

AETHLON MEDICAL INC  
Form DEF 14A  
February 16, 2018

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Definitive Proxy Statement

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**AETHLON MEDICAL, INC.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**AETHLON MEDICAL, INC.**

**9635 GRANITE RIDGE DRIVE, SUITE 100**

**SAN DIEGO, CA 92123**

**(858) 459-7800**

**February 16, 2018**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To Our Stockholders:

An Annual Meeting of Stockholders of Aethlon Medical, Inc. will be held on Wednesday, March 28, 2018, at 1:00 pm, Pacific Time, at San Diego Marriott Mission Valley, 8757 Rio San Diego Dr., San Diego, CA 92108, for the following purposes:

- (1) To elect six persons named in the Proxy Statement that accompanies this notice to serve as directors of our company (Proposal No. 1);
- (2) To ratify the appointment of Squar Milner LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2018 (Proposal No. 2);
- (3) To conduct an advisory, non-binding vote on our executive compensation (Proposal No. 3); and
- (4) To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Stockholders of record at the close of business on February 16, 2018 will be entitled to notice of and to vote at the Annual Meeting and at any continuation or adjournment thereof.

BECAUSE OF THE SIGNIFICANCE OF THESE PROPOSALS TO US AND OUR STOCKHOLDERS, IT IS VITAL THAT EVERY STOCKHOLDER VOTES AT THE ANNUAL MEETING IN PERSON OR BY PROXY.

We have fully set forth the proposals in the accompanying Proxy Statement, which you are urged to read thoroughly. For the reasons set forth in the Proxy Statement, the Board of Directors recommends a vote "FOR" Proposals 1, 2 and 3.

We cordially invite all stockholders to attend the Annual Meeting in person. Your vote is important. **Please fill in, date, sign and return the enclosed proxy in the return envelope provided as promptly as possible, whether or not you plan to attend the Annual Meeting.** Your promptness in returning the proxy will assist in the expeditious and orderly processing of the proxies and will assist in ensuring that a quorum is present or represented at the meeting. Even though you return your proxy, you may nevertheless attend the meeting and vote your shares in person if you wish. If you want to revoke your proxy at a later time for any reason, you may do so in the manner described in the attached Proxy Statement.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting**

**to Be Held on March 28, 2018:**

**The proxy materials are available at [www.icommaterials.com/aethlon](http://www.icommaterials.com/aethlon).**

By Order of the Board of Directors

/s/ James A. Joyce  
James A. Joyce, Chief Executive Officer and Director

**AETHLON MEDICAL, INC.**

**9635 GRANITE RIDGE DRIVE, SUITE 100**

**SAN DIEGO, CA 92123**

**(858) 459-7800**

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**PROXY STATEMENT**

**FOR ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MARCH 28, 2018**

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**VOTING AND PROXY**

We are furnishing this statement in connection with the solicitation by our Board of Directors of proxies to be used at the Annual Meeting of Stockholders to be held on Wednesday, March 28, 2018, at 1:00 pm, Pacific Time, at San Diego Marriott Mission Valley, 8757 Rio San Diego Dr., San Diego, CA 92108, and at any meeting following adjournment thereof.

We are mailing the Notice of Annual Meeting, this Proxy Statement and the accompanying proxy card to stockholders on or about February 20, 2018.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on March 28, 2018: The proxy materials are available at [www.icommaterials.com/aethlon](http://www.icommaterials.com/aethlon).**

***What is the purpose of the Annual Meeting?***

At the meeting, our stockholders will vote to elect six directors to our Board of Directors, and to ratify the appointment of Squar Milner LLP as our independent auditors for the fiscal year ending March 31, 2018. Our stockholders also will conduct a non-binding vote on our executive compensation and will vote on any other business to properly come before the meeting.

***Who is entitled to vote at the Annual Meeting?***

Stockholders of record at the close of business on February 16, 2018, the record date, are entitled to receive notice of and to vote at the meeting. Each share of our common stock outstanding at the close of business on the record date will be entitled to one vote on all matters properly submitted to a vote at the meeting. As of the record date, there were 16,700,713 shares of common stock outstanding. If you were a stockholder of record of common stock on the record date, you will be entitled to vote all of the shares of common stock that you held on that date at the meeting or any postponements or adjournments of the meeting. Stockholders who own shares registered in different names or at different addresses may receive more than one proxy card. You must sign each of the proxy cards received to ensure that all of the shares you own are represented at the meeting.

***Why is the Board of Directors soliciting proxies?***

As many of our stockholders may be unable to attend the meeting in person, our Board of Directors is soliciting the enclosed proxy so that each stockholder is given an opportunity to vote. The proxy enables each stockholder to vote via proxy on all matters that are scheduled to come before the meeting. When we have timely received a properly executed proxy card, the stockholder's shares will be voted at the meeting according to the stockholder's directions. We urge stockholders to specify their choices by marking the appropriate boxes on the enclosed proxy card.

