 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, our ability to maintain our Nasdaq listing, U.S. Food and Drug Administration, 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, 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 substantial advance in the treatment of patients with advanced and metastatic cancer through the clearance of exosomes that promote the growth and spread of tumors through multiple mechanisms. We are currently preparing for the initiation of clinical trials in patients with advanced and metastatic cancers. We are initially focused on the treatment of solid tumors, including head and neck cancer, gastrointestinal cancers and other cancers. We are in active communication with FDA in preparation for the initiation of an early clinical trial in one of these areas.

In addition, we believe the Hemopurifier can be part of the treatment of life-threatening viruses that are not addressed with an already approved treatment. 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 an investigational device exemption (“IDE”) 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 also recently announced the execution of a cross-licensing and development agreement with SeaStar Medical, Inc., which will be focused on co-development of our Hemopurifier cartridge with SeaStar's proprietary cartridges and the development of a closed system for the Hemopurifier using the SeaStar pump and cassettes. This collaboration may allow the deployment of the Hemopurifier into settings that lack dialysis infrastructure, such as chemotherapy infusion centers and field operations for life threatening viral epidemics.

We are also the majority owner of Exosome Sciences, Inc., or 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 TauSomeTM biomarker candidate to diagnose chronic traumatic encephalopathy, or CTE, in the living. ESI previously documented TauSome levels in former NFL players to be nine times higher than same age-group control subjects. At Exosome Sciences we are also investigating diagnostic and prognostic exosomal biomarkers in cancer. We consolidate ESI'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 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 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 JUNE 30, 2019 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2018

Government Contract Revenues

We recorded government contract revenue in the three months ended June 30, 2019 and 2018. This revenue resulted from work performed under our two government contracts with the NIH as follows:

	Three Months Ended 6/30/19	Three Months Ended 6/30/18	Change in Dollars
Melanoma Cancer Contract	$ –	$ 149,625	$ (149,625)
Breast Cancer Grant	30,000	–	30,000
Total Government Contract and Grant Revenue	$ 30,000	$ 149,625	$ (119,625)

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, or 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.

During the three months ended June 30, 2019, we recognized $30,000 in government contract revenue under this grant as a result of the work involved in one of the three technical objectives of the contract: Aim 2. “Elution of a population of breast cancer exosomes from Hemopurifier cartridges that bear the signatures of malignancy based on expression of CSPG4 and HER2, for triple-negative or HER2-overexpressing cancers, respectively”.

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 three months ended June 30, 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; 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 three months ended June 30, 2018. The Melanoma Cancer Contract is now completed.

Operating Expenses

Consolidated operating expenses for the three months ended June 30, 2019 were $1,596,188, in comparison with $1,246,897 for the comparable period ended June 30, 2018. This increase of $349,291, or 28%, in 2019 was due to increases in general and administrative expenses of $187,718, professional fees of $158,143 and payroll and related expenses of $3,430.

The $187,718 increase in general and administrative expenses in 2019 was primarily due to the combination of a $119,528 increase in our clinical trial expense, primarily costs associated with the manufacturing of Hemopurifiers for an expected clinical trial in the cancer space, a $38,983 increase in our lab supplies expense, primarily related to our breast cancer grant and a $38,814 increase in travel expense.

The $158,143 increase in our professional fees in 2019 was primarily due to a $152,534 increase in our legal fees.

The $3,430 increase in payroll and related expenses was primarily due to a $63,374 increase in stock-based compensation, which was partially offset by a $59,944 reduction in our cash-based compensation expense.

Other Expense

Other expense during the three months ended June 30, 2019 consisted of interest expense and a loss on debt extinguishment and during the three months ended June 30, 2018, consisted of interest expense only. Other expense for the three months ended June 30, 2019 was $501,096, in comparison with other expense of $55,104 for the three months ended June 30, 2018.

