

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 15, 2010

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

Nevada
(State or other jurisdiction
of incorporation)

000-21846
(Commission File Number)

13-3632859
(IRS Employer
Identification Number)

8910 University Center Lane, Suite 660
San Diego, California
(Address of principal executive offices)

92122
(Zip Code)

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

Not applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On July 15, 2010, Aethlon Medical, Inc. (the "Company") entered into a Note and Warrant Purchase Agreement (the "Purchase Agreement") with Tonaquint, Inc., a Utah corporation (the "Investor") whereby the Company issued and sold, and the Investor purchased: (i) a Secured Convertible Promissory Note of the Company in the principal amount of \$890,000 (the "Company Note") and (ii) a Warrant to purchase Common Stock of the Company (the "Warrant"). As consideration for the issuance and sale of the Company Note and Warrant, the Investor paid cash in the amount of \$400,000 and issued two Secured Trust Deed Notes to the Company (the "Trust Notes") each in the principal amount of \$200,000. The variance of \$90,000 represents payment obligations with respect to certain fees and expenses and an original issue discount.

The Company Note is convertible into shares of the Company's Common Stock, at the option of the Investor, at a price per share equal to (a) the principal and interest due under the Company Note divided by (b) 80% of the average of the closing bid price for the three (3) trading days with the lowest closing bid prices during the twenty (20) trading days immediately preceding the conversion date (the "Conversion Price"). In no event shall the Conversion Price be greater than the "Ceiling Price", which is \$0.30 per share. The principal and interest subject to conversion under the Note shall be eligible for conversion in tranches ("Tranches"), as follows: (1) an initial Tranche in an amount equal to \$450,000 and any interest and/or fees accrued thereon under the terms of the Company Note and the other Transaction Documents (as defined below and in the Purchase Agreement), and (2) two additional subsequent Tranches each in an amount equal to \$220,000 and any interest or fees accrued thereon under the terms of the Company Note or the other Transaction Documents. The first subsequent Tranche shall correspond to payment of the first Trust Note and the second subsequent Tranche shall correspond to payment of the second Trust Note (as defined in the Purchase Agreement). The Investor's right to convert any of the subsequent Tranches is conditioned upon the Investor's payment in full of the Trust Notes corresponding to such subsequent Tranche. Accordingly, principal and interest under the Company Note may only be converted by the Investor in proportion to the amounts paid under each of the Trust Notes. However, up to \$450,000 may be converted at the Investor's option at any time, representing amounts paid by the Investor on the closing of the transaction on July 15, 2010 (the "Closing").

The Company Note will bear interest at a rate of 6% per annum. The maturity date of the Company Note is July 15, 2011. The Company Note contains "anti-dilution" protection, such that if the Company issues and sells Common Stock, or securities convertible into or exercisable for Common Stock of the Company, at a price per share that is less than the applicable Conversion Price, then the Conversion Price is adjusted downward to match such lower issuance price. However, in no event will the Conversion Price based on anti-dilution adjustments be lower than the "Floor Price" which is \$0.20 per share. The Company Note also contains other standard adjustment features for stock splits, recapitalizations and similar occurrences. The Company Note contains standard events of default related to payment, performance of certain covenants and bankruptcy events. The Company has granted the Investor a security interest in the Trust Notes under the terms of the Security Agreement. The sole collateral for the Company's payment and performance obligation under the Company Note is the Trust Notes.

The Warrant entitles the Investor to purchase such number of shares of Common Stock as shall equal (i) \$800,000.00 divided by 80% of the average of the three (3) lowest closing bid prices of the Common Stock during the twenty (20) trading days (defined below) immediately preceding the issuance date of the Warrant (July 15, 2010), as such number may be modified according to the terms hereof (the "Adjusted Market Price"). The Warrant contains "anti-dilution" protection, such that if the Company issues and sells Common Stock, or securities convertible into or exercisable for Common Stock of the Company, at a price per share that is less than the Adjusted Market Price, then the Adjusted Market Price is adjusted downward to match such lower issuance price. The Warrant also contains other standard adjustment features for stock splits, recapitalizations and similar occurrences.

Each of the Company Note and the Warrant contain "blocker provisions" such that Investor shall not be permitted to hold by virtue of the conversion of the Company Note or the exercise of the Warrant a number of shares of Common Stock exceeding 9.99% of the number of shares of the Company's Common Stock outstanding on such date (the "9.99% Cap"). The Company shall not be obligated and shall not issue to the Investor shares of its Common Stock which would exceed the 9.99% Cap, but only until such time as the 9.99% Cap would no longer be exceeded by any such receipt of shares of Common Stock by the Investor.

The Investor's obligation to pay the balance of the purchase price of the Company Note is evidenced by the two Trust Notes. Each Trust Note is in the principal amount of \$200,000 and is secured by a parcel of real estate with improvements in the State of Utah, which is owned by the Investor (the "Real Estate"). The Company has received a first priority lien and security interest in the Real Estate by virtue of the Deed of Trust to be recorded in the county office where the Real Estate is located. The first Trust Note is due and payable on or before the earlier of (i) the date that is 14 months from the date of the Closing, or (ii) provided the Conversion Shares (as defined in the Company Note) are then eligible for sale under Rule 144 promulgated under the Securities Act of 1933, as amended, (including payment in cash or as a result of prepayment of the Trust Note), the date on which the aggregate principal and interest owed by the Company under the initial Tranche (as defined in the Company Note) of the Company Note is equal to or less than \$25,000.00 (the "First Note Maturity Date"). The second Trust Note is shall be due and payable on or before the earlier of (i) the date that is 16 months from the date of the Closing, or (ii) provided the Conversion Shares (as defined in the Company Note) are then eligible for sale under Rule 144 promulgated under the Securities Act of 1933, as amended, (including payment in cash or as a result of prepayment of the Trust Note), the date on which the aggregate principal and interest owed by the Company under the second Tranche (as defined in the Company Note and also referred to therein as the initial Subsequent Tranche) of the Company Note is equal to or less than \$25,000.00 (the "Second Note Maturity Date").

The Trust Notes each contain standard events of default related to payment, certain covenants and bankruptcy events. The Deed of Trust (and lien of the Company on the Real Estate) will be released automatically upon the first to occur of: (i) written notice from the Company that the full amount of the Trust Notes has been repaid, or (ii) the date that is six months and three days following the date the Trust Deed is recorded, which will be approximately July 21, 2010 (the "Release Date"), the Deed of Reconveyance (which terminates the Deed of Trust) shall be executed and recorded. The termination of the Deed of Trust may be delayed if the Trust Notes are then in default. The instruments needed to release the Deed of Trust, specifically the Request for Reconveyance and the Deed of Reconveyance will be held by in escrow by an appointed escrow agent (the "Escrow Agent"), under the Terms of the Escrow Agreement dated July 15, 2010 by an among the parties.

The Company Note, the Warrant, the Trust Notes, the Escrow Agreement, the Deed of Trust, the Deed of Reconveyance, the Request for Reconveyance, the Company Security Agreement, and the Irrevocable Transfer Agent Instructions (the "Transaction Documents") were each delivered pursuant to the terms of the Purchase Agreement. The Purchase Agreement contains representations and warranties of the Company and Investor that are customary for transactions of this kind. The Purchase Agreement (and the Note and Warrant) each contain certain penalties and damages in the event the Company shall late file any of its required reports under the Securities Exchange Act of 1934, or fail to timely deliver (generally within five business days) any shares of Common Stock issuable to the Investor upon conversion of the Company Note or exercise of the Warrant.

The foregoing is only a summary of the terms of the transaction between the Company and the Investor. You are urged to read each of the Company Note, the Warrant, the Trust Notes, the Escrow Agreement, the Deed of Trust, the Deed of Reconveyance, the Request for Reconveyance, the Company Security Agreement, the Irrevocable Transfer Agent Instructions and the Purchase Agreement, which are each attached as an Exhibit to this Current Report.

ITEM 2.03 CREATION OF A DIRECT FINANCIAL OBLIGATION OF A REGISTRANT.

The information called for by this item is contained in Item 1.01, which is incorporated herein by reference.

ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES.

The information called for by this item is contained in Item 1.01, which is incorporated herein by reference.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) EXHIBITS

EXHIBIT NO.	DESCRIPTION
4.1	\$890,000 Secured Convertible Note Dated July 15, 2010
4.2	Common Stock Purchase Warrant Dated July 15, 2010
10.1	Note and Warrant Purchase Agreement dated July 15, 2010
10.2	Trust Deed Note #1 Dated July 15, 2010
10.3	Trust Deed Note #2 Dated July 15, 2010
10.4	Deed of Trust Dated July 15, 2010
10.5	Escrow Agreement Dated July 15, 2010
10.6	Deed of Reconveyance
10.7	Reconveyance Request Form
10.8	Irrevocable Transfer Agent Instructions Dated July 15, 2010

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 hereunto duly authorized.

AETHLON MEDICAL, INC.

By: /s/ James A. Joyce

James A. Joyce
Chief Executive Officer

Dated: July 16, 2010

COMPANY NOTE

\$890,000.00

July 15, 2010

AETHLON MEDICAL, INC.

Secured Convertible Promissory Note

FOR VALUE RECEIVED, Aethlon Medical, Inc., a Nevada corporation (the "**Borrower**"), hereby promises to pay to the order of Tonaquint, Inc., a Utah corporation, or its successors or assigns (the "**Lender**," and together with the Borrower, the "**Parties**"), the principal sum of \$890,000.00 together with all accrued and unpaid interest thereon, fees incurred or other amounts owing hereunder, all as set forth below in this Secured Convertible Promissory Note (this "**Note**"). This Note is issued pursuant to that certain Note and Warrant Purchase Agreement of even date herewith, entered into by and between the Borrower and the Lender (the "**Purchase Agreement**"). Defined terms used herein but not otherwise defined shall have the meanings ascribed thereto in the Purchase Agreement.