***What constitutes a quorum?***

Stockholders representing not less than thirty-three and one-third percent (33 1/3%) of our issued and outstanding common stock, present in person or represented by proxy at the meeting, constitute a quorum. Votes cast by proxy or in person at the meeting will be tabulated by the Inspector of Elections in conjunction with information received from our transfer agent. The Inspector of Elections also will determine whether or not a quorum is present.



Shares that abstain from voting as to a proposal, and shares held in “street name” by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a proposal (“broker non-votes”), will be counted for purposes of determining whether a quorum is present at the meeting.

***What vote is required to elect the nominees to the Board of Directors?***

The affirmative vote of shares representing a majority of a quorum present at the meeting is required to elect each nominee to our Board of Directors.

***What vote is required to ratify the appointment of the independent auditors?***

Ratification of the appointment of Squar Milner LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2018, will be approved if more votes are cast in favor of this proposal than are cast against it.

***What vote is required in connection with the advisory, non-binding votes regarding the compensation of executive officers and the frequency of future advisory votes on such executive compensation when such votes are set forth in a proxy statement?***

The advisory votes on executive compensation and on the frequency of future advisory votes on such compensation will not be binding on us or our Board of Directors. However, our Compensation Committee will take into account the outcome of the stockholder votes on these proposals at the Annual Meeting when considering future executive compensation arrangements. In addition, your non-binding advisory votes will not be construed (1) as overruling any decision by the Board of Directors, any Board committee or us relating to the compensation of the named executive officers or (2) as creating or changing any fiduciary duties or other duties on the part of the Board of Directors, any Board committee or us.

***How do I vote?***

We are offering you two methods of voting your shares:

You may indicate your vote on the enclosed proxy card, sign and date the card, and return it in the enclosed prepaid envelope; or

You may attend the meeting and vote in person.

***How will my shares be voted if I return my proxy card?***

All shares entitled to vote and represented by properly executed proxies received prior to the meeting, and not revoked, will be voted as instructed on those proxies. If no instructions are indicated, the shares will be voted as recommended by the Board of Directors.

If any other matters are properly presented at the meeting for consideration, the persons named in the enclosed form of proxy and acting thereunder will have discretion to vote on those matters in accordance with their own judgment to the same extent as the person signing the proxy would be entitled to vote. We do not anticipate that any other matters will be raised at the meeting.

***May I change my vote after I return my proxy card?***

Any proxy may be revoked at any time before it is voted at the meeting by (i) filing with our Secretary, at or before the taking of the vote at the meeting, a written notice of revocation or duly executed proxy, in either case dated later than the prior proxy relating to the same shares or (ii) attending the meeting and voting in person (although attendance at the meeting will not of itself revoke a proxy). Any written notice of revocation or subsequent proxy should be sent so as to be delivered to our principal executive offices at Aethlon Medical, Inc., 9635 Granite Ridge Drive, Suite 100, San Diego, California 92123, Attention: Secretary, or hand delivered to the Secretary, before the taking of the vote at the meeting.

***Who will bear the costs of this solicitation?***

This Proxy Statement is being delivered to you on our behalf. We are bearing the expenses of preparing, printing, web hosting and mailing this Proxy Statement and other proxy materials and all other expenses of soliciting proxies. In addition, our directors, officers and employees may solicit proxies by personal interview, mail, telephone, facsimile, internet or other means of electronic transmission, although they will receive no additional compensation for such solicitation.



*Where can I find the proxy materials for the meeting on the internet?*

Stockholders may access the following proxy materials at [www.icommaterials.com/aethlon](http://www.icommaterials.com/aethlon): our Notice of Annual Meeting of Stockholders, Proxy Statement, Annual Report on Form 10-K and proxy card.

*How are proxy materials delivered to households?*

We will deliver only one Proxy Statement, annual report to stockholders or Notice of Internet Availability of Proxy Materials, as applicable, to multiple stockholders sharing an address unless we have received contrary instructions from one or more of the stockholders. We will promptly deliver a separate copy of this Proxy Statement, the annual report to stockholders or the Notice of Internet Availability of Proxy Materials, as applicable, to a stockholder at a shared address to which a single copy of any such document was delivered upon oral or written request to:

Aethlon Medical, Inc.

Attn: Secretary

9635 Granite Ridge Drive, Suite 100

San Diego, California 92123

Telephone No.: (858) 459-7800

A stockholder may notify us at the above address or phone number that such stockholder wishes to receive a separate proxy statement, annual report to stockholders or Notice of Internet Availability of Proxy Materials, as applicable, in the future. Stockholders sharing an address may direct to us at the above address or phone number requests for delivery of a single copy of annual reports to stockholders, proxy statements or Notices of Internet Availability of Proxy Materials if they are receiving multiple copies of such documents.