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

	Three Months Ended 6/30/19	Three Months Ended 6/30/18	Change
Loss on Debt Extinguishment	$ 447,011	$ –	$ 447,011
Interest Expense	54,085	55,104	(1,019)
Total Other Expense	$ 501,096	$ 55,104	$ 445,992

Loss on Debt Extinguishment

During the three months ended June 30, 2019, we reduced the conversion price on our outstanding convertible notes from $3.00 per share to $0.68 per share. The modification of the convertible 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 $447,011.

Interest Expense

Interest expense was $54,085 for the three months ended June 30, 2019, and $55,104 for the three months ended June 30, 2018, a decrease of $1,019 in 2019. The various components of our interest expense are shown in the following table:

	Three Months Ended 6/30/19	Three Months Ended 6/30/18	Change
Interest Expense	$ 23,798	$ 24,817	$ (1,019)
Amortization of Note Discounts	30,287	30,287	–
Total Interest Expense	$ 54,085	$ 55,104	$ (1,019)

As noted in the above table, the $1,019 decrease in our interest expense was due to the decrease in our contractual interest expense due to a reduced principal balance in the June 2019 period compared to the June 2018 period as result of a partial principal payment in the June 2019 period.

Net Loss

As a result of the changes in revenues and expenses noted above, our net loss increased from approximately $1,146,000 in the three month period ended June 30, 2018 to $2,066,000 in the three month period ended June 30, 2018.

Basic and diluted loss attributable to common stockholders were ($0.11) for the three month period ended June 30, 2019, compared to ($0.06) for the three month period ended June 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2019, we had a cash balance of $2,492,354 and working capital of $846,614. This compares to a cash balance of $3,828,074 and working capital of $2,004,188 at March 31, 2019. 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.

Our primary source of capital during the three months ended June 30, 2019 was our Common Stock Sales Agreement with H.C. Wainwright & Co., LLC, or H.C. Wainwright. The cash raised from that activity is noted below:

Common Stock Sales Agreement with H.C. Wainwright

On June 28, 2016, we entered into a Common Stock Sales Agreement, or 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, referred to as 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 three months ended June 30, 2019, we raised aggregate net proceeds of $36,622, net of $1,141 in commissions to H.C. Wainwright and $266 in other offering expenses, under this Agreement through the sale of 46,300 shares at an average price of $0.79 per share of net proceeds.

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 three months ended	
	June 30, 2019	June 30, 2018
Cash used in:		
Operating activities	$ (1,248)	$ (818)
Investing activities	(1)	–
Financing activities	(87)	(33)
Net decrease in cash	$ (1,336)	$ (851)

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 $1,248,000 in the three month period ended June 30, 2019 compared to approximately $818,000 in the three month period ended June 30, 2018. The primary driver in this increase of approximately $430,000 in 2019 in cash used in operating activities was the $915,000 increase in our net loss which was partially offset by the non-cash debt extinguishment expense of approximately $447,000 and an increase in our non-cash stock-based compensation of approximately $63,000.

NET CASH USED IN INVESTING ACTIVITIES. We used approximately $1,000 of cash to purchase laboratory and office equipment in the three months ended June 30, 2019. We had no investing activities in the three months ended June 30, 2018.

NET CASH USED IN FINANCING ACTIVITIES. During the three months ended June 30, 2019, we raised approximately $37,000 from the issuance of common stock. That source of cash from our financing activities was more than offset by the use of $100,000 to partially pay down our convertible notes and the use of approximately $24,000 to pay for the tax withholding on restricted stock units for an aggregate use of cash in financing activities of approximately $87,000. During the three months ended June 30, 2018, we used approximately $33,000 to pay for the tax withholding on restricted stock units.

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

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, 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. These 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 estimates relate to revenue recognition, stock purchase warrants issued with notes payable, beneficial conversion feature of convertible notes payable, impairment of intangible assets and long lived assets, stock compensation, deferred tax asset valuation allowance, and contingencies.

There have been no changes to our critical accounting policies as disclosed in our Form 10-K for the year ended March 31, 2019 , except for the leases policy disclosed in Note 4 to the accompanying unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

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, 2019. 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, 2019, which could materially affect our business, financial position and results of operations.