1. **Principal and Interest Payments.** Interest on the unpaid principal balance of this Note shall accrue at the rate of 6% per annum. Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed. Upon the occurrence of an Event of Default (as defined below), the Outstanding Balance (as defined below) of this Note shall accrue simple interest at the rate of 15.00% per annum from and after the date of the occurrence of the Event of Default, whether before or after judgment. The Borrower shall pay to the Lender all outstanding amounts due hereunder in a payment due on or before the date that is twelve (12) months from the date hereof (the "**Maturity Date**"). All payments owing hereunder shall be in lawful money of the United States of America delivered to the Lender at the address furnished to the Borrower for that purpose. All payments shall be applied first to costs of collection, if any, then to accrued and unpaid interest, and thereafter to principal. For purposes hereof, the term "**Outstanding Balance**" means the sum of the outstanding principal balance of this Note and any accrued but unpaid interest, collection and enforcement costs, and any other fees incurred under this Note.

2. **Original Issue Discount.** The Borrower acknowledges that the principal amount of this Note exceeds the Purchase Price (as defined in the Purchase Agreement) and that such excess is an original issue discount and shall be fully earned and charged to the Borrower upon the execution of this Note, and shall be paid to the Lender as part of the outstanding principal balance as set forth in this Note.

3. **Conversion.**

(a) **Optional Conversion.** At any time or from time to time after the date of this Note and prior to payment in full of the entire Outstanding Balance, the Lender shall have the right, at the Lender's option, to convert the Outstanding Balance, in whole or in part (the "**Conversion Amount**"), into shares of common stock, par value \$0.001 per share (the "**Common Stock**") of the Borrower; *provided, however*, that the conversion by the Lender of the Outstanding Balance shall be exercisable in tranches (each, a "**Tranche**"), consisting of (1) an initial Tranche in an amount equal to \$450,000 and any interest and/or fees accrued thereon under the terms of this Note and

the other Transaction Documents (as defined in the Purchase Agreement), and (2) two additional Tranches (each, a ***Subsequent Tranche***) each in an amount equal to \$220,000 and any interest or fees accrued thereon under the terms of this Note or the other Transaction Documents. The first Subsequent Tranche shall correspond to Buyer Trust Deed Note #1 (as defined in the Purchase Agreement) and the second Subsequent Tranche shall correspond to Buyer Trust Deed Note #2 (as defined in the Purchase Agreement). The Lender's right to convert any of the Subsequent Tranches is conditioned upon the Lender's payment in full of the Buyer Trust Deed Note corresponding to such Subsequent Tranche (upon the satisfaction of such condition, such Tranche becomes a ***Conversion Eligible Tranche***). For the avoidance of doubt, a Conversion Eligible Tranche may be converted in whole or in part at any time subsequent to the first date on which such Subsequent Tranche becomes a Conversion Eligible Tranche. At all times hereunder, any fees or penalties incurred, including, without limitation, any fees incurred in connection with a Trigger Effect (as defined below), shall be added to any then-current Conversion Eligible Tranche. Subject to the limitation set forth in Section 16 below, the number of shares of Common Stock to be issued upon a conversion hereunder shall be determined by dividing (a) the Conversion Amount by (b) 80% of the average of the closing bid price for the three (3) Trading Days with the lowest closing bid prices during the twenty (20) Trading Days immediately preceding the Conversion Date (as defined below) (the ***Conversion Price***). In no event shall the Conversion Price be greater than the Ceiling Price (as defined below). The trading data used to compute the closing bid prices shall be as reported by Bloomberg, LP (***Bloomberg***), or if such information is not then being reported by Bloomberg, then as reported by such other data information source as may be selected by the Lender. For purposes hereof, the ***Ceiling Price*** shall be equal to \$0.30 per share of Common Stock. Notwithstanding anything to the contrary herein, or in any Transaction Document, Lender and Borrower agree that such Conversion Shares shall only be eligible for sale under Rule 144 to the extent such Shares are issued as against the initial \$450,000 cash payment, or upon payment of all or a portion of the Trust Deed Notes.

(b) **Conversion Mechanics**. In order to convert this Note into Common Stock, the Lender shall give written notice to the Borrower at its principal corporate office or the notice address provided in the Purchase Agreement (which notice, notwithstanding anything herein to the contrary, may be given via facsimile, email, or other means in the discretion of the Lender provided Lender obtains confirmation thereof from the Company, which confirmation shall be delivered immediately upon the Company's receipt of such notice) pursuant to the forms attached hereto as **Exhibit A** (the ***Conversion Notice***) and **Exhibit A-1** (the ***Conversion Worksheet***) of the election to convert the same pursuant to this Section (the date on which a Conversion Notice is delivered to the Company, a ***Conversion Date***). Such Conversion Notice shall state the Conversion Amount, the number of shares of Common Stock to which the Lender is entitled pursuant to the Conversion Notice (the ***Conversion Shares***), and the account into which the shares of Common Stock are to be deposited (the ***Lender Account***). A Conversion Date must be a Business Day. The Borrower shall immediately, but in no event later than five (5) Trading Days after receipt of a Conversion Notice (the ***Delivery Date***), Deliver (as defined in the Purchase Agreement) the Conversion Shares to the Lender Account *provided* the Transfer Agent has received and has in its possession all documentation in form and substance reasonably required by it, including the opinion of Buyer's counsel, in order to issue the Shares. Notwithstanding anything herein to the contrary, all such Deliveries of Conversion Shares shall be electronic, via DWAC. In the event the Borrower fails to Deliver the Conversion Shares on or before the Delivery Date and *provided* the Transfer Agent has received and has in its possession all documentation in form and substance reasonably required by it, including the opinion of Buyer's counsel, in order to issue the Shares, in addition to all other remedies available to the Lender hereunder or under any other Transaction Documents and at law or in equity, a penalty equal to 1.5% of the Conversion Amount shall be added to the balance of this Note per day until such Conversion Shares are Delivered. The conversion shall be deemed to have been made immediately prior to the close of business on the date of the Conversion Notice, and the person or entity entitled to receive the shares of Common Stock upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date.

(c) No Fractional Shares. Conversion calculations pursuant to Section 3(a) shall be rounded up to the nearest whole share, and no fractional shares shall be issuable by the Borrower upon conversion of this Note. All shares issuable upon a conversion of this Note (including fractions thereof) shall be aggregated for purposes of determining whether such conversion would result in the issuance of a fractional share.

(d) No Impairment. The Borrower will not, by amendment of its Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Borrower, but will at all times in good faith assist in the carrying out of all the provisions of this Section 3 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the Lender against impairment.

4. **Prepayment by the Borrower**. So long as no Event of Default shall have occurred and the Borrower shall have a sufficient number shares of Common Stock authorized to accommodate a conversion of the Outstanding Balance of this Note, the Borrower may, in its sole and absolute discretion and upon giving the Lender not less than five (5) Trading Days written notice (a "**Prepayment Notice**"), pay in cash all or any portion of the Outstanding Balance of this Note at any time prior to the Maturity Date, *provided that* in the event the Borrower elects to prepay all or any portion of the Outstanding Balance of this Note, it shall pay to the Lender 110% of the portion of the Outstanding Balance the Borrower elects to prepay. If the Borrower delivers a Prepayment Notice and fails to pay the specified prepayment amount due to the Lender within two (2) Trading Days following the date of prepayment set forth in the Prepayment Notice, the Borrower shall forever forfeit its right to repay this Note pursuant to this Section.

5. **Certain Adjustments**. The number and class or series of shares into which this Note may be converted under Section 3 shall be subject to adjustment in accordance with the following provisions:

(a) Computation of Adjusted Conversion Price and Floor Price. Except as hereinafter provided, in case the Borrower shall at any time after the date hereof issue or sell any (i) shares of its Common Stock or preferred shares convertible into its Common Stock, or (ii) debt, warrants, options or other instruments or securities which are convertible into or exercisable for shares of Common Stock (together herein referred to as "**Equity Securities**"), in each case for consideration (or with a conversion price) per share of Common Stock less than the Conversion Price or the Floor Price in effect immediately prior to the issuance or sale of such securities or instruments, or without consideration, other than for Excepted Issuances (as defined below), then forthwith upon such issuance or sale, each of the Conversion Price and the Floor Price (as defined below) shall (until another such issuance or sale) be reduced to the price (rounded down to the nearest full cent) equal to the price (or conversion price) of any such securities or instruments; *provided, however*, that in no event shall the Conversion Price or the Floor Price be adjusted pursuant to this computation to an amount in excess of the Conversion Price or Floor Price in effect immediately prior to such computation. For the purposes of this Section 5, the term Conversion Price shall mean the Conversion Price per share set forth in Section 3(a) hereof, as adjusted from time to time pursuant to the provisions of this Section.

“*Excepted Issuances*” shall mean, collectively, (i) the Borrower’s issuance of securities in connection with strategic license agreements and other partnering arrangements so long as such issuances are not for the purpose of raising capital and in which holders of such securities or debt are not at any time granted registration rights, (ii) the Borrower’s issuance of Common Stock or the issuances or grants of options to purchase Common Stock to employees, directors, and consultants, pursuant to plans which are approved and adopted by the Board of Directors of the Borrower, and (iii) the Borrower’s issuance of Common Stock upon the conversion or exercise of securities convertible into or exercisable for Common Stock which securities were issued prior to the date of the Closing and which have been disclosed to the Lender prior to the Closing. Schedule 5(a) hereto lists all such securities, including, without limitation, all securities that may potentially be converted for a price per share of Common Stock lower than the Floor Price.

For purposes of any computation to be made in accordance with this Section 5, the following provisions shall be applicable:

(i) In case of the issuance or sale of any shares of Equity Securities for a consideration part or all of which shall be cash, the amount of the cash consideration shall be deemed to be the amount of cash received by the Borrower for such shares (or, if shares of stock are offered by the Borrower for subscription, the subscription price, or, if either of such securities shall be sold to underwriters or dealers for public offering without a subscription price, the public offering price, before deducting therefrom any compensation paid or discount allowed in the sale, underwriting or purchase thereof by underwriters or dealers or other persons or entities performing similar services), or any expenses incurred in connection therewith and less any amounts payable to security holders or any affiliate thereof, including, without limitation, any employment agreement, royalty, consulting agreement, covenant not to compete, earnout or contingent payment right or similar arrangement, agreement or understanding, whether oral or written; all such amounts shall be valued at the aggregate amount payable thereunder whether such payments are absolute or contingent and irrespective of the period or uncertainty of payment, the rate of interest, if any, or the contingent nature thereof.