**INFORMATION ABOUT STOCK OWNERSHIP****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information as of February 16, 2018, with respect to the ownership of our common stock, by (i) each person known by us to be the beneficial owner of more than five percent (5%) of the outstanding shares of each class of our capital stock, (ii) each of our directors and director nominees, (iii) each of our named executive officers and (iv) all of our executive officers and directors as a group. The term "executive officer" is defined as the President/Chief Executive Officer, Secretary, Chief Financial Officer/Treasurer, any vice-president in charge of a principal business function (such as administration or finance), or any other person who performs similar policy-making functions for us. Except where otherwise noted, we believe that each individual or entity named has sole investment and voting power with respect to shares of common stock indicated as beneficially owned by such person, subject to community property laws where applicable.

NAME AND ADDRESS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (1) (2)	PERCENT OF BENEFICIAL OWNERSHIP
James A. Joyce, Chief Executive Officer and Director 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	392,076 shares (3)	2.32%
Rodney S. Kenley, President and Director 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	52,193 shares (4)	*
James B. Frakes, Chief Financial Officer 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	40,048 shares (5)	*
Charles J. Fisher, Jr., MD, Chairman and Director 9635 Granite Ridge Drive, Suite 100, San Diego, CA 92123	31,914 shares (6)	*
Edward G. Broenniman, Director 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	80,655 shares (7)	*
Chetan Shah, MD, Director 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	442,862 shares (8)	2.63%
Sabrina Martucci Johnson, Director 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	40,650 (9)	*
Intracoastal Capital, LLC (11) 245 Palm Trail	909,090 warrants (10)	5.16%

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Delray Beach, Florida 33483

Sachs Investment Group, LLC (11)

1346 S. Third St., Louisville, KY 40208 1,908,113 shares

11.42%

All Current Directors and Executive

Officers as a Group (7 members) 1,134,641 shares

6.58%

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\*Less than 1%

(1)Based on 16,705,326 shares of common stock outstanding on our transfer records as of February 15, 2018

Calculated pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934. Under Rule 13d-3(d)(1), shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable by a person within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person (2) but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed.

Except where otherwise noted, we believe that each individual or entity named has sole investment and voting power with respect to the shares of common stock indicated as beneficially owned by such person, subject to community property laws, where applicable.

(3) Includes 90,000 stock options exercisable at \$12.50 per share, 40,000 stock options exercisable at \$5.00 per share and 30,000 stock options exercisable at \$9.50 per share. Also includes shares underlying 19,079 restricted stock units that will vest and issue within 60 days of February 15, 2018.

(4) Includes 20,000 stock options exercisable at \$12.50 per share, 10,000 stock options exercisable at \$5.00 per share and 5,000 stock options exercisable at \$9.50 per share. Also includes shares underlying 1,596 restricted stock units that will vest and issue within 60 days of February 15, 2018.

(5) Includes 10,000 stock options exercisable at \$12.50 per share, 10,000 stock options exercisable at \$5.00 per share and 5,000 stock options exercisable at \$9.50 per share. Also includes shares underlying 1,393 restricted stock units that will vest and issue within 60 days of February 15, 2018.

(6) Includes shares underlying 15,957 restricted stock units which vest within 60 days of February 15, 2018.

(7) Includes 10,000 stock options exercisable at \$20.50 per share, 12,000 stock options exercisable at \$12.50 per share, 9,211 stock options exercisable at \$3.80 per share, 8,537 stock options exercisable at \$4.10 per share and 3,684 stock options exercisable at \$9.50 per share. Also includes shares underlying 18,617 restricted stock units that will vest and issue within 60 days of February 15, 2018.

(8) Includes warrants to purchase 109,322 shares of common stock at exercise prices ranging from \$4.65 per share to \$6.60 per share, 7,521 stock options exercisable at \$4.10 per share and 3,684 stock options exercisable at \$9.50 per share, and 18,617 shares underlying restricted stock units that will vest and issue within 60 days of February 15, 2018.

(9) Includes shares underlying 40,650 restricted stock units which vest within 60 days of February 15, 2018.

(10) Includes shares of stock issued to Intracoastal as the result of an October 2, 2017 purchase of common stock and warrants of the issuer by Intracoastal. The foregoing excludes 824,721 shares of Common Stock issuable upon exercise of the Intracoastal Warrant because the Intracoastal Warrant contains a blocker provision under which the holder thereof does not have the right to exercise the Intracoastal Warrant to the extent that such exercise would result in beneficial ownership by the holder thereof, together with the holder's affiliates and any other

persons acting as a group together with the holder or any of the holder's affiliates, of more than 9.99% of the Common Stock. Mitchell P. Kopin ("Mr. Kopin") and Daniel B. Asher ("Mr. Asher"), each of whom are managers of Intracoastal Capital LLC ("Intracoastal"), have shared voting control and investment discretion over the securities reported herein that are held by Intracoastal. As a result, each of Mr. Kopin and Mr. Asher may be deemed to have beneficial ownership (as determined under Section 13(d) of the Exchange Act of the securities reported herein that are held by Intracoastal. Mr. Asher, who is a manager of Intracoastal, is also a control person of a broker-dealer. As a result of such common control, Intracoastal may be deemed to be an affiliate of a broker-dealer. Intracoastal acquired the Common Stock being registered hereunder in the ordinary course of business, and at the time of the acquisition of the Common Stock and Warrants described herein, Intracoastal did not have any arrangements or understandings with any person to distribute such securities.