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, or Nasdaq, such as the minimum stockholders' equity requirement or the minimum closing bid price requirement, Nasdaq may take steps to de-list our common stock. In May 2019, we received a letter from Nasdaq indicating that Nasdaq has determined that we have failed to comply with the minimum bid price requirement of Nasdaq Listing Rule 5550(a)(2). Nasdaq Listing Rule 5550(a)(2) requires that companies listed on the Nasdaq Capital Market maintain a minimum closing bid price of at least $1.00 per share. In July 2019, we received another letter from Nasdaq indicating that Nasdaq has determined that we have failed to comply with the minimum stockholder's equity requirement of Nasdaq Listing Rule 5550(b)(1). Nasdaq Listing Rule 5550(b)(1) requires that companies listed on the Nasdaq Capital Market maintain a minimum of $2,500,000 in stockholder's equity. If we fail to regain and maintain compliance with these, or any other of the continued listing requirements of The Nasdaq Capital Market, 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 in an effort to restore our compliance with Nasdaq's listing requirements, but any such action taken by us may not be successful.

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 June 30, 2019.

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	Strategic Joint Cross-Licensing Agreement, dated June 30, 2019, by and between the Registrant and SeaStar Medical, Inc.
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: August 14, 2019

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

EXHIBIT 10.1

STRATEGIC JOINT CROSS-LICENSING AGREEMENT

THIS STRATEGIC JOINT CROSS-LICENSING AGREEMENT ("**Agreement**") is by and between Aethlon Medical, Inc., a company organized and existing under the laws of NEVADA, having its principal place of business at 9635 Granite Ridge Drive, Suite 100, San Diego, CA 92123 (" **AETHLON**"); and SeaStar Medical, a company organized and existing under the laws of the DELAWARE, having its principal place of business at 2187 Newcastle Avenue, Suite 200, Cardiff-by-the-Sea, CA 92007 ("**SEASTAR**"). AETHLON and SEASTAR are referred to individually as a "Party" and collectively as the "Parties".

WHEREAS:

- AETHLON owns certain rights to single use disposable cartridges for blood circulatory equipment used in health care settings marketed under the Hemopurifier® name ("**Hemopurifier**"), including Intellectual Property embodied therein ("**AETHLON IP**");
- SEASTAR owns certain rights to medical cartridges, medical pump and cassette technology ("**CPC(s)**"), including Intellectual Property embodied therein ("**SEASTAR IP**");
- Subject to the terms herein, the Parties wish to jointly investigate and develop New Technology in the Field and Territory ("**Project**").

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements contained herein, the Parties hereby agree as follows:

1. **Definitions**. As used in this Agreement, the following terms, when capitalized, shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

   b) "**Affiliate**" means any Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, AETHLON or SEASTAR, as the case may be. As used in this definition, "control" means the possession of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of the outstanding voting securities or by contract or otherwise.

   c) "**Agreement**" has the meaning in the Preamble.

   d) "**Business Day**" means any day other than a Saturday, a Sunday or other day on which banks are not open for business in the United States.

   e) "**Confidential Information**" shall have the meaning set forth in Section 5.

   f) "**Effective Date**" means the date of execution of this Agreement.

   g) "**Field**" means any clinical indication where combined use of the Hemopurifier and CPCs may improve or expand indications for use including but not limited to infectious disease, oncology and organ preservation and transplant.

   i) "**Governmental Entity**" means any court of competent jurisdiction, legislature, governmental agency, administrative agency or commission or other governmental authority or instrumentality, U.S. or non-U.S.