(ii) In case of the issuance or sale (otherwise than as a dividend or other distribution on any stock of the Borrower) of shares of Equity Securities for a consideration part or all of which shall be other than cash, the amount of the consideration therefor other than cash shall be deemed to be the value of such consideration as determined in good faith by the Board of Directors of the Borrower.

(iii) Shares of Equity Securities issuable by way of dividend or other distribution on any capital stock of the Borrower shall be deemed to have been issued immediately after the opening of business on the day following the record date for the determination of stockholders entitled to receive such dividend or other distribution and shall be deemed to have been issued without consideration.

(iv) The reclassification of securities of the Borrower other than shares of Equity Securities into securities including shares of Equity Securities shall be deemed to involve the issuance of such shares of Equity Securities for consideration other than cash immediately prior to the close of business on the date fixed for the determination of security holders entitled to receive such shares, and the value of the consideration allocable to such shares of stock shall be determined as provided in this Section 5.

(v) The number of shares of Equity Securities at any one time outstanding shall include the aggregate number of shares issued or issuable (subject to readjustment upon the actual issuance thereof) upon the exercise of then outstanding options, rights, warrants, and convertible and exchangeable securities.

(b) Adjustment for Reorganization or Recapitalization. If, while this Note remains outstanding and has not been converted, there shall be a reorganization or recapitalization of the Borrower (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), all necessary or appropriate lawful provisions shall be made so that the Lender shall thereafter be entitled to receive upon conversion of this Note, the greatest number of shares of stock or other securities or property that a holder of the class of securities deliverable upon conversion of this Note would have been entitled to receive in such reorganization or recapitalization if this Note had been converted immediately prior to such reorganization or recapitalization, all subject to further adjustment as provided in this Section 5. If the per share consideration payable to the Lender for such class of securities in connection with any such transaction is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by the Borrower's Board of Directors. The foregoing provisions of this subsection shall similarly apply to successive reorganizations or recapitalizations and to the stock or securities of any other corporation that are at the time receivable upon the conversion of this Note. In all events, appropriate adjustment shall be made in the application of the provisions of this Note (including adjustment of the conversion price, Floor Price, and number of shares of Common Stock into which this Note is then convertible pursuant to the terms and conditions of this Note) with respect to the rights and interests of the Lender after the transaction, to the end that the provisions of this Note shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable or issuable after such reorganization or recapitalization upon conversion of this Note.

(c) Adjustments for Split, Subdivision or Combination of Shares. If the Borrower at any time while this Note remains outstanding and unconverted, shall split or subdivide any class of securities into which this Note may be converted into a different number of securities of the same class, the number of shares of such class issuable upon conversion of this Note immediately prior to such split or subdivision shall be proportionately increased and the conversion price and Floor Price for such class of securities shall be proportionately decreased. If the Borrower at any time while this Note, or any portion hereof, remains outstanding and unconverted shall combine any class of securities into which this Note may be converted, into a different number of securities of the same class, the number of shares of such class issuable upon conversion of this Note immediately prior to such combination shall be proportionately decreased and the conversion price and Floor Price for such class of securities shall be proportionately increased.

(d) Adjustments for Dividends in Stock or Other Securities or Property. If, while this Note remains outstanding and unconverted, the holders of any class of securities as to which conversion rights under this Note exist at the time shall have received, or, on or after the record date fixed for the determination of eligible stockholders, shall have become entitled to receive, without payment therefor, other or additional stock or other securities or property (other than cash) of the Borrower by way of dividend, then and in each case, this Note shall represent the right to acquire, in addition to the number of shares of such class of security receivable upon conversion of this Note, and without payment of any additional consideration therefor, the amount of such other or additional stock or other securities or property (other than cash) of the Borrower that such holder would hold on the date of such conversion had it been the holder of record of the class of security receivable upon conversion of this Note on the date hereof and had thereafter, during the period from the date hereof to and including the date of such conversion, retained such shares and/or all other additional stock available by it as aforesaid during said period, giving effect to all adjustments called for during such period by the provisions of this Section 5.

(e) Adjustments for Spin Offs. If, at any time while any portion of this Note remains outstanding, the Borrower spins off or otherwise divests itself of a part of its business or operations or disposes of all or of a part of its assets in a transaction (the "*Spin Off*") in which the Borrower, in addition to or in lieu of any other compensation received and retained by the Borrower for such business, operations or assets, causes securities of another entity (the "*Spin Off Securities*") to be issued to security holders of the Borrower, the Borrower shall cause (i) to be reserved Spin Off Securities equal to the number thereof which would have been issued to the Lender had the entire balance of this Note outstanding on the record date (the "*Record Date*") for determining the amount and number of Spin Off Securities to be issued to security holders of the Borrower been converted as of the close of business on the trading day immediately before the Record Date (the "*Reserved Spin Off Shares*"), and (ii) to be issued to the Lender on the conversion of all or any portion of this Note, such amount of the Reserved Spin Off Shares equal to (x) the Reserved Spin Off Shares multiplied by (y) a fraction, of which (I) the numerator is the principal amount of the portion of the Outstanding Balance then being converted, and (II) the denominator is the entire Outstanding Balance of this Note. In the event of any Spin Off, (i) the Lender shall have the right to convert the Outstanding Balance by delivering a Conversion Notice to the Borrower within ten (10) days of receipt of notice of such Spin Off from the Borrower, or (ii) immediately upon the consummation of a Spin Off, all amounts owed hereunder shall accelerate and be immediately due and payable in the sole discretion of the Lender.

(f) No Change Necessary. The form of this Note need not be changed because of any adjustment in the number of shares of Common Stock issuable upon its conversion.

6. **Further Adjustments**. In case at any time or, from time to time, the Borrower shall take any action that affects the class of securities into which this Note may be converted under Section 3, other than an action described herein, then, unless such action will not have a material adverse effect upon the rights of the Lender, the number of shares of such class of securities (or other securities) into which this Note is convertible shall be adjusted in such a manner and at such time as shall be equitable under the circumstances.

7. **Certificate as to Adjustments**. Upon the occurrence of each adjustment or readjustment pursuant to Section 5 or Section 6, the Borrower at its sole expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to the Lender a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Borrower shall, upon the written request at any time of the Lender, furnish or cause to be furnished to the Lender a like certificate setting forth (i) such adjustments and readjustments, and (ii) the number and class of securities and the amount, if any, of other property which at the time would be received upon the conversion of this Note under Section 3.

8. **Security**. This Note is secured by that certain Security Agreement of even date herewith (the "*Security Agreement*") executed by the Borrower in favor of the Lender encumbering certain assets of the Borrower, as more specifically set forth in the Security Agreement, all the terms and conditions of which are hereby incorporated into and made a part of this Note.

9. **Change of Control**. In the event of (i) any transaction or series of related transactions (including any reorganization, merger or consolidation) that results in the transfer of 50% or more of the outstanding voting power of the Borrower, or (ii) a sale of all or substantially all of the assets of the Borrower to another person or entity, this Note shall be automatically due and payable in cash. The Borrower will give the Lender not less than ten (10) business days prior written notice of the occurrence of any events referred to in this Section 9.

10. **Representations and Warranties of the Borrower.** In addition to the representations and warranties set forth in the Purchase Agreement, which are incorporated herein, the Borrower hereby represents and warrants to the Lender that:

(a) Its obligation to issue Conversion Shares upon conversion of this Note in accordance with its terms is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other stockholders of the Borrower; and

(b) The Borrower is not and for at least the last 12 months prior to the date hereof has not been a “shell company,” as defined in paragraph (i)(1)(i) of Rule 144 or Rule 12b2 of the Exchange Act.

11. **Affirmative and Negative Covenants.** In addition to the covenants set forth in the Purchase Agreement, the Borrower covenants and agrees, while any amounts under this Note are outstanding, that the Borrower shall notify the Lender in writing, promptly upon the occurrence of any Event of Default.

12. **Trigger Events.** Upon each occurrence of any of the following events (each, a “*Trigger Event*”), (a) the Outstanding Balance shall immediately increase to 110% of the Outstanding Balance immediately prior to the occurrence of the Trigger Event, and (b) this Note shall accrue interest at the rate of 1.25% per month, whether before or after judgment (the “*Trigger Effects*”); *provided, however*, that (1) in no event shall the Trigger Effects be applied more than two times, and (2) notwithstanding any provision to the contrary herein, in no event shall the applicable interest rate at any time exceed the maximum interest rate allowed under applicable law:

(a) Share Reserve. The Borrower’s failure to maintain authorized but unissued shares of Common Stock equal to at least 150% of the number of shares of Common Stock that would be needed to fully convert this Note and exercise that certain Warrant to Purchase Shares of Common Stock (the “*Warrant*”) issued in conjunction with the issuance of this Note at any given time.

(b) Events of Default. The occurrence of any Event of Default hereunder (other than an Event of Default under Section 13(i)) that (i) is not cured for a period exceeding 10 business days after notice of a declaration of such Event of Default from Lender, or (ii) is not waived in writing by Lender.

13. **Default.** If any of the events specified below shall occur (each, an “*Event of Default*”) the Lender may by written notice to the Borrower declare the unpaid principal balance together with all accrued and unpaid interest thereon immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding; *provided, however*, that upon the occurrence or existence of any Event of Default described in Section 13(f) or (g), immediately and without notice, all outstanding obligations payable by the Borrower hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding:

(a) **Failure to Pay.** The Borrower’s failure to make any payment when due and payable under the terms of this Note including, without limitation, any payment of costs, fees, interest, principal or other amount due hereunder.

(b) **Transfer or Pledge of the Buyer Trust Deed Notes.** The Borrower shall sell, transfer, assign, pledge, hypothecate or otherwise alienate or encumber the Buyer Trust Deed Notes (as defined in the Purchase Agreement) in any way without the prior written consent of the Lender.

(c) **Failure to Deliver Shares.** The Borrower’s (or its transfer agent’s) failure to Deliver the Conversion Shares as provided under Section 3(b) of this Note or the shares of Common Stock required to be Delivered upon exercise of the Warrant.