(11) More-than-5% stockholder.

\* Less than 1%

**INFORMATION ABOUT OUR BOARD OF DIRECTORS AND EXECUTIVE OFFICERS**

The names, ages and positions of our directors and executive officers as of February 16, 2018 are listed below:

NAMES	TITLE OR POSITION (6)	AGE
James A. Joyce (1)	Chief Executive Officer and Secretary	55
Charles J. Fisher, Jr. (4)	Chairman and Director	71
Rodney S. Kenley (2)	President and Director	67
James B. Frakes (3)	Chief Financial Officer and Senior Vice President – Finance	61
Sabrina Martucci Johnson (5)	Director	51
Edward G. Broenniman	Director	81
Chetan S. Shah, MD	Director	49

(1) Effective June 1, 2001, Mr. Joyce was appointed our President and Chief Executive Officer. Mr. Joyce resigned from the position of President upon the appointment of Mr. Kenley to such position on October 27, 2010 and as Chairman upon the appointment of Dr. Fisher to such position as of November 27, 2017.

(2) Effective October 27, 2010, Mr. Kenley was appointed as our President.

(3) Effective September 27, 2010, Mr. Frakes was appointed as our Chief Financial Officer.

(4) Charles J. Fisher, Jr., M.D. was appointed to our Board on November 6, 2017 and was appointed as our new Chairman on November 27, 2017.

(5) Ms. Johnson was appointed to our Board on January 4, 2018.

(6) The Board has determined that Mr. Broenniman, Drs. Fisher and Shah and Ms. Johnson meet the requirements to be determined as “independent directors” for all purposes, including compensation committee and audit committee purposes, under the NASDAQ rules and for federal securities law purposes. Messrs. Joyce and Kenley are not independent as they also function as our executive officers.

Certain additional information concerning the individuals named above is set forth below. This information is based on information furnished us by each individual noted.

***James A. Joyce, Chief Executive Officer and Secretary***

Mr. Joyce is the founder of Aethlon Medical, Inc. and had been the Chairman of the Board and Secretary since March 1999 and resigned as Chairman in November 2017 upon appointment of Dr. Fisher to the position. On June 1, 2001, our Board of Directors appointed Mr. Joyce to the additional role of Chief Executive Officer. Mr. Joyce also serves as the Executive Chairman of Exosome Sciences, Inc. In 1992, Mr. Joyce founded and was the sole stockholder of James Joyce & Associates, an organization that provided management consulting and corporate finance advisory services to CEOs and CFOs of publicly traded companies. Previously, from 1989 to 1991, Mr. Joyce was Chairman and Chief Executive Officer of Mission Labs, Inc. Prior to that Mr. Joyce was a principal in charge of U.S. operations for London Zurich Securities, Inc. Mr. Joyce is a graduate of the University of Maryland. We believe that Mr. Joyce is qualified to serve as our director because of his role in founding our company and his prior experience, including his experience in the extracorporeal industry and in the financial markets.

***Charles J. Fisher, Jr., M.D., Chairman and Director***

Dr. Fisher has been Executive Chairman of CytoPherx, Inc. since 2013 and CEO of Margaux Biologics, Inc. since 2010. Prior to founding Margaux Biologics, he was Chief Medical Officer and Executive Vice President of Cardiome Pharma Corp. from 2005 to 2010 where he led the team that invented, developed, registered vernakalant, a novel, first in class, multi-ion channel drug for atrial fibrillation (Brinavess). Dr. Fisher served as Head, Section of Critical Care Medicine at The Cleveland Clinic Foundation, and has held Professor, Division Chief and Director positions at the University of California at Davis Medical Center, Case Western Reserve University and The Cleveland Clinic Foundation. His research in sepsis, inflammation, host defense and endothelial dysfunction led to his recruitment to Eli Lilly & Co., where he led the Xigris (activated Protein C) Global Product Team and successfully registered the first drug approved for the treatment of sepsis. Previously, he was Vice President for Global Pharmaceutical Development at Abbott Laboratories where, among other accomplishments, he guided the registration of Humira. Additionally, Fisher is a multi-tour combat veteran, with extensive military experience in Special Operations. He has served as a member of the Defense Science Research Council and on DARPA panels, including one focused on universal host defense. We believe Dr. Fisher is qualified to serve as our director because of his strong background and experience in the life sciences industry and with public companies.