   h) "**Intellectual Property**" or "**IP**" shall mean all intellectual, proprietary, intangible and/or industrial property rights constituting, embodied in, pertaining to, used in or with respect to any product, use thereof, therapy, protocol, or treatment, and all tangible embodiments thereof, wherever located, and including, but not limited to: (i) clinical trial data, information, documentation, registrations, applications and marketing approvals; (ii) patents and patent applications, patentable ideas, inventions, innovations, discoveries and improvements including but not limited to, developments intended to enhance the safety and/or efficacy of any product, use thereof, therapy, protocol, or treatment; (iii) trademarks, service marks, trade names, marketing strategies and similar marketing intangibles; (iv) know-how and trade secrets; (v) methodologies, processes, product information, formulae, specifications, technical data, testing procedures, techniques and other proprietary information and materials of any kind; and (vi) confidential and proprietary information related to any of (i) through (v) above.

i) "**Law**" means each provision of any currently existing federal, provincial, state, local or foreign law, statute, ordinance, order, code, rule or regulation, promulgated or issued by any Governmental Entity, as well as any judgments, decrees, injunctions or agreements issued or entered into by any Governmental Entity specifically with respect to AETHLON, SEASTAR and the New Technology.

j) "**New Technology**" means any technology and associated IP developed in furtherance of and for the Project that encompasses the combined use of the Hemopurifier and CPCs for any indication.

k) "**Original IP**" IP that a Party owns or controls which exists prior to the start of the Project.

l) "**Person**" means any individual, corporation, partnership, firm, joint venture, trust or other organization or entity (including any Governmental Entity).

m) "**Term**" means the period commencing on the Effective Date and ending three (3) years thereafter, unless terminated earlier, or extended, in accordance with the terms of this Agreement.

n) "**Territory**" means Worldwide.

o) "**Third Party**" means any entity other than SEASTAR and its Affiliates or AETHLON and its Affiliates.

2) LICENCES & RIGHTS

a) **License from AETHLON**. Subject to the terms of this Agreement, AETHLON hereby grants to SEASTAR, during the Term, a non-exclusive, royalty free, worldwide license to AETHLON IP in furtherance of and for the Project, for use in the development of New Technology with AETHLON;

b) **License from SEASTAR**. Subject to the terms of this Agreement, SEASTAR hereby grants to AETHLON, during the Term, a non-exclusive, royalty free, worldwide license to SEASTAR IP in furtherance of and for the Project, for use in the development of New Technology with SEASTAR;

c) **Severability**. All Licenses granted hereunder shall not be severable by way of any change in control or bankruptcy, liquidation, or administration of either Party, and subject to Section 8c, shall only be subject to termination by a Party in the event of material breach (not remedied within 60 (sixty) days of written request by the non-breaching party.

d) **Solely Developed IP**. For IP which is developed solely by one of the Parties in furtherance of and for the Project, said Party grants the other Party a perpetual, worldwide, paid-up non-exclusive license to said solely developed IP.

e) **New Product IP**. Any IP developed jointly by the Parties in furtherance of and for the Project shall be jointly owned by the Parties.

3) Products for Project. Each Party will provide respective products (Hemopurifiers by AETHLON, CPCs by SEASTAR), at a purchase price to be later agreed upon by the Parties in furtherance of and for the Project.

4) **Intellectual Property**

a) **New Product IP**. Any IP developed jointly by the Parties in furtherance of and for the Project shall be jointly owned by the Parties.

b) **Original IP**. Each Party will retain sole ownership of its respective IP existing prior to the start of the Project. The use by each respective Party of the other Party's IP is authorized only for the purposes herein set forth, except as otherwise stated, and upon expiration or termination of this Agreement for any reason, such authorization shall cease.

c) **Solely Developed IP**. For IP which is developed solely by one of the Party's in furtherance of and for the Project, said Party grants the other Party a perpetual, worldwide, paid-up non-exclusive license to said solely developed IP.