(d) **Breaches of Covenants.** The Borrower or its subsidiaries, if any, shall fail to observe or perform any material covenant, obligation, condition or agreement contained in this Note or any of the other Transaction Documents.

(e) **Representations and Warranties.** Any representation, warranty, certificate, or other statement (financial or otherwise) made or furnished by or on behalf of the Borrower to the Lender in writing included in this Note or in connection with any of the Transaction Documents, or as an inducement to the Lender to enter into this Note or any of the other Transaction Documents, shall be false or misleading in any material respect when made or furnished.

(f) **Failure to Pay Debts; Voluntary Bankruptcy.** If any of the Borrower’s assets are assigned to its creditors, if the Borrower fails to pay its debts generally as they become due, or if the Borrower files any petition, proceeding, case or action for relief under any bankruptcy, reorganization, insolvency or moratorium law, rule, regulation, statute or ordinance (collectively, “*Laws and Rules*”), or any other Law and Rule for the relief of, or related to, debtors.

(g) **Involuntary Bankruptcy.** If any involuntary petition is filed under any bankruptcy or similar Law or Rule against the Borrower, or a receiver, trustee, liquidator, assignee, custodian, sequestrator or other similar official is appointed to take possession of any of the assets or properties of the Borrower or any guarantor.

(h) Governmental Action. If any governmental or regulatory authority takes or institutes any action that has a Material Adverse Effect on the Borrower or the Borrower's ability to pay or perform the Borrower's obligations under this Note.

(i) Trigger Event. The occurrence of any Trigger Event (other than a Trigger Event under Section 12(b)) that is not cured by the Borrower within fifteen (15) days of the occurrence thereof or waived in writing by the Lender.

14. **Right of Offset**. Notwithstanding anything to the contrary herein, the Borrower may at its option deduct and offset any amount owed by the Lender under the Buyer Trust Deed Notes from any amount owed by the Borrower under this Note, *provided that* the Borrower shall have delivered five (5) Trading Days' written notice of such offset to the Lender. In the event that the Borrower's exercise of its offset rights under this Section 14 results in the full satisfaction of the Lender's obligations under one or more of the Buyer Trust Deed Notes, then the Borrower shall return to the Lender for cancellation such Buyer Trust Deed Note(s) or, in the event such Buyer Trust Deed Note(s) have been lost, stolen or destroyed, a lost note affidavit in a form reasonably acceptable to the Lender.

15. **Ownership Limitation**. Notwithstanding the provisions of this Note, if at any time after the date hereof, the Lender shall or would receive shares of Common Stock in payment of interest or principal under this Note or upon conversion of this Note, so that the Lender would, together with other shares of Common Stock held by it or its Affiliates (as defined in the Purchase Agreement), hold by virtue of such action or receipt of additional shares of Common Stock a number of shares exceeding 9.99% of the number of shares of the Borrower's Common Stock outstanding on such date (the "**9.99% Cap**"), the Borrower shall not be obligated and shall not issue to the Lender shares of its Common Stock which would exceed the 9.99% Cap, but only until such time as the 9.99% Cap would no longer be exceeded by any such receipt of shares of Common Stock by the Borrower. In connection with the performance of this Section 15, the Lender and/or its Affiliates agree to furnish to the Borrower any information reasonably requested by the Borrower in order to calculate the 9.99% Cap amount.

16. **Common Stock Issuance Limitation**. Notwithstanding anything to the contrary herein or in any other Transaction Document, the number of shares of Common Stock that may be issued to the Lender pursuant to a conversion of this Note, combined with an exercise of the Warrant, shall not exceed a cap determined by (a) dividing the sum of (i) the face amount of this Note, plus (ii) an amount equal to all interest that would accrue under this Note during its term (assuming no payments of principal or interest are made prior to the Maturity Date), by a price per share of Common Stock equal to \$0.20 (subject to adjustment pursuant to Section 5) (the "**Floor Price**"), and (b) then adding the sum calculated pursuant to the foregoing clause (a) to the maximum number of Warrant Shares that may be acquired by the holder thereof upon exercise of the Warrant (regardless of whether such exercise is a cashless exercise).

17. **No Rights or Liabilities as Stockholder**. This Note does not by itself entitle the Lender to any voting rights or other rights as a stockholder of the Borrower. In the absence of conversion of this Note, no provisions of this Note, and no enumeration herein of the rights or privileges of the Lender, shall cause the Lender to be a stockholder of the Borrower for any purpose.

18. **Unconditional Obligation.** Subject to the terms of the Purchase Agreement, no provision of this Note shall alter or impair the obligation of the Borrower, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the coin or currency or where contemplated herein in shares of its Common Stock, as applicable, as herein prescribed. This Note is a direct obligation of the Borrower.

19. **Binding Effect.** This Note shall be binding on the Parties and their respective heirs, successors, and assigns; *provided, however,* that neither the Borrower nor the Lender shall assign its rights hereunder in whole or in part without the express written consent of the other; provided, however, that the Lender may sell any portion of the Note that has been fully paid for and become a Conversion Eligible Tranche upon giving Borrower not less than 30 days advance written notice of such transfer.

20. **Governing Law; Venue.** The terms of this Note shall be construed in accordance with the laws of the State of Illinois as applied to contracts entered into by Illinois residents within the State of Illinois which contracts are to be performed entirely within the State of Illinois. With respect to any disputes arising out of or related to this Note, the Parties consent to the exclusive jurisdiction of, and venue in, the state courts in Illinois (or in the event of federal jurisdiction, the United States District Court for the Northern District of Illinois).

21. **Severability.** If any part of this Note is construed to be in violation of any law, such part shall be modified to achieve the objective of the Parties to the fullest extent permitted by law and the balance of this Note shall remain in full force and effect.

22. **Attorneys' Fees.** If any action at law or in equity is necessary to enforce this Note or to collect payment under this Note, the Lender shall be entitled to recover reasonable attorneys' fees directly related to such enforcement or collection actions.

23. **Amendments and Waivers; Remedies.** No failure or delay on the part of a Party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to a Party hereto at law, in equity or otherwise. Any amendment, supplement or modification of or to any provision of this Note, any waiver of any provision of this Note, and any consent to any departure by either Party from the terms of any provision of this Note, shall be effective (i) only if it is made or given in writing and signed by the Borrower and the Lender and (ii) only in the specific instance and for the specific purpose for which made or given.

24. **Notices.** All notices, requests, demands, claims and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given if it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient, as set forth in the Purchase Agreement. Any Party may send any notice, request, demand, claim or other communication hereunder to the intended recipient at the address set forth in the Purchase Agreement using any other means (including personal delivery, expedited courier, messenger service, facsimile, ordinary mail, or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient or receipt is confirmed electronically or by return mail. Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in any manner herein set forth.

25. **Entire Agreement.** This Note, together with the other Transaction Documents, contains the complete understanding and agreement of the Borrower and the Lender and supersedes all prior representations, warranties, agreements, arrangements, understandings, and negotiations. THIS NOTE, TOGETHER WITH THE OTHER TRANSACTION DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Borrower has executed this Note as of the date set forth above.

Exhibits

Exhibit A – Conversion Notice
Exhibit A-1 – Conversion Worksheet

AETHLON MEDICAL, INC.

By: /s/ James Joyce
James Joyce, Chief Executive Officer

ACKNOWLEDGED, ACCEPTED AND AGREED:

By: _____
_____, President

[Signature page to Secured Convertible Secured Promissory Note]

SCHEDULE 5(a)

EXCEPTED ISSUANCES

EXHIBIT A

Date: _____

Aethlon Medical, Inc.

VIA FAX: _____

Attn: _____

CONVERSION NOTICE

The above-captioned Lender hereby gives notice to Aethlon Medical, Inc., a Nevada corporation (the "**Company**"), pursuant to that certain Secured Convertible Promissory Note made by the Company in favor of the Lender on July 15, 2010 (the "**Note**"), that the Lender elects to convert the portion of the Note balance set forth below into fully paid and non-assessable shares of Common Stock of the Company as of the date of conversion specified below. Such conversion shall be based on the Conversion Price set forth below.

- A. Date of conversion: _____
- B. Conversion #: _____
- C. Conversion Amount: _____
- D. Average of three lowest closing bid prices _____ (of last 20 trading days per Exhibit A-1)
- E. Conversion Discount: 80%
- F. Ceiling Price: \$0.30 (subject to adjustment pursuant to the Note)
- G. Floor Price: \$0.20 (subject to adjustment pursuant to the Note)
- H. Conversion Price: _____ (lesser of (i) D multiplied by E (but in no event less than G), or (ii) F)
- I. Conversion Shares: _____ (C divided by I)
- J. Remaining Note Balance: _____

Please transfer the Conversion Shares electronically (via DWAC) to the following account:

Broker: _____
DTC#: _____
Account #: _____
Account Name: _____

Address: _____

Sincerely,

By: _____
_____, President

THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THIS WARRANT AND THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THIS WARRANT UNDER SUCH ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO AETHLON MEDICAL, INC. THAT SUCH REGISTRATION IS NOT REQUIRED.

AETHLON MEDICAL, INC.

WARRANT TO PURCHASE SHARES OF COMMON STOCK

1. Issuance. In consideration of good and valuable consideration as set forth in the Purchase Agreement (defined below), including without limitation the Purchase Price (as defined in the Purchase Agreement), the receipt and sufficiency of which is hereby acknowledged by Aethlon Medical, Inc., a Nevada corporation (the "**Company**"), Tonaquint, Inc., a Utah corporation, its successors or registered assigns (the "**Holder**"), is hereby granted the right to purchase at any time on or after the Issue Date (as defined below) until the date which is the last calendar day of the month in which the fifth anniversary of the Issue Date occurs (the "**Expiration Date**"), a number of fully paid and nonassessable shares (the "**Warrant Shares**") of the Company's common stock, par value \$0.001 per share (the "**Common Stock**"), equal to \$800,000.00 divided by 80% of the average of the three (3) lowest closing bid prices of the Common Stock reported by Bloomberg (defined below) during the twenty (20) Trading Days (defined below) immediately preceding the Issue Date, as such number may be modified according to the terms hereof (the "**Adjusted Market Price**"). This Warrant to purchase Shares of Common Stock (this "**Warrant**") is being issued pursuant to the terms of that certain Note and Warrant Purchase Agreement of even date herewith (the "**Purchase Agreement**"), to which the Company and the Holder (or the Holder's predecessor in interest) are parties.