***Rodney S. Kenley, President and Director***

Mr. Kenley has been President and a Director since October 2010. He has 38 years of experience in healthcare, most of which have been spent in the extracorporeal blood purification arena. Mr. Kenley held several positions at Baxter Healthcare (Travenol) from 1977 through 1990 including International Marketing Manager, Business Unit Manager for Peritoneal and Hemodialysis products, Manager of New Business Development, Director of Worldwide Product Planning, Director of Advanced Product Development, and VP of Electronic Drug Infusion. Mr. Kenley founded Aksys Ltd. in January 1991 to develop and commercialize his concept of a daily home hemodialysis system which was commercially launched in 2002 as the PHD system. In 2004, Mr. Kenley initiated the development of a second-generation home hemodialysis system in partnership with DEKA Research & Development Corporation in Manchester, New Hampshire. In 2007, the assets of Aksys Ltd. were acquired by DEKA, where Mr. Kenley was employed prior to joining Aethlon Medical, Inc. Mr. Kenley received his Bachelor of Arts degree in Biology and Chemistry from Wabash College, a Master's of Science degree in Molecular Biology from Northwestern University and a Masters of Management from the Kellogg School of Management, also at Northwestern University. We believe that Mr. Kenley is qualified to serve as our director as a result of his experience in developing extracorporeal blood purification products.

***James B. Frakes, Chief Financial Officer and Senior Vice President – Finance***

Mr. Frakes joined Aethlon Medical, Inc. in January 2008 and brought 16 consecutive years of financial responsibility for publicly traded companies, as well as specific knowledge and experience in equity and debt transactions, acquisitions, public reporting and Sarbanes-Oxley Section 404 internal control requirements. Mr. Frakes also serves as the Chief Financial Officer of Exosome Sciences, Inc. He previously served as the CFO for Left Behind Games Inc., a start-up video game company. Prior to 2006, he served as CFO of NTN Buzztime, Inc., an interactive entertainment company. Mr. Frakes received an MBA from the University of Southern California and completed his BA with Honors at Stanford University.

***Sabrina Martucci Johnson, Director***

Ms. Johnson founded Daré Science Operations, Inc. in 2015 and has served as President, CEO and a member of the Board of Directors since its inception. This company was acquired through a reverse merger by Cerulean Pharma Inc. on July 19, 2017, and Ms. Johnson assumed the roles of President, CEO and a member of the Board of Directors of the renamed company, Daré Bioscience, Inc. Prior to founding Daré, Ms. Johnson was President of WomanCare Global Trading, a specialty pharmaceutical company in female reproductive healthcare with commercial product distribution in over 100 countries, from October of 2014 to May of 2015. Before serving as President of WomanCare Global Trading, Ms. Johnson provided financial consulting services to the WomanCare Global family of companies, including the for-profit Trading division as well as the United Kingdom-based non-profit division, from November of

2012 to July of 2013, when she joined full time as WomanCare's Chief Financial Officer and Chief Operating Officer until becoming President of the Trading division. In addition, Ms. Johnson served as Chief Operating Officer and Chief Financial Officer of Cypress Bioscience, Inc. until its sale in 2010. Ms. Johnson also held marketing and sales positions with Advanced Tissue Sciences and Clonetics Corporation. She began her career in the biotechnology industry as a research scientist with Baxter Healthcare, Hyland Division, working on their recombinant factor VIII program. Ms. Johnson currently serves on the YWCA of San Diego County Board of Directors as Past President, PPPSW Board of Directors, Athena San Diego Board of Directors as Vice Chair, Tulane University School of Science & Engineering Board of Advisors, University of California San Diego (UCSD) Librarian's Advisory Board as Chair and Project Concern International Audit Committee. Ms. Johnson is also Immediate Past Co-President of Women Give San Diego, which funds non-profit organizations serving women and girls in San Diego. She holds an MIM from the American Graduate School of International Management (Thunderbird) with honors, a MSc. in Biochemical Engineering from the University of London, University College London, and a BSc. in Biomedical Engineering from Tulane University, where she graduated magna cum laude. We believe Ms. Johnson is qualified to serve as our director due to her public company and life sciences background.

***Edward G. Broenniman, Director***

Mr. Broenniman became a director of Aethlon Medical, Inc. in March 1999. He has been the Managing Director of The Piedmont Group, LLC, a venture advisory firm, since 1978. Mr. Broenniman recently served on the Board of Directors of publicly traded QuesTech (acquired by CACI International), and currently serves on the Boards of two privately held firms. His nonprofit Boards are the Dingman Center for Entrepreneurship's Board of Advisors at the University of Maryland, the National Association of Corporate Directors, National Capital Chapter (Founder, Chair from 2003 to 2005 and Director from 2001 to 2014) and the Board of the Association for Corporate Growth, National Capital Chapter. We believe that Mr. Broenniman is qualified to serve as our director because of his extensive management experience.

*Chetan S. Shah, MD, Director*

Dr. Shah became a director of Aethlon Medical, Inc. in June 2013. Dr. Shah is a board certified Otolaryngologist. He is an Advisory Board Member at The Bank of Princeton, and a partner and Board member of the Surgery Center at Hamilton as well as Physician Management Systems and Princeton Eye & Ear, which he founded in 2009. Dr. Shah serves on the board of two other private companies. He holds teaching positions and serves on multiple hospital committees in the area and is on the Audiology and Speech Language Pathology Committee for the State of New Jersey. He also is a member of the Board of Medical Examiners for the State of New Jersey. Dr. Shah received his Bachelor's degree and Medical Degree from Rutgers University and Robert Wood Johnson Medical School. We believe that Dr. Shah is qualified to serve as our director because of his medical background as both a board certified Otolaryngologist and a member of various medical boards and hospital committees in New Jersey.