5) **Confidentiality**.

a) Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, the Parties agree that the receiving Party shall keep confidential the Confidential Information of the other Party. In maintaining the confidentiality of the Confidential Information of the other Party, each Party will treat such Confidential Information with the same degree of care as if it were its own confidential information (but under no circumstances less than reasonable care). Except as expressly permitted by this Agreement, a receiving Party will not use Confidential Information of the other Party for its own benefit or the benefit of any Third Party, and will not disclose Confidential Information to any Third Party, other than the receiving Party's Affiliates, employees, agents, contractors, or consultants who have a need to know the Confidential Information (and then, only to the extent necessary) in order to perform the receiving Party's obligations under this Agreement. The receiving Party will be responsible for the compliance of all Affiliates, employees, agents, contractors, and· consultants that are provided the Confidential Information of the disclosing Party with the obligations of this Section 5. For purposes of this Agreement, "Confidential Information" shall include any information of the other Party that the other regards as confidential or proprietary, including, but not limited to, commercial, financial, and technical information, substances, formulations, techniques, methodologies, customer or client lists, programs, procedures, data, documents, protocols, results of experimentation and testing, specifications, databases, business plans, trade secrets, budget forecasts, business arrangements, information regarding specific transactions, financial information and estimates, long-term plans and goals, information relating to the Products, Product Know-How (technical or otherwise), processes, customers, suppliers, pricing programs, and strategies, in each case except to the extent that it can be established by the receiving Party that such Confidential Information:

i) was already known to the receiving Party, other than under an obligation of confidentiality, at the time of disclosure by the other Party;

ii) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;

iii) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement;

iv) was disclosed to the receiving Party by a Third Party who had no obligation to the disclosing Party not to disclose such information to others; or

v) was independently discovered and/or developed by the receiving Party without use of or reference to the Confidential Information, as documented in its corporate records.

b) **Required Disclosure**. The receiving Party shall also be entitled to disclose the other Party's Confidential Information without the consent of the disclosing Party to the extent such Confidential Information is required to be disclosed (i) to or by any Governmental Entity; (ii) to comply with applicable Law (including, without limitation, to comply with Nasdaq Stock Exchange disclosure requirements), or (iii) to comply with judicial process or an order of any Governmental Entity; provided, however, that in each case the Party required to disclose such Confidential Information shall use reasonable efforts to notify the other Party in advance of such disclosure and shall provide the disclosing Party with reasonable assistance to obtain a protective order and/or confidential treatment of such Confidential Information, to the extent available, and thereafter shall only disclose the minimum Confidential Information required to be disclosed in order to ensure legal compliance.

c) **Injunctive Relief**. In the event of any breach or threatened breach of any provision of this Section 5, the non-breaching Party shall be entitled to injunctive or other equitable relief restraining such party from violating this Section 5. Such relief shall be in addition to and not in lieu of any other remedies that may be available, including an action for recovery of Losses.

d) **Publicity**. Either Party may publish information regarding this Agreement that it believes in good faith, and based upon legal advice, is required by applicable Law, including (i) Governmental Entities or (ii) Third Parties with the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed, so long as such disclosure is made under terms of confidentiality no less restrictive than the terms and conditions of this Agreement and so long as highly sensitive terms and conditions such as any financial terms are extracted from this Agreement or not disclosed upon the request of the other Party. All disclosures shall be factual and as brief as is reasonable under the circumstances. Upon request by either Party, the Parties agree to prepare a mutually agreed press release with respect to this Agreement. Each Party agrees that it will use reasonable efforts to cause all disclosures relating hereto to be consistent with such press release.

e) **Return of Confidential Information**. Upon the expiration or earlier termination of this Agreement, each Party shall return the Confidential Information of the other Party, or destroy such Confidential Information and certify such destruction to the disclosing Party.

6) REPRESENTATIONS AND WARRANTIES

a) AETHLON hereby represents and warrants to SEASTAR that it has the requisite power and authority to execute, deliver and perform its obligations under this Agreement.

b) SEASTAR hereby represents and warrants to AETHLON that it has the requisite power and authority to execute, deliver and perform its obligations under this Agreement.

c) IP Infringement.

i) AETHLON. To the best of AETHLON's knowledge, the Hemopurifier does not infringe on any Third Party IP.

ii) SEASTAR. To the best of SEASTAR's knowledge, the CPCs do not infringe on any Third Party IP.

d) Original IP Rights.

i) AETHLON. To the best of AETHLON's knowledge, AETHLON IP is valid and subsisting and is not in conflict with the IP rights of a Third Party.

ii) SEASTAR. To the best of SEASTAR's knowledge, SEASTAR IP is valid and subsisting and is not in conflict with the IP rights of a Third Party.