Unless otherwise indicated herein, capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

This Warrant was originally issued to the Holder or the Holder's predecessor in interest on July 15, 2010 (the "**Issue Date**").

2. Exercise of Warrant.

2.1 General.

(a) This Warrant is exercisable in whole or in part at any time and from time to time commencing on the Issue Date and ending on the Expiration Date. Such exercise shall be effectuated by submitting to the Company (either by delivery to the Company or by email or facsimile transmission) a completed and duly executed Notice of Exercise (substantially in the form attached to this Warrant as **Exhibit A**). The date such Notice of Exercise is either faxed, emailed or delivered to the Company shall be the "**Exercise Date**," provided that, if such exercise represents the full exercise of the outstanding balance of the Warrant, the Holder of this Warrant shall tender this Warrant to the Company within five (5) Trading Days thereafter. The Notice of Exercise shall be executed by the Holder of this Warrant and shall indicate (i) the number of shares then being purchased pursuant to such exercise and (ii) if applicable (as provided below), whether the exercise is a cashless exercise.

For purposes of this Warrant, the term “**Trading Day**” means any day during which the principal market on which the Common Stock is traded (the “**Principal Market**”) shall be open for business.

(b) Notwithstanding any other provision contained herein or in any other Transaction Document (as defined in the Purchase Agreement) to the contrary, at any time prior to the Expiration Date, the Holder may elect a “cashless” exercise of this Warrant for any Warrant Shares whereby the Holder shall be entitled to receive a number of shares of Common Stock equal to (x) the excess of the Current Market Value (as defined below) over the aggregate Exercise Price of the portion of the Warrant then being exercised, divided by (y) the Adjusted Price of the Common Stock (as defined below).

For the purposes of this Warrant, the following terms shall have the following meanings:

“**Adjusted Price of the Common Stock**” shall mean the Conversion Price, as defined in that certain Secured Convertible Promissory Note issued by the Company in favor of the Holder on even date herewith (the “**Note**”), in effect on any relevant Exercise Date.

“**Current Market Value**” shall mean an amount equal to the Market Price of the Common Stock, multiplied by the number of shares of Common Stock specified in the applicable Notice of Exercise.

“**Closing Price**” means the 4:00 P.M. last sale price of the Common Stock on the Principal Market on the relevant Trading Day(s), as reported by Bloomberg LP (or if that service is not then reporting the relevant information regarding the Common Stock, a comparable reporting service of national reputation selected by the Holder and reasonably acceptable to the Company) (“**Bloomberg**”) for the relevant date.

“**Exercise Price**” shall mean 105% of the Adjusted Market Price.

“**Market Price of the Common Stock**” shall mean the higher of: (i) the Closing Price of the Common Stock on the Issue Date; or (ii) the VWAP of the Common Stock for the Trading Day that is two (2) Trading Days prior to the Exercise Date.

“**VWAP**” shall mean the volume-weighted average price of the Common Stock on the Principal Market for a particular Trading Day or set of Trading Days, as the case may be, as reported by Bloomberg.

(c) If the Notice of Exercise form elects a “cash” exercise (or if the cashless exercise referred to in the immediately preceding subsection (b) is not available in accordance with the terms hereof), the Exercise Price per share of Common Stock for the shares then being exercised shall be payable, at the election of the Holder, in cash or by certified or official bank check or by wire transfer in accordance with instructions provided by the Company at the request of the Holder.

(d) Upon the appropriate payment to the Company, if any, of the Exercise Price for the shares of Common Stock purchased, together with the surrender of this Warrant (if required), the Company shall promptly, but in any event within three (3) business days Deliver (as defined in the Purchase Agreement) the applicable Warrant Shares electronically via Deposit/Withdrawal at Custodian (“*DWAC*”) to the account designated by the Holder on the Notice of Exercise. If for any reason the Company is not able to Deliver the Warrant Shares via DWAC, notwithstanding its best efforts to do so, the Company shall deliver certificates representing the Warrant Shares to the Holder as provided in the Notice of Exercise (the certificates delivered in such manner, the “*Warrant Share Certificates*”) within three (3) Trading Days (such third Trading Day, a “*Delivery Date*”) of (i) with respect to a “cashless exercise,” the Exercise Date as the case may be, or, (ii) with respect to a “cash” exercise, the later of the Exercise Date or the date the payment of the Exercise Price for the relevant Warrant Shares is received by the Company.

(e) The Company understands that a delay in the electronic Delivery of Warrant Shares or the delivery of the Warrant Share Certificates, as the case may be, beyond the Delivery Date (assuming electronic Delivery is not available) could result in economic loss to the Holder. As compensation to the Holder for such loss, the Company agrees to pay late payment fees (as liquidated damages and not as a penalty) to the Holder for late Delivery of Warrant Shares or Warrant Share Certificates, as applicable, in the amount of \$100.00 per Trading Day after the Delivery Date for each \$10,000.00 of the total Exercise Price of the Warrant Shares subject to the delivery default. The Company shall pay any payments incurred under this subsection in immediately available funds upon demand. Furthermore, in addition to any other remedies which may be available to the Holder, in the event that the Company fails for any reason to effect Delivery of the Warrant Shares or the Warrant Share Certificates, as applicable, by the Delivery Date, the Holder may revoke all or part of the relevant Warrant exercise by delivery of a notice to such effect to the Company, whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to the exercise of the relevant portion of this Warrant, except that the liquidated damages described above shall be payable through the date notice of revocation or rescission is given to the Company.

(f) The Holder shall be deemed to be the holder of the Warrant Shares issuable to it in accordance with the provisions of this Section 2.1 on the Exercise Date provided the Exercise Price is tendered in full on such date.

2.2 Ownership Limitation. Notwithstanding the provisions of this Warrant, if at any time after the date hereof, the Holder shall or would receive shares of Common Stock upon exercise of this Warrant, so that the Holder would, together with other shares of Common Stock held by it or its Affiliates (as defined in the Purchase Agreement), hold by virtue of such action or receipt of additional shares of Common Stock a number of shares exceeding 9.99% of the number of shares of the Company’s Common Stock outstanding on such date (the “*9.99% Cap*”), the Company shall not be obligated and shall not issue to the Holder shares of its Common Stock which would exceed the 9.99% Cap, but only until such time as the 9.99% Cap would no longer be exceeded by any such receipt of shares of Common Stock by the Holder. In connection with the performance of this Section 2.2, the Holder and/or its Affiliates agree to furnish to the Company any information reasonably requested by the Company in order to calculate the 9.99% Cap amount.

2.3 Common Stock Issuance Limitation. Notwithstanding anything to the contrary herein or in any other Transaction Document, the number of shares of Common Stock that may be issued to the Holder pursuant to a conversion of the Note, combined with an exercise of this Warrant, shall not exceed a cap determined by (a) dividing the sum of (i) the face amount of the Note, plus (ii) an amount equal to all interest that would accrue under the Note during its term (assuming no payments of principal or interest are made prior to the Maturity Date (as defined in the Note)), by a price per share of Common Stock equal to \$0.20 (subject to adjustment pursuant to Section 5 of the Note), and (b) then adding the sum calculated pursuant to the foregoing clause (a) to the maximum number of Warrant Shares that may be acquired by the Holder upon exercise of this Warrant (regardless of whether such exercise is a cashless exercise).

3. Mutilation or Loss of Warrant. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) receipt of reasonably satisfactory indemnification, and (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will execute and deliver to the Holder a new Warrant of like tenor and date and any such lost, stolen, destroyed or mutilated Warrant shall thereupon become void.

4. Rights of the Holder. The Holder shall not, by virtue of this Warrant alone, be entitled to any rights of a stockholder in the Company, either at law or in equity, and the rights of the Holder are limited to those expressed in this Warrant and are not enforceable against the Company except to the extent set forth herein.

5. Protection Against Dilution and Other Adjustments

5.1 Capital Adjustments. If the Company shall at any time prior to the expiration of this Warrant subdivide the Common Stock, by split-up or stock split, or otherwise, or combine its Common Stock, or issue additional shares of its Common Stock as a dividend, the number of Warrant Shares issuable on the exercise of this Warrant shall forthwith be automatically increased proportionately in the case of a subdivision, split or stock dividend, or proportionately decreased in the case of a combination. Appropriate adjustments shall also be made to the purchase price payable per Warrant Share, but the aggregate purchase price payable for the total number of Warrant Shares purchasable under this Warrant (as adjusted) shall remain the same. Any adjustment under this Section 5.1 shall become effective automatically at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend, or in the event that no record date is fixed, upon the making of such dividend.

5.2 Reclassification, Reorganization and Consolidation. In case of any reclassification, capital reorganization, or change in the capital stock of the Company (other than as a result of a subdivision, combination, or stock dividend provided for in Section 5.1 above), then the Company shall make appropriate provision so that the Holder shall have the right at any time prior to the expiration of this Warrant to purchase, at a total price equal to that payable upon the exercise of this Warrant, the kind and amount of shares of stock and other securities and property receivable in connection with such reclassification, reorganization, or change by a holder of the same number of shares of Common Stock as were purchasable by the Holder immediately prior to such reclassification, reorganization, or change. In any such case appropriate provisions shall be made with respect to the rights and interest of the Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities and property deliverable upon exercise hereof, and appropriate adjustments shall be made to the purchase price per Warrant Share payable hereunder, provided the aggregate purchase price shall remain the same.