**Board of Directors**

Our Board of Directors has the responsibility for establishing broad corporate policies and for overseeing our overall performance. Members of the Board of Directors are kept informed of our business activities through discussions with the Chief Executive Officer, President and other officers, by reviewing analyses and reports sent to them, and by participating in Board and committee meetings. Dr. Fisher serves as Chairman of the Board and Mr. Joyce as our Chief Executive Officer, and we have not designated a lead independent director. We believe that having the offices of Chairman of the Board and Chief Executive Officer held by two different people is appropriate for a company of our size and stage of development in order to maximize efficiencies of our limited available personnel resources. Our bylaws provide that each of the directors serves for a term that extends to our next annual meeting of stockholders. Our Board of Directors presently has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, on each of which Mr. Broenniman and Dr. Shah serve as independent directors. Dr. Fisher and Ms. Johnson also serve on our Audit Committee as independent directors. Mr. Broenniman is Chairman of the Audit Committee, Dr. Shah is Chairman of the Compensation Committee and Mr. Broenniman is the Chairman of the Nominating and Corporate Governance Committee.

Our Board of Directors believes that sound governance practices and policies provide an important framework to assist them in fulfilling their duty to stockholders. Our Board of Directors has implemented separate committees for the areas of audit, compensation and nomination of directors, annual review of the independence of our Audit and Compensation Committee members, maintenance of a majority of independent directors, and written expectations of management and directors, among other best practices.

Our Board of Directors has adopted a Code of Business Conduct and Ethics, which has been distributed to all directors, officers, and employees. The Code of Business Conduct and Ethics contains a number of provisions that apply principally to our Chief Executive Officer, Chief Financial Officer and other key personnel. A copy of our Code

of Business Conduct and Ethics can be found under the “Investor Relations – Corporate Governance” section of our website at [www.aethlonmedical.com](http://www.aethlonmedical.com). We intend to disclose future amendments to certain provisions of our Code of Business Conduct and Ethics, or waivers of such provisions, applicable to our directors and executive officers, at the same location on our website identified above. The inclusion of our website address in this Proxy Statement does not include or incorporate by reference the information on our website into this Proxy Statement.

Our Board of Directors has determined that four of our current directors meet the independence requirements of the Nasdaq Capital Market, on which our common stock is listed. In the judgment of the Board of Directors, Mr. Joyce and Mr. Kenley do not meet such independence standards. In reaching its conclusions, the Board of Directors considered all relevant facts and circumstances with respect to any direct or indirect relationships between our company and each of the directors, including those discussed under the caption “Certain Relationships and Related Transactions and Director Independence” below. Our Board of Directors determined that any relationships that exist or existed in the past between our company and each of the independent directors were immaterial on the basis of the information set forth in the above-referenced sections.

The Board of Directors currently has three standing committees: the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. These committees are responsible to the full board.

In July 2012, our Board of Directors approved a board compensation program that modified and superseded the 2005 Directors Compensation Program, which was previously in effect. Under the 2012 program, in which only non-employee directors may participate, an eligible director will receive a grant of \$35,000 worth of ten-year options to acquire shares of common stock, with such grant being valued at the exercise price based on the average of the closing bid prices of the common stock for the five trading days preceding the first day of the fiscal year. In addition, under this program, eligible directors will receive cash compensation equal to \$500 for each committee meeting attended and \$1,000 for each formal board meeting attended.

At March 31, 2017, we had issued 26,757 options under the 2005 program to outside directors and 79,309 options to employee-directors, 21,756 outside directors' options had been forfeited, 5,000 outside directors' options had been exercised, 79,309 employee-directors' options had been forfeited and no options under the 2005 program remained outstanding. There were no issuances of stock options to our outside directors in the fiscal years ended March 31, 2016 and 2017.

On June 6, 2014, our Board of Directors approved certain changes to the 2012 program. Under this modified program, a new eligible director will receive an initial grant of \$50,000 worth of options to acquire shares of common stock, with such grant being valued at the exercise price based on the average of the closing bid prices of the common stock for the five trading days preceding the first day of the fiscal year. These options will have a term of ten years and will vest 1/3 upon grant and 1/3 upon each of the first two anniversaries of the date of grant. In addition, at the beginning of each fiscal year, each existing director eligible to participate in the modified 2012 program also will receive a grant of \$35,000 worth of options valued at the exercise price based on the average of the closing bid prices of the common stock for the five trading days preceding the first day of the fiscal year. Such options will vest on the first anniversary of the date of grant. In lieu of per meeting fees, eligible directors will receive an annual board retainer fee of \$30,000. The modified 2012 program also provides for the following annual retainer fees: Audit Committee Chair - \$5,000, Compensation Committee chair - \$5,000, Nominating Committee chair - \$5,000, Audit Committee member - \$4,000, Compensation Committee member - \$4,000, Nominating Committee member - \$4,000 and lead independent director - \$15,000.