7) INDEMNIFICATION

a) **BY AETHLON**. AETHLON shall indemnify SEASTAR and its Affiliates and each of their respective officers, directors, employees, stockholders, agents and representatives ("SEASTAR indemnitees") against, and hold them harmless from, any loss, liability, claim, damage or expense (including reasonable legal fees and expenses) ("Losses"), as incurred (payable promptly upon written request), to the extent arising from:

i) any breach of any representation or warranty of AETHLON contained in this Agreement;

ii) any breach of any covenant or agreement of AETHLON contained in this Agreement;

iii) any claim brought against SEASTAR by any Governmental Entity alleging noncompliance with applicable Laws when such claims are caused by AETHLON's (or its employees, agents or subcontractors') failure to comply with such applicable Laws;

iv) any and all claims made by any Person or entity arising out of sales, marketing, distribution and sale of the Hemopurifier, where and to the extent such claims arise out of the fault or negligence of AETHLON or its employees, agents or subcontractors;

v) except to the extent such Losses are covered by the indemnity in clause 7b and except to the extent such Losses arise from any act or thing done by AETHLON prior to the Effective Date.

b) **BY SEASTAR**. SEASTAR shall indemnify AETHLON and its Affiliates and each of their respective officers, directors, employees, stockholders, agents and representatives ("AETHLON indemnitees") against, and hold them harmless from, any loss, liability, claim, damage or expense (including reasonable legal fees and expenses) ("Losses"), as incurred (payable promptly upon written request), to the extent arising from:

i) any breach of any representation or warranty of SEASTAR contained in this Agreement;

ii) any breach of any covenant or agreement of SEASTAR contained in this Agreement;

iii) any claim brought against AETHLON by any Governmental Entity alleging noncompliance with applicable Laws when such claims are caused by SEASTAR (or its employees, agents or subcontractors') failure to comply with such applicable Laws;

iv) any and all claims made by any Person or entity arising out of marketing, distribution and sale of the CPCs, where and to the extent such claims arise out of the fault or negligence of SEASTAR or its employees, agents or subcontractors;

v) except to the extent such Losses are covered by the indemnity in clause 7a and except to the extent such Losses arise from any act or thing done by AETHLON prior to the Effective Date.

8) MISCELLANEOUS

a) **Assignment**

i) SEASTAR may assign and/or novate as applicable any of its rights or obligations under this Agreement in the Territory to any of its Affiliates or to any sub-licensee or in connection with a sale of all or substantially all of the business, upon prior written approval of AETHLON, and SEASTAR bearing all costs of SEASTAR, AETHLON and any third party (including any regulatory costs) in relation to such assignment or novation;

ii) AETHLON may assign and/or novate as applicable any of its rights or obligations under this Agreement in the Territory to any of its Affiliates or to any sub-licensee or in connection with a sale of all or substantially all of the business, upon prior written approval of SEASTAR, and AETHLON bearing all costs of AETHLON, SEASTAR and any third party (including any regulatory costs) in relation to such assignment or novation;

iii) This Agreement shall be binding upon and inure to the benefit of the permitted assigns of the Parties. Any assignment not in accordance with this Agreement shall be void.

b) **Force Majeure**. Neither Party shall lose any rights hereunder or be liable to the other Party for damages or losses on account of failure of performance by the defaulting Party if the failure is occasioned by action of a Governmental Entity, war (declared or undeclared), fire, explosion, flood, strike or lockout of an industry wide nature, embargo, act of God or any other cause beyond the reasonable control, and not due to the fault or negligence of the non-performing Party; provided, that the Party claiming force majeure has extended all reasonable efforts to avoid or remedy such force majeure, continues to employ such efforts and promptly notifies the other Party of such force majeure event. Any Party claiming force majeure hereunder shall continue to perform such obligations as are not affected by such force majeure.