5 . 3 Subsequent Equity Sales. If the Company or any subsidiary thereof, as applicable, at any time within forty-eight (48) months of the Issue Date, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition of) any Common Stock, preferred shares convertible into Common Stock, or debt, warrants, options or other instruments or securities which are convertible into or exercisable for shares of Common Stock (together herein referred to as “*Equity Securities*”), at an effective price per share less than the Exercise Price (such lower price, the “*Base Share Price*” and such issuance collectively, a “*Dilutive Issuance*”) (if the holder of the Common Stock or Equity Securities so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options, or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is less than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance), then, the Exercise Price shall be reduced and only reduced to equal the Base Share Price and the number of Warrant Shares issuable hereunder shall be increased such that the aggregate Exercise Price payable hereunder, after taking into account the decrease in the Exercise Price, shall be equal to the aggregate Exercise Price payable prior to such adjustment (such adjusted number of Warrant Shares issuable hereunder, the “*Adjusted Warrant Shares*”). Such adjustment shall be made whenever such Common Stock or Equity Securities are issued. The Company shall notify the Holder, in writing, no later than the Trading Day following the issuance of any Common Stock or Equity Securities subject to this Section 5.3, indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price, or other pricing terms (such notice, the “*Dilutive Issuance Notice*”). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 5.3, upon the occurrence of any Dilutive Issuance, after the date of such Dilutive Issuance the Holder is entitled to receive the Adjusted Warrant Shares at an Exercise Price equal to the Base Share Price regardless of whether the Holder accurately refers to the Base Share Price in the Notice of Exercise.

5 . 4 Notice of Adjustment. When any adjustment is required to be made in the number or kind of shares purchasable upon exercise of this Warrant, or in the Exercise Price, pursuant to the terms hereof, the Company shall promptly notify the Holder of such event and of the number of Warrant Shares or other securities or property thereafter purchasable upon exercise of this Warrant.

5.5 Exceptions to Adjustment. Notwithstanding the provisions of 5.3 and 5.4, no adjustment to the Exercise Price shall be effected as a result of an Excepted Issuance. “*Excepted Issuances*” shall mean, collectively, (i) the Company’s issuance of securities in connection with strategic license agreements and other partnering arrangements so long as such issuances are not for the purpose of raising capital and in which holders of such securities or debt are not at any time granted registration rights, (ii) the Company’s issuance of Common Stock or the issuances or grants of options to purchase Common Stock to employees, directors, and consultants, pursuant to plans which are approved and adopted by the Board of Directors of the Company, and (iii) the Company’s issuance of Common Stock upon the conversion or exercise of securities convertible into or exercisable for Common Stock which securities were issued prior to the date of the initial issuance of this Warrant and have been disclosed to the Holder prior thereto on Schedule 5(a) to the Note.

6. Certificate as to Adjustments. In each case of any adjustment or readjustment in the shares of Common Stock issuable on the exercise of this Warrant, the Company at its expense will promptly cause its Chief Financial Officer or other appropriate designee to compute such adjustment or readjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (a) the consideration received or receivable by the Company for any additional shares of Common Stock issued or sold or deemed to have been issued or sold, (b) the number of shares of Common Stock outstanding or deemed to be outstanding, and (c) the Exercise Price and the number of shares of Common Stock to be received upon exercise of this Warrant, in effect immediately prior to such adjustment or readjustment and as adjusted or readjusted as provided in this Warrant. The Company will forthwith mail a copy of each such certificate to the Holder of the Warrant and any Warrant Agent of the Company (appointed pursuant to Section 8 hereof).

7. Transfer to Comply with the Securities Act. This Warrant, and the Warrant Shares, have not been registered under the 1933 Act. Neither this Warrant nor any of the Warrant Shares or any other security issued or issuable upon exercise of this Warrant may be sold, transferred, pledged or hypothecated without (a) an effective registration statement under the 1933 Act relating to such security or (b) an opinion of counsel reasonably satisfactory to the Company that registration is not required under the Act. Until such time as registration has occurred under the 1933 Act, each certificate for this Warrant, the Warrant Shares and any other security issued or issuable upon exercise of this Warrant shall contain a legend, in form and substance satisfactory to counsel for the Company, setting forth the restrictions on transfer contained in this Section. Any such transfer shall be accompanied by a transferor assignment substantially in the form of **Exhibit B** (the "*Transferor Assignment*"), executed by the transferor and the transferee and submitted to the Company. Upon receipt of the duly executed Transferor Assignment, the Company shall register the transferee thereon as the new Holder on the books and records of the Company and such transferee shall be deemed a "registered holder" or "registered assign" for all purposes hereunder, and shall have all the rights of the Holder hereof.

8. Warrant Agent. The Company may, by written notice to the Holder, appoint an agent (a "*Warrant Agent*") for the purpose of issuing Common Stock on the exercise of this Warrant pursuant hereto, exchanging this Warrant pursuant hereto, and replacing this Warrant pursuant hereto, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such Warrant Agent.

9. Transfer on the Company's Books. Until this Warrant is transferred on the books of the Company, the Company may treat the registered holder hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

10. Notices. Any notice required or permitted hereunder shall be given in the manner provided in the subsection headed "Notices" in the Purchase Agreement, the terms of which are incorporated herein by reference.

1 1 . Supplements and Amendments: Whole Agreement. This Warrant may be amended or supplemented only by an instrument in writing signed by the parties hereto. This Warrant, together with the Purchase Agreement and all other Transaction Documents, taken together, contain the full understanding of the parties hereto with respect to the subject matter hereof and thereof and there are no representations, warranties, agreements or understandings other than expressly contained herein and therein.

1 2 . Governing Law. This Warrant shall be governed by, and construed in accordance with, the internal laws of the State of Illinois, without reference to the choice of law provisions thereof. The Company and, by accepting this Warrant, the Holder, each irrevocably submits to the exclusive jurisdiction of the courts of the State of Illinois located in Cook County and any United States District Court for the Northern District of Illinois for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Warrant and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Warrant. The Company and, by accepting this Warrant, the Holder, each irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. The Company and, by accepting this Warrant, the Holder, each irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

1 3 . Remedies. The Company stipulates that the remedies at law of the Holder of this Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate and that, without limiting any other remedies available to the Holder, to the fullest extent permitted by law, such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

1 4 . Counterparts. This Warrant may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. Signature delivered via facsimile or email shall be considered original signatures for purposes hereof.

1 5 . Descriptive Headings. Descriptive headings of the sections of this Warrant are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by an officer thereunto duly authorized.

Dated: July 15, 2010

AETHLON MEDICAL, INC.

By: _____

(Print Name)

(Title)

[Signature page to Warrant]

EXHIBIT A

NOTICE OF EXERCISE OF WARRANT

TO: AETHLON MEDICAL, INC.
ATTN: _____
VIA FAX TO: () _____

The undersigned hereby irrevocably elects to exercise the right, represented by the Warrant to Purchase Shares of Common Stock dated as of July 15, 2010 (the "**Warrant**"), to purchase _____ shares of the Common Stock, \$0.001 par value ("**Common Stock**"), of **AETHLON MEDICAL, INC.**, and tenders herewith payment in accordance with Section 2 of the Warrant, as follows:

_____ CASH: \$ _____ = (Exercise Price x number of shares of Common Stock issuable upon exercise ("**Exercise Shares**"))

_____ Payment is being made by:
_____ enclosed check
_____ wire transfer
_____ other

_____ CASHLESS EXERCISE:

Net number of Warrant Shares to be issued to Holder: _____*

* based on: Current Market Value - (Exercise Price x Exercise Shares)
Adjusted Price of Common Stock

Where:
Market Price of Common Stock ["**MP**"] = \$ _____
Current Market Value [MP x Exercise Shares] = \$ _____
Exercise Price = \$ _____
Adjusted Price of Common Stock = \$ _____

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Warrant.

It is the intention of the Holder to comply with the provisions of Section 2.2 of the Warrant regarding certain limits on the Holder's right to exercise thereunder. The Holder believes this exercise complies with the provisions of such Section 2.2. Nonetheless, to the extent that, pursuant to the exercise effected hereby, the Holder would have more shares than permitted under Section 2.2, this notice should be amended and revised, *ab initio*, to refer to the exercise which would result in the issuance of the maximum number of shares permitted under such provision. Any exercise above such amount is hereby deemed void and revoked.

As contemplated by the Warrant, this Notice of Exercise is being sent by facsimile to the fax number and officer indicated above.

If this Notice of Exercise represents the full exercise of the outstanding balance of the Warrant, the Holder either (1) has previously surrendered the Warrant to the Company or (2) will surrender (or cause to be surrendered) the Warrant to the Company at the address indicated above by express courier within five (5) Trading Days after delivery or email or facsimile transmission of this Notice of Exercise.

The certificates representing the Warrant Shares should be transmitted by the Company to the Holder

_____ via express courier, or

_____ by electronic transfer

after receipt of this Notice of Exercise (by facsimile transmission or otherwise) to:

Dated: _____

[Name of Holder]

By: _____

EXHIBIT B

FORM OF TRANSFEROR ENDORSEMENT

(To be signed only on transfer of Warrant)

For value received, the undersigned hereby sells, assigns, and transfers unto the person(s) named below under the heading "Transferees" the right represented by the within Warrant to Purchase Shares of Common Stock to purchase the percentage and number of shares of Common Stock of AETHLON MEDICAL, INC. to which the within Warrant to Purchase Shares of Common Stock relates specified under the headings "Percentage Transferred" and "Number Transferred," respectively, opposite the name(s) of such person(s) and appoints each such person attorney to transfer the undersigned's respective right on the books of AETHLON MEDICAL, INC. with full power of substitution in the premises.

Transferees

Percentage Transferred

Number Transferred

Dated: _____, _____

[Transferor Name must conform to the name of

By: _____
Name: _____

Signed in the presence of:

(Name)

ACCEPTED AND AGREED:

[TRANSFEREE]

By: _____
Name: _____

NOTE AND WARRANT PURCHASE AGREEMENT

THIS NOTE AND WARRANT PURCHASE AGREEMENT, dated as of July 15, 2010 (this "Agreement"), is entered into by and between AETHLON MEDICAL, INC., a Nevada corporation (the "Company"), and Tonaquint, Inc., a Utah corporation, its successors or assigns (the "Buyer").

WITNESSETH

WHEREAS, the Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration for offers and sales to accredited investors afforded, *inter alia*, by Rule 506 under Regulation D ("Regulation D") as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act"), and/or Section 4(2) of the 1933 Act; and

WHEREAS, the Buyer wishes to acquire from the Company, and the Company desires to issue and sell to the Buyer, the Warrant (as defined below) and the Note (as defined below), which Note will be convertible into shares of Common Stock of the Company, par value \$0.001 per share (the "Common Stock"), upon the terms and subject to the conditions of the Note, the Warrant, this Agreement and the other Transaction Documents (as defined below).

