

# **CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

**Adopted June 10, 2015**

## **PURPOSE**

The primary purpose of the Compensation Committee (the “Committee”) shall be to act on behalf of the Board of Directors (the “Board”) of Aethlon Medical, Inc. (the “Company”) in fulfilling the Board’s responsibilities to oversee the Company’s compensation policies, plans and programs, and to review and determine the compensation to be paid to the Company’s executive officers and directors. In addition, the Committee, except as restricted herein, has the authority to act on behalf of the Board in fulfilling the Board’s responsibilities with respect to compensation-based and related disclosures in filings as required by the Securities and Exchange Commission (the “SEC”).

The term “compensation” shall include salary, long-term incentives, bonuses, perquisites, equity incentives, severance arrangements, retirement benefits and other related benefits and benefit plans.

## **COMPOSITION**

The Committee shall consist of at least two members of the Board, each of whom meets the independence and other eligibility standards contained in the Listing Rules of The NASDAQ Stock Market (“NASDAQ”). The Board shall determine in its discretion whether each member of the Committee shall be a “Non-Employee Director” and an “Outside Director” within the meaning of Section 16 of the Securities Exchange Act of 1934 and Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), respectively. The members of the Committee and the Committee chairperson shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee and may be removed by the Board in its discretion. Vacancies occurring on the Committee shall be filled by the Board.

## **MEETINGS AND MINUTES**

The Committee shall hold such regular or special meetings as its members shall deem necessary or appropriate. Minutes of each meeting of the Committee shall be prepared and distributed to each director of the Company and the Secretary of the Company after each meeting. The Chairman of the Committee shall report to the Board from time to time, or whenever so requested by the Board.

## **AUTHORITY**

Each member of the Committee shall have access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to

discharge his or her responsibilities hereunder, including human resources personnel preparing the Compensation Disclosure and Analysis (“CD&A”) for the Company’s reports to be filed with the SEC. The Committee shall have the sole authority to select, retain and terminate any compensation consultant to assist the Committee in the evaluation of director, chief executive officer, executive officer, senior executive and equity compensation and any other matter deemed appropriate by the Committee, including authority to approve such consultant’s or advisor’s reasonable fees and other retention terms, all at the Company’s expense. The Committee shall also have authority to pay, at the expense of the Company, ordinary administrative expenses, including expenditures for external resources, that, as determined by the Committee, are necessary or appropriate in carrying out its duties. The Committee shall have authority to require that any of the Company’s personnel, counsel, accountants or investment bankers, or any other consultant or advisor to the Company, attend any meeting of the Committee or meet with any member of the Committee or any of its special, outside legal, accounting or other, advisors or consultants.

The Committee may form and delegate authority to subcommittees as appropriate, including, but not limited to, a subcommittee composed of one or more members of the Board or officers of the Company to grant stock awards under the Company’s equity incentive plans to persons who are not (a) “Covered Employees” under Section 162(m) of the Code; (b) individuals with respect to whom the Company wishes to comply with Section 162(m) of the Code or (c) then subject to Section 16 of the Exchange Act. Delegation by the Committee to any subcommittee shall not limit or restrict the Committee on any matter so delegated, and any such action by the Committee shall not limit or restrict any future action by such subcommittee, unless so specified by the Committee. The approval of this Compensation Committee Charter shall be construed as a delegation of authority to the Committee with respect to the responsibilities set forth herein.

In addition, notwithstanding the foregoing paragraph or any other provision in this charter, if deductibility of “performance-based” compensation under Section 162(m) of the Code is desired, only the Committee, or one of its subcommittees, in either case comprised of at least two directors who are “outside directors” (and with any non-“outside directors” abstaining) and who also meet all of the other criteria for membership on the Committee (any such subcommittee, a “Section 162(m) Committee”) may approve compensation intended to qualify for the “performance-based compensation” exception of Section 162(m) (including but not limited to the granting of stock options and the establishment and evaluation of achievement of performance goals related to cash or equity compensation) (such intended compensation, “Section 162(m) Compensation”). Nothing in this charter requires the Committee to grant compensation that qualifies for the “performance-based compensation” exception of Section 162(m) and nothing in this charter is a guarantee that compensation intended to qualify as “performance-based compensation” does so qualify.

## RESPONSIBILITIES

The Committee shall have direct responsibility for the appointment, compensation and oversight of the work of compensation consultants, independent legal counsel or any other advisors engaged for the purpose of advising the Committee. Such compensation consultants, independent legal counsel or other advisors and consultants shall report directly, and be

accountable, to the Committee. The Committee's procedures should remain flexible to address changing circumstances most effectively. To implement the Committee's purpose, the Committee shall have the following responsibilities. The Committee may supplement and, except as otherwise required by applicable law or the requirements of NASDAQ, deviate from these activities as appropriate under the circumstances:

1. *Overall Compensation Strategy.* The Committee shall review, modify as needed and approve the overall compensation strategy and policies for the Company, including:
  - reviewing and approving corporate goals and objectives relevant to the compensation of the Company's executive officers;
  - evaluating and approving the incentive and equity compensation plans and programs advisable for the Company, as well as evaluating and approving the modification or termination of existing plans and programs;
  - establishing policies with respect to equity compensation arrangements;
  - reviewing and approving the terms of any employment agreements, severance arrangements, change-of-control protections and any other compensatory arrangements (including, without limitation, perquisites and any other form of compensation) for the Company's executive officers;
  - reviewing regional and industry-wide compensation practices and trends to assess the adequacy and competitiveness of the Company's executive compensation programs;
  - reviewing the Company's practices and policies of employee compensation as they relate to risk management and risk-taking incentives, to determine whether such compensation policies and practices are reasonably likely to have a material adverse effect on the Company;
  - reviewing and approving any compensation arrangement for any executive officer involving any subsidiary, special purpose or similar entity;
  - reviewing and approving the type and amount of compensation to be paid or awarded to non-employee Board members and the policies by which such determinations are made;
  - considering and, if appropriate, establishing and monitoring, a policy designed to encourage and/or require executive officers and directors to acquire and hold a meaningful equity interest in the Company;
  - reviewing and considering the results of any advisory vote on executive compensation; and
  - approving loans by the Company to employees.
  
2. *Compensation of Chief Executive Officer.* The Committee, either as a committee, or together with the other independent directors of the Company (as determined by the Board), shall recommend to the Board for determination and approval the compensation (other than Section 162(m) Compensation, which shall be determined and approved by the Committee or Section 162(m) Committee) and other terms of employment of the Company's Chief Executive Officer and shall evaluate the Chief Executive Officer's performance in light of objective criteria including relevant corporate performance, accomplishment of long-term strategic objectives and the development of management.

In determining the long-term incentive component of the Chief Executive Officer's compensation, the Committee should seek to achieve an appropriate level of risk and reward, taking into consideration the Company's performance, the potential benefits and costs to the Company of the compensation, and such other criteria as the Committee deems advisable. The Chief Executive Officer may not be present during the voting or deliberations regarding his or her compensation.

3. *Compensation of Other Executive Officers and Senior Management.* The Committee shall review and approve the individual and corporate performance goals and objectives of the Company's other executive officers (as that term is defined in Section 16 of the Exchange Act and Rule 16a-1 thereunder) and other senior management that are periodically established. The Committee shall determine and approve elements of the compensation and other terms of employment of these executive officers and other senior management, taking into consideration the person's success in achieving his or her individual performance goals and objectives and the corporate performance goals and objectives deemed relevant to the person as established by the Committee, as well as any recommendation by the Chief Executive Officer.
4. *Succession Planning.* The Committee shall develop and periodically review with the Chief Executive Officer the Company's plan for succession to the offices of the Company's executive officers and make recommendations to the Board with respect to the selection of appropriate individuals to succeed to these positions.
5. *Compensation of Directors.* The Committee shall review and approve the type and amount of compensation to be paid or awarded to non-employee Board members, including any consulting, retainer, meeting, committee and committee chair fees and stock option grants or awards.
6. *Selection of Compensation Consultants, Independent Legal Counsel and Other Advisors.* The Committee may select compensation consultants, independent legal counsel and other advisors to the Committee only after assessing the independence of such persons in accordance with NASDAQ listing rules.
7. *Administration of Plans.* The Committee shall have full power and authority to adopt, amend and terminate the Company's stock option plans, stock appreciation rights plans, pension and profit sharing plans, incentive plans, stock bonus plans, stock purchase plans, bonus plans, deferred compensation plans and sub-plans thereof and similar programs. The Committee shall have full power and authority to administer these plans, establish guidelines, interpret plan documents, select participants, approve grants and awards, approve modifications to awards, and exercise such other power and authority as may be permitted or required under such plans. Notwithstanding the foregoing, the Board shall retain the right to act on all such matters without limiting the Committee's authority, subject to compliance with applicable laws and regulations.
8. *Compensation Discussion and Analysis.* The Committee shall review and discuss with management the Company's disclosures contained under the caption "Compensation

Discussion and Analysis” for use in any of the Company’s annual reports on Form 10-K, registration statements, proxy statements or information statements and make recommendations to the Board whether the CD&A should be approved for inclusion in the Company’s annual reports on Form 10-K, registration statements, proxy statements or information statements.

9. *Compensation Proposals.* Provide recommendations to the Board on compensation-related proposals to be considered at the Company’s annual meeting, including the frequency of advisory votes on executive compensation.
10. *Committee Report.* The Committee shall prepare and review the Committee report on executive compensation to be included in the Company’s annual proxy statement in accordance with applicable SEC rules and regulations.
11. *Conflict of Interest Disclosure.* The Committee shall review and discuss with management any conflicts of interest raised by the work of a compensation consultant or advisor retained by the Committee or management and how such conflict is being addressed, and review any necessary disclosure in the Company’s annual proxy statement in accordance with applicable SEC rules and regulations.
12. *Committee Self-Assessment; Charter.* The Committee shall assess its own performance at least annually. The Committee shall also periodically review and assess the adequacy of this charter (to the extent required by NASDAQ, at least annually) and recommend any proposed changes to the Board for its consideration.
13. *General Authority.* The Committee shall perform such other functions and have such other powers as may be necessary or appropriate in the discharge of the foregoing.