c) **Termination**. This Agreement and Licenses granted herein shall continue in full force and effect for the duration of the Term, unless terminated earlier in one of the following ways:

i) By SEASTAR in the event that AETHLON is in material breach of any provision of this Agreement which breach shall not have been cured within ninety (90) after SEASTAR shall have given AETHLON written notice of the same.

ii) By AETHLON in the event that SEASTAR is in material breach of any provision of this Agreement which breach shall not have been cured within ninety (90) after AETHLON shall have given SEASTAR written notice of the same.

iii) By SEASTAR at its election upon written notice to AETHLON if AETHLON becomes insolvent or admits in writing that it is unable to pay its debts as and when they become due, if an order is made or a resolution is passed for the winding up of AETHLON (other than voluntarily for the purpose of solvent amalgamation or reconstruction), or if a liquidator, administrator, administrative receiver, receiver or trustee is appointed in respect of the whole or any part of AETHLON's assets or business, or if AETHLON makes any composition with its creditors or as a result of debt and/or maladministration takes or suffers any similar or analogous action in consequence of debt;

iv) By AETHLON upon written notice to SEASTAR if SEASTAR becomes insolvent or admits in writing that it is unable to pay its debts as and when they become due, if an order is made or a resolution is passed for the winding up of SEASTAR (other than voluntarily for the purpose of solvent amalgamation or reconstruction), or if a liquidator, administrator, administrative receiver, receiver or trustee is appointed in respect of the whole or any part of SEASTAR' assets or business, or if SEASTAR makes any composition with its creditors or as a result of debt and/or maladministration takes or suffers any similar or analogous action in consequence of debt;

v) Upon mutual written consent of AETHLON and SEASTAR.

d) **Consequences of Termination**.

i) Each respective party shall pay any outstanding monies owed under the agreement within thirty (30) days after termination.

ii) Further to Sections 2 and 4, all rights granted by this Agreement, except as otherwise states, shall cease.

e) **Further Actions**. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be reasonably necessary or appropriate in order to carry out the purposes and intent of this Agreement.

f) **Notices**. All notices hereunder shall be in writing, effective upon receipt, and shall be delivered personally, mailed by registered or certified mail (return receipt requested, postage prepaid), or sent by express courier service, to the other Party at the following addresses (or at such other address for a Party as shall be specified by like notice):

i) If to AETHLON:

Aethlon Medical, Inc.
9635 Granite Ridge Drive, Suite 100
San Diego, CA 92123

Attn: James B. Frakes, CFO

ii) If to SEASTAR:

2187 Newcastle Ave.
Suite 200
Cardiff-by-the-Sea, CA
92007

Attn: Charles J. Fisher, Jr. M.D., CEO

g) **Waiver**. Except as specifically provided herein, the waiver from time to time by either of the Parties of any of their rights or their failure to exercise any right or remedy shall not operate or be construed as a continuing waiver of same or of any other of such Party's rights or remedies provided in this Agreement.

h) **Severability**. Each Party hereby agrees that it does not intend, by its execution hereof, to violate any public policies, statutory or common Laws, rules, regulations, treaties or decisions of any Governmental Entity or executive body thereof of any country or community or association of countries. Should one or more provisions of this Agreement be finally adjudicated invalid, the Parties hereto shall substitute, by mutual consent, valid provisions for such invalid provisions, which valid provisions in their economic and other effects are sufficiently similar to the invalid provisions that it can be reasonably assumed that the Parties would have entered into this Agreement with such valid provisions. In case such valid provisions cannot be agreed upon, the invalidity of one or several provisions of this Agreement shall not affect the validity of this Agreement as a whole or the validity of any portions hereof, unless the invalid provisions are of such essential importance to this Agreement that it is to be reasonably assumed that the Parties would not have entered into this Agreement without the invalid provision.