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. CERTAIN DEFINITIONS. As used herein, each of the following terms has the meaning set forth below, unless the context otherwise requires:

"Affiliate" means, with respect to a specific Person referred to in the relevant provision, another Person who or which controls or is controlled by or is under common control with such specified Person.

"Buyer's Counsel" means Bennett Tueller Johnson & Deere, P.C.

"Buyer Control Person" means each manager, executive officer, promoter, and such other Persons as may be deemed in control of the Buyer pursuant to Rule 405 under the 1933 Act or Section 20 of the 1934 Act (as defined below).

"Certificate of Incorporation" means the certificate of incorporation, articles of incorporation or other charter document (howsoever denominated) of the Company, as amended to date.

"Closing Date" means the date of the closing of the purchase and sale of the Note and the Warrant.

"Company Control Person" means each director, executive officer, promoter, and such other Persons as may be deemed in control of the Company pursuant to Rule 405 under the 1933 Act or Section 20 of the 1934 Act.

"Company Counsel" means Law Office of Jennifer A. Post

"Company's SEC Documents" means the Company's periodic, annual and quarterly reports and the exhibits thereto filed pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act") on the SEC's EDGAR system.

“*Conversion Date*” means the date a Holder delivers to the Company a Notice of Conversion, as provided in the Note.

“*Conversion Shares*” means the shares of Common Stock issuable upon conversion of the Note and/or in payment of accrued interest, as contemplated in the Note.

“*Deliver*” means, when used in the context of a delivery of Shares via DWAC (as defined below), that the applicable Shares shall be made available by the Company’s Transfer Agent for electronic transfer and deposit to the Holder’s broker or custodian.

“*Delivery Date*” has the meaning ascribed to it, as may be relevant in the Note (with respect to Conversion Shares) or the Warrant (with respect to Warrant Shares).

“*Holder*” means the Person holding the relevant Securities at the relevant time.

“*Last Audited Date*” means March 31, 2010.

“*Material Adverse Effect*” means an event or combination of events, which individually or in the aggregate, would reasonably be expected to (x) adversely affect the legality, validity or enforceability of the Note, the Warrant or any of the Transaction Documents, (y) have or result in a material adverse effect on the results of operations, assets, or financial condition of the Company and its subsidiaries, taken as a whole, or (z) adversely impair the Company’s ability to substantially perform on a timely basis its material obligations under any of the Transaction Documents or the transactions contemplated thereby.

“*Maturity Date*” has the meaning ascribed to it in the Note.

“*Person*” means any living person or any entity, such as, but not necessarily limited to, a corporation, partnership or trust.

“*Principal Trading Market*” means (a) NYSE Amex, (b) the New York Stock Exchange, (c) the Nasdaq Global Market, (d) the Nasdaq Capital Market, (e) the Nasdaq OTC Bulletin Board, or (f) such other market on which the Common Stock is principally traded at the relevant time, but shall not include the “pink sheets.”

“*Rule 144*” means (i) Rule 144 promulgated under the Securities Act of 1933, as amended (the “*1933 Act*”) or (ii) any other similar rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration under the 1933 Act.

“*Securities*” means the Note, the Warrant and the Shares.

“*Shares*” means the shares of Common Stock representing any or all of the Conversion Shares and the Warrant Shares.

“*State of Incorporation*” means Nevada.

“*Subsidiary*” means, as of the relevant date, any subsidiary of the Company (whether or not included in the Company’s SEC Documents) whether now existing or hereafter acquired or created.

“*Trading Day*” means any day during which the Principal Trading Market shall be open for business.

“*Transaction Documents*” means this Agreement, the Note, the Security Agreement (defined below), each of the Buyer Trust Deed Notes (defined below), the Trust Deed (defined below), the Request (defined below), the Escrow Agreement (defined below), the Transfer Agent Letter (defined below), the Warrant, and all other certificates, documents, agreements, resolutions and instruments delivered to any party under or in connection with this Agreement.

“*Transfer Agent*” means, at any time, the transfer agent for the Company’s Common Stock.

“*Warrant Shares*” means the shares of Common Stock issuable upon exercise of the Warrant.

“*Wire Instructions*” means the wire instructions for the Initial Cash Purchase Price (as defined hereafter), as provided by the Company, set forth on **Annex I**.

2. AGREEMENT TO PURCHASE; PURCHASE PRICE.

a. Purchase.

(i) Subject to the terms and conditions of this Agreement and the other Transaction Documents, the undersigned Buyer hereby agrees to purchase from the Company a Secured Convertible Promissory Note in the principal amount of \$890,000.00 substantially in the form attached hereto as **Annex II** (the “*Note*”). The Note shall be secured by a Security Agreement substantially in the form attached hereto as **Annex III** listing each of the Buyer Trust Deed Notes as security for the Company’s obligations under the Transaction Documents (the “*Security Agreement*”). In consideration thereof, Buyer shall (i) pay the principal amount set forth on the Buyer’s signature page of this Agreement (the “*Initial Cash Purchase Price*”) and (ii) issue to the Company the Buyer Trust Deed Notes (the sum of the initial principal amounts of the Buyer Trust Deed Notes, together with the Initial Cash Purchase Price, the “*Purchase Price*”), which Buyer Trust Deed Notes shall be secured by a Trust Deed substantially in the form attached hereto as **Annex IV** (the “*Trust Deed*”). The Initial Cash Purchase Price shall be paid in accordance with the Wire Instructions.

(ii) In consideration for the Purchase Price, the Company will also issue to the Buyer a warrant in the form attached hereto as **Annex V** (the “*Warrant*”).

(iii) The Company shall also execute and deliver to the Buyer a Request for Full Reconveyance (the “*Request*”) substantially in the form attached hereto as **Annex VI**.

(iv) The Request shall be held in escrow in accordance with the terms of the Escrow Agreement substantially in the form attached hereto as **Annex VII** (the “*Escrow Agreement*”).

(v) The Company shall also execute and deliver to the Transfer Agent, and the Transfer Agent shall execute to indicate its acceptance thereof, the irrevocable transfer agent instruction letter substantially in the form attached hereto as **Annex VIII** (the “*Transfer Agent Letter*”).

(vi) At the Closing, the Buyer shall deliver to the Company the following:

(1) The Initial Cash Purchase Price;

(2) A Buyer Trust Deed Note in the principal amount of \$200,000.00 substantially in the form attached hereto as **Annex IX** (“*Buyer Trust Deed Note #1*”);

(3) A Buyer Trust Deed Note in the principal amount of \$200,000.00 substantially in the form attached hereto as **Annex X** (“*Buyer Trust Deed Note #2*,” and together with Buyer Trust Deed Note #1, the “*Buyer Trust Deed Notes*”); and

(4) The Trust Deed.

(vii) The tender of the Initial Cash Purchase Price and the issuance and sale of the Note and the Warrant to the Buyer are sometimes referred to herein and in the other Transaction Documents as the purchase and sale of the Note and Warrant.

b. Form of Payment; Delivery of Note and Warrant. The sale and purchase of the Note and the Warrant shall take place at a closing (the “*Closing*”) to be held at the offices of the Buyer on the Closing Date. At the Closing, the Company will deliver to the Buyer the Transaction Documents against receipt by the Company of the Initial Cash Purchase Price and the Buyer Trust Deed Notes.

c. Initial Cash Purchase Price. The Note carries an original issue discount of \$80,000.00 (the “*OID*”). In addition, the Company agrees to pay \$10,000.00 to the Buyer to cover the Buyer’s legal fees, accounting costs, due diligence, monitoring and other transaction costs incurred in connection with the purchase and sale of the Securities (the “*Transaction Expenses*”). The Transaction Expenses shall be added to the balance of the Note. The Initial Cash Purchase Price, therefore, shall be \$400,000.00, computed as follows: \$890,000.00 *less* the *OID less* the *Transaction Expenses less* the initial principal amounts of the Buyer Trust Deed Notes.

3. BUYER REPRESENTATIONS AND WARRANTIES.

The Buyer represents and warrants to, and covenants and agrees with, the Company, as of the date hereof and as of the Closing Date, as follows:

a. Binding Obligation. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Utah and has the requisite corporate power to own its properties and to carry on its business as now being conducted. The Transaction Documents to which the Buyer is a party, and the transactions contemplated hereby and thereby, have been duly and validly authorized by the Buyer. This Agreement has been executed and delivered by the Buyer, and this Agreement is, and each of the other Transaction Documents to which the Buyer is a party, when executed and delivered by the Buyer will be valid and binding obligations of the Buyer enforceable in accordance with their respective terms, subject as to enforceability to general principles of equity and to bankruptcy, insolvency, moratorium and other similar laws affecting the enforcement of creditors’ rights generally. The Buyer owns the Property (as defined in the Trust Deed Notes) free and clear of any claims, liens or encumbrances. The representations and warranties of the Buyer set forth in the Trust Deed Notes and the Deed of Trust and true and correct and are incorporated herein by reference.

b. Accredited Investor Status. The Buyer is an “accredited investor” as that term is defined in Rule 501 of the General Rules and Regulations under the 1933 Act.

4. COMPANY REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Buyer as of the date hereof and as of the Closing Date that:

a. Rights of Others Affecting the Transactions. There are no preemptive rights of any stockholder of the Company, as such, to acquire the Securities. No other party has a currently exercisable right of first refusal which would be applicable to any or all of the transactions contemplated by the Transaction Documents.

b. Status. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Incorporation and has the requisite corporate power to own its properties and to carry on its business as now being conducted. The Company is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have or result in a Material Adverse Effect. The Company is obligated to file reports pursuant to Section 13 or Section 15(d) of the 1934 Act. The Company has taken no action designed to terminate, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the 1934 Act, nor has the Company received any notification that the SEC is contemplating terminating such registration. The Common Stock is quoted on the Principal Trading Market. The Company has received no notice, either oral or written, with respect to the continued eligibility of the Common Stock for quotation on the Principal Trading Market, and the Company has maintained in all material respects all requirements on its part for the continuation of such quotation. The Company has not, in the twelve (12) months preceding the date hereof, received notice from the Principal Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Principal Trading Market. The Company is currently, and has no reason to believe that it will not in the immediate future continue to be, in compliance with all such listing and maintenance requirements.

c. Authorized Shares.