On August 9, 2016, the Board approved further modifications to the program. Under the modified 2012 Program, in which only non-employee directors may participate, a new eligible director will receive an initial grant of \$50,000 worth of RSUs or, at the discretion of the Board, options to acquire shares of Common Stock. RSUs granted under this provision will be valued based on the average of the closing prices of the Common Stock for the five trading days preceding and including the date of grant and will vest at a rate determined by the Board in its discretion. Options granted under this provision will be valued at the exercise price, which will be based on the average of the closing prices of the Common Stock for the five trading days preceding and including the date of grant. Such options will have a term of ten years and will vest at a rate determined by the Board in its discretion.

At the beginning of each fiscal year, each existing director eligible to participate in the 2012 Program will receive a grant of \$35,000 worth of RSUs or, at the discretion of the Board, options to acquire shares of Common Stock. RSUs

granted under this provision will be valued based on the average of the closing prices of the Common Stock for the five trading days preceding and including the first day of the fiscal year (or preceding and including the date of grant, if such grant is not made on the first day of the fiscal year) and will vest at a rate determined by the Board in its discretion. Options granted under this provision will be valued at the exercise price, which will be based on the average of the closing prices of the Common Stock for the five trading days preceding and including the first day of the fiscal year (or preceding and including the date of grant, if such grant is not made on the first day of the fiscal year). Such options will have a term of ten years and will vest at a rate determined by the Board in its discretion.

The RSU grants and the changes to the 2012 Program were approved and recommended by our Compensation Committee prior to approval by the Board.

### ***Board of Directors Meetings and Attendance***

During the fiscal year ended March 31, 2017, the Board of Directors held four meetings and took action five times by written consent. Each director attended at least 75% of the aggregate of (1) the total number of meetings of the Board of Directors held during the period he served as a director and (2) the total number of meetings held by committees of the Board of Directors on which he served during the period he served. With the exception of Mr. Joyce, who is required to attend our Annual Meeting, we do not currently have a policy with regard to attendance at annual meetings of stockholders by the remaining members of the Board of Directors. All members of the Board of Directors attended the previous Annual Meeting of Stockholders.

## **Code of Ethics**

On February 23, 2005, the Board of Directors approved a "Code of Business Conduct and Ethics," which applies to our principal executive officer, our principal financial officer, our principal accounting officer and persons performing similar tasks. Our Code of Business Conduct and Ethics is available on our company website at [www.aethlonmedical.com](http://www.aethlonmedical.com).

## **Audit Committee and Audit Committee Financial Expert**

Our Board of Directors formed an Audit Committee in May of 1999. Mr. Broenniman (Chairman of the Audit Committee), Dr. Shah, Ms. Johnson and Dr. Fisher serve as members of the Audit Committee. Our Board of Directors has also determined that Mr. Broenniman, due to his professional experience, meets the definition of an "audit committee financial expert" as defined in Item 407(d)(5)(ii) under Regulation S-K, promulgated under the Securities Exchange Act of 1934, as amended. Each of our Audit Committee members meets the NASDAQ Stock Market's independence standards for members of such audit committees.

## ***Audit Committee***

Our Board of Directors has created an audit committee that presently consists of the directors stated above. Each of the members has a basic understanding of finance and accounting, and is able to read and understand fundamental financial statements. The Board of Directors has determined that each of the members of the Audit Committee meets the independence requirements applicable to Nasdaq Capital Market companies. Our Board of Directors has also determined that Franklyn Barry, due to his professional experience, meets the definition of an "audit committee financial expert" as defined in Item 407(d)(5)(ii) under Regulation S-K, promulgated under the Securities Exchange Act of 1934, as amended. The Audit Committee has the authority to appoint, review and discharge our independent registered public accounting firm. The Audit Committee reviews the results and scope of the audit and other services provided by our independent registered public accounting firm, as well as our accounting principles and our system of internal controls, reports the results of their review to the full Board of Directors and to management, and recommends to the full Board of Directors that our audited consolidated financial statements be included in our Annual Report on Form 10-K.

The Audit Committee has adopted a charter, which can be found on our website under "Investor Relations – Corporate Governance." The inclusion of our website address in this Proxy Statement does not include or incorporate by reference the information on our website into this Proxy Statement.



## AUDIT COMMITTEE REPORT

The Audit Committee oversees our financial reporting process on behalf of the Board of Directors. Management is responsible for our financial statements and the financial reporting process, including the system of internal controls. The independent auditors are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles. In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed with management and the independent auditors the audited financial statements that have been included in our most recent Annual Report on Form 10-K.

The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended. In addition, the Audit Committee has discussed with the independent auditors the auditors' independence from our company and our management, including the matters in the written disclosures and letter provided to the Audit Committee as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.