i) **Headings**. The section and sub-section headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of said sections, clauses or paragraphs.

j) **Counterparts**. This Agreement may be executed by the Parties in one or more counterparts. Such counterparts may be exchanged by facsimile (provided that each executed counterpart is transmitted in one complete transmission). Where there is an exchange of executed counterparts, each Party shall be bound by this Agreement notwithstanding that original copies of this Agreement may not be exchanged immediately. The Parties shall cooperate after execution of this Agreement and exchange by facsimile to ensure that each Party obtains an original executed copy of this Agreement.

k) **Entire Agreement**. This Agreement, including all or any schedules attached hereto, all documents and things incorporated herein by reference and all of the documents delivered concurrently herewith set forth all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto and supersedes and terminates all prior agreements and understandings between the Parties. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties with respect to the subject matter herein other than as set forth herein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties hereto unless reduced to writing and signed by the respective authorized officers of the Parties. This Agreement, including, without limitation, all or any schedules attached hereto, is intended to define the extent of the legally enforceable undertakings of the Parties hereto, and no promise or representation, either written or oral, that is not set out explicitly is intended by either Party to be legally binding. Each Party acknowledges that, in deciding to enter into this Agreement and to consummate the transactions contemplated herein, it has not relied upon any statements or representations, either written or oral, other than those explicitly set out herein.

l) **Expenses**. Except as otherwise specified in this Agreement, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses.

m) **Independent Contractors**. The status of the Parties under this Agreement shall be that of independent contractors. Neither Party shall have the right to enter into any agreements on behalf of the other Party, nor shall it represent to any person that it has any such right or authority. Nothing in this Agreement shall be construed as establishing a partnership or joint venture relationship between the Parties.

n) **Dispute Resolution**.

i) All disputes arising in connection with this Agreement shall be settled, if possible, by negotiation of the Parties. If the matter is not resolved by negotiations, either Party may, by giving written notice to the other Party, cause the matter to be referred to a meeting of appropriate higher management of the Parties. Such meeting shall be held within ten (10) Business Days following the giving of the written notice.

ii) If the matter is not resolved within twenty (20) Business Days after the date of the notice referring the matter to appropriate higher management, or such later date as may be mutually agreed upon by the Parties in writing, then it shall, upon the filing of a Request for Arbitration by either Party, be referred to and finally determined by arbitration in accordance with the WIPO Expedited Arbitration Rules.

iii) The arbitral tribunal shall consist of a sole arbitrator. The place of arbitration shall be San Diego, California. The language to be used in the arbitral proceedings shall be English.

iv) Notwithstanding the foregoing, each Party shall have the right at any time, at its option and where legally available, to commence an action or proceeding in a court of competent jurisdiction, subject to the terms of this Agreement, in order to seek and obtain a restraining order or injunction, but not monetary damages, to enforce any provisions of this Agreement.

v) Notwithstanding the existence of any dispute, the Parties shall continue to perform their respective obligations that are not in dispute under this Agreement unless the Parties otherwise mutually agree in writing.

o) **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of California, without regard to principles regarding the choice of law that may apply the laws of another jurisdiction.

[*the remainder of this page has been intentionally left blank*]

9) IN WITNESS WHEREOF, SEASTAR and AETHLON have caused this Agreement to be executed as of the Effective Date by their respective duly authorized representatives.

By AETHLON:

/s/ Timothy C. Rodell
Signature

Timothy C. Rodell, M.D., Chief Executive Officer

30 June 2019
Date

By SEASTAR:

/s/ Charles J. Fisher
Signature

Charles J. Fisher, Jr. M.D., Chief Executive Officer

30 June 2019
Date

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: August 14, 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: August 14, 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 three-month period ended June 30, 2019 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: August 14, 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 three-month period ended June 30, 2019 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: August 14, 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.