Based on the foregoing, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, the inclusion of the audited financial statements in our most recent Annual Report on Form 10-K for filing with the Securities and Exchange Commission. The Audit Committee has also recommended the selection of the Company's independent auditors for the fiscal year ending March 31, 2018.

### Members of the Audit Committee

Edward G. Broenniman

Chetan S. Shah, MD

Charles J. Fisher, Jr., MD

Sabrina Martucci Johnson

The foregoing Audit Committee report does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filing of our company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this Audit Committee report by reference therein.

*Compensation Committee*

Our Board of Directors has created a compensation committee consisting of the members stated above. The Compensation Committee makes recommendations concerning compensation of the executive management team and non-employee directors and administers our stock-based incentive compensation plans. The Chairman establishes meeting agendas after consultation with other committee members. Our Chief Executive Officer and other members of management regularly discuss our compensation issues with Compensation Committee members. Subject to Compensation Committee review, modification and approval, our Chief Executive Officer typically makes recommendations respecting bonuses and equity incentive awards for the other members of the executive management team. The Compensation Committee establishes all bonus and equity incentive awards for all executive members of the management team. Our Board of Directors has determined that all members of the Compensation Committee meet the independence requirements applicable to Nasdaq Capital Market companies.

Our Compensation Committee considered compensation information previously provided in fiscal year 2015 by Barney & Barney, a Marsh & McLennan Agency LLC Company, a compensation consultant, that the Compensation Committee considered still current and useful in determining this equity award recommendation. Barney & Barney was engaged by our Compensation Committee to develop a peer group for market assessment and conduct a competitive compensation assessment for our executive management team, our Board of Directors and our broad-based employee population. Among other things, Barney & Barney provided competitive compensation data for purposes of benchmarking our equity grant values and targets, our bonus targets and structure, our total direct compensation, our target incentive opportunities and our base salaries and target total cash compensation. Our Compensation Committee has again engaged Barney & Barney to perform additional assessment services in fiscal year 2018.

The Compensation Committee has adopted a charter, which can be found on our website at “Investor Relations – Corporate Governance.” The inclusion of our website address in this Proxy Statement does not include or incorporate by reference the information on our website into this Proxy Statement.

### *Nominating and Corporate Governance Committee*

Our Board of Directors has created a nominating and corporate governance committee consisting of the members stated above. The responsibilities of the Nominating and Corporate Governance Committee include:

- overseeing our corporate governance functions on behalf of the Board of Directors;
- making recommendations to the Board of Directors regarding corporate governance issues;
- identifying and evaluating candidates to serve as directors of our company consistent with criteria approved by the Board of Directors;
- selecting director candidates or recommending such candidates to the Board of Directors for selection; and
- reviewing and evaluating the performance of the Board of Directors.

### *Director Nominations*

#### Criteria for Board Membership

The Nominating and Corporate Governance Committee is responsible for reviewing nominees for director and recommending to the Board of Directors those persons who the committee believes would beneficially impact our company as directors. The Nominating and Corporate Governance Committee considers many factors when evaluating candidates for director, including depth and breadth of experience, business acumen, character, independent thinking, understanding of our business and the industry in which we operate, and willingness to commit adequate time and attention to being a director. The Nominating and Corporate Governance Committee also considers the needs of our company and the Board of Directors, in particular, in assessing candidates. The Nominating and Corporate Governance Committee seeks to ensure that a majority of our directors satisfy the criteria for being deemed independent under NASDAQ rules applicable to us, that members of our Audit Committee meet the financial literacy and sophistication requirements under applicable NASDAQ rules, and that at least one of those members qualifies as an “audit committee financial expert” under Securities and Exchange Commission rules.

The objective of the Nominating and Corporate Governance Committee is to maintain a board comprised of individuals of the highest personal character, integrity, and ethical standards, reflecting a broad range of professional backgrounds, skills and experience relevant to our business. The biography shown above for each director nominee includes many of the factors that the Nominating and Corporate Governance Committee considered important in determining that the nominee should serve as a director of our company. The Nominating and Corporate Governance Committee considers diversity as one of many factors in identifying board nominees. Such diversity includes personal characteristics such as race and gender, as well as diversity in background and skills that relate to the Board of Director’s performance of its responsibilities. The Nominating and Corporate Governance Committee does not assign

criteria specific weight when reviewing candidates and may not apply the same criteria to all prospective nominees.

*Identification and Evaluation of Nominees*

The Nominating and Corporate Governance Committee believes we are well-served by our current directors. Unless special circumstances arise or the Nominating and Corporate Governance Committee makes a material change in the criteria for board membership, the Nominating and Corporate Governance Committee typically will nominate incumbent directors who continue to be qualified, and willing, to act as directors. If an incumbent director does not stand for re-election, or to fill a vacancy on the Board of Directors between annual stockholder meetings, the Nominating and Corporate Governance Committee will search for potential board candidates who meet the criteria for selection as a n