(i) The authorized capital stock of the Company consists of 250,000,000 shares of Common Stock, \$0.001 par value per share, of which approximately 67,085,036 undiluted shares and approximately 126,755,847 (fully diluted) are outstanding. Of the outstanding shares of Common Stock, approximately 1,307,517 shares are beneficially owned by Affiliates of the Company.

(ii) Other than as set forth in the Company's SEC Documents, there are no outstanding securities which are convertible into or exchangeable for shares of Common Stock, whether such conversion is currently exercisable or exercisable only upon some future date or the occurrence of some event in the future.

(iii) All issued and outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and non-assessable. After considering all other commitments that may require the issuance of Common Stock, the Company has sufficient authorized and unissued shares of Common Stock as may be necessary to effect the issuance of the Shares on the Closing Date, were (1) the Note issued and fully converted on that date and (2) the Warrant issued and fully exercised on that date.

(iv) The Shares have been duly authorized by all necessary corporate action on the part of the Company, and, when issued (1) on conversion of, or in payment of interest on the Note, or (2) upon exercise of the Warrant, in each case in accordance with their respective terms including as applicable payment therefor, will have been duly and validly issued, fully paid and non-assessable, free from all taxes, liens, claims, pledges, mortgages, restrictions, obligations, security interests and encumbrances of any kind, nature and description, and will not subject the Holder thereof to personal liability by reason of being a Holder.

(v) The Conversion Shares and Warrant Shares have or will have all the rights and privileges of the Common Stock of the Company as set forth in the Articles of Incorporation and each holder thereof has or will have, all the rights of a Common Stock holder under the Certificate of Incorporation and Bylaws of the Company as amended to date.

d. Transaction Documents and Stock. This Agreement and each of the other Transaction Documents, and the transactions contemplated hereby and thereby, have been duly and validly authorized by the Company. This Agreement has been duly executed and delivered by the Company and this Agreement is, and the Note, the Security Agreement, the Warrant, the Request, the Escrow Agreement and each of the other Transaction Documents, when executed and delivered by the Company will be, valid and binding obligations of the Company enforceable in accordance with their respective terms, subject as to enforceability to general principles of equity and to bankruptcy, insolvency, moratorium, and other similar laws affecting the enforcement of creditors' rights generally.

e. Non-contravention. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company, the issuance of the Securities in accordance with the terms hereof, and the consummation by the Company of the other transactions contemplated by this Agreement, the Note, the Security Agreement, the Warrant, the Request, the Escrow Agreement and the other Transaction Documents do not and will not conflict with or result in a breach by the Company of any of the terms or provisions of, or constitute a default under (i) the Certificate of Incorporation or bylaws of the Company, each as currently in effect, (ii) any indenture, mortgage, deed of trust, or other material agreement or instrument to which the Company is a party or by which it or any of its properties or assets are bound, including any listing agreement for the Common Stock except as herein set forth, or (iii) to its knowledge, any existing applicable law, rule, or regulation or any applicable decree, judgment, or order of any court, United States federal or state regulatory body, administrative agency, or other governmental body having jurisdiction over the Company or any of its properties or assets, except such conflict, breach or default which would not have or result in a Material Adverse Effect.

f. Approvals. No authorization, approval or consent of any court, governmental body, regulatory agency, self-regulatory organization, or stock exchange or market or the stockholders of the Company is required to be obtained by the Company for the issuance and sale of the Securities to the Buyer as contemplated by this Agreement, except such authorizations, approvals and consents that have been obtained.

g. Filings; Financial Statements. None of the Company's SEC Documents contained, at the time they were filed, any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Company has filed all quarterly and annual reports, schedules, forms, statements and other documents required to be filed by the Company with the SEC under the 1934 Act on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Document prior to the expiration of any such extension. As of their respective dates, the financial statements of the Company included in the Company's SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). No other information provided in writing by or on behalf of the Company to the Buyer which is not included in the Company's SEC Documents, including, without limitation, information referred to in this Agreement, contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstance under which they are or were made, not misleading.

h. Absence of Certain Changes. Since the Last Audited Date, there has been no Material Adverse Effect, except as disclosed in the Company's SEC Documents. Since the Last Audited Date, except as provided in the Company's SEC Documents, the Company has not (i) incurred or become subject to any material liabilities (absolute or contingent) except liabilities incurred in the ordinary course of business consistent with past practices; (ii) discharged or satisfied any material lien or encumbrance or paid any material obligation or liability (absolute or contingent), other than current liabilities paid in the ordinary course of business consistent with past practices; (iii) declared or made any payment or distribution of cash or other property to stockholders with respect to its capital stock, or purchased or redeemed, or made any agreements to purchase or redeem, any shares of its capital stock; (iv) sold, assigned or transferred any other material tangible assets, or canceled any material debts owed to the Company by any third party or material claims of the Company against any third party, except in the ordinary course of business consistent with past practices; (v) waived any rights of material value, whether or not in the ordinary course of business, or suffered the loss of any material amount of existing business; (vi) made any increases in employee compensation, except in the ordinary course of business consistent with past practices; or (vii) experienced any material problems with labor or management in connection with the terms and conditions of their employment.

i. Full Disclosure. There is no fact known to the Company or that the Company should know after due inquiry (other than conditions known to the public generally or as disclosed in the Company's SEC Documents) that has not been disclosed in writing to the Buyer that would reasonably be expected to have or result in a Material Adverse Effect.

j. Absence of Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of the Company, threatened against or affecting the Company before or by any governmental authority or non-governmental department, commission, board, bureau, agency or instrumentality or any other person, wherein an unfavorable decision, ruling or finding would have a Material Adverse Effect or which would adversely affect the validity or enforceability of, or the authority or ability of the Company to perform its obligations under, any of the Transaction Documents. The Company is not aware of any valid basis for any such claim that (either individually or in the aggregate with all other such events and circumstances) could reasonably be expected to have a Material Adverse Effect. There are no outstanding or unsatisfied judgments, orders, decrees, writs, injunctions or stipulations to which the Company is a party or by which it or any of its properties is bound, that involve the transaction contemplated herein or that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

k. Absence of Events of Default. Neither the Company nor any of its Subsidiaries is in violation of or in default with respect to (i) its Certificate of Incorporation or bylaws or other organizational documents, each as currently in effect, or any material judgment, order, writ, decree, statute, rule or regulation applicable to such entity; or (ii) any material mortgage, indenture, agreement, instrument or contract to which such entity is a party or by which it or any of its properties or assets are bound (nor is there any waiver in effect which, if not in effect, would result in such a violation or default), except such breach or default which would not have or result in a Material Adverse Effect.

l. Absence of Certain Company Control Person Actions or Events. Other than as set forth in the Company's SEC Documents, none of the following has occurred during the past five (5) years with respect to a Company Control Person:

(i) A petition under the federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such Company Control Person, or any partnership in which he or she was a general partner at or within two years before the time of such filing, or any corporation or business association of which he or she was an executive officer at or within two years before the time of such filing;

(ii) Such Company Control Person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

(iii) Such Company Control Person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him or her from, or otherwise limiting, the following activities:

A. acting, as an investment advisor, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, any other Person regulated by the Commodity Futures Trading Commission (“*CFTC*”) or engaging in or continuing any conduct or practice in connection with such activity;

B. engaging in any type of business practice; or

C. engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;

(iv) Such Company Control Person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than sixty (60) days the right of such Company Control Person to engage in any activity described in subsection (iii) immediately above, or to be associated with Persons engaged in any such activity; or

(v) Such Company Control Person was found by a court of competent jurisdiction in a civil action or by the CFTC or SEC to have violated any federal or state securities law, and the judgment in such civil action or finding by the CFTC or SEC has not been subsequently reversed, suspended, or vacated.

m. No Undisclosed Liabilities or Events. The Company has no material liabilities or obligations other than those disclosed in the Transaction Documents or the Company’s SEC Documents or those incurred in the ordinary course of the Company’s business since the Last Audited Date, or which individually or in the aggregate, do not or would not have a Material Adverse Effect. No event or circumstance has occurred or exists with respect to the Company or its properties, business, operations, condition (financial or otherwise), or results of operations, which, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed. There are no proposals currently under consideration or currently anticipated to be under consideration by the Board of Directors or the executive officers of the Company which proposal would (i) change the Certificate of Incorporation or bylaws of the Company, each as currently in effect, with or without stockholder approval, which change would reduce or otherwise adversely affect the rights and powers of the stockholders of the Common Stock or (ii) materially or substantially change the business, assets or capital of the Company, including its interests in Subsidiaries.

n. No Integrated Offering. Neither the Company nor any of its Affiliates nor any Person acting on its or their behalf has, directly or indirectly, made any offer or sales of any security or solicited any offers to buy any security under circumstances that would eliminate the availability of the exemption from registration under Regulation D in connection with the offer and sale of the Securities as contemplated hereby.

o. Dilution. Each of the Company and its executive officers and directors is aware that the number of shares issuable upon conversion of the Note and exercise of the Warrant, or pursuant to the other terms of the Transaction Documents may have a dilutive effect on the ownership interests of the other stockholders (and Persons having the right to become stockholders) of the Company.

p. Fees to Brokers, Placement Agents and Others. The Company has taken no action which would give rise to any claim by any Person for a brokerage commission, placement agent or finder's fees or similar payments by the Buyer relating to this Agreement or the transactions contemplated hereby. Except for such fees arising as a result of any agreement or arrangement entered into by the Buyer without the knowledge of the Company (a "*Buyer's Fee*"), the Buyer shall have no obligation with respect to such fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this subsection that may be due in connection with the transactions contemplated hereby. The Company shall indemnify and hold harmless each of the Buyer, its employees, officers, managers, agents, and partners, and their respective Affiliates, from and against all claims, losses, damages, costs (including the costs of preparation and attorneys' fees) and expenses suffered in respect of any such claimed or existing fees (other than a Buyer's Fee, if any).

q. Disclosure. All information relating to or concerning the Company set forth in the Transaction Documents or in the Company's SEC Documents or otherwise provided in writing by or on behalf of the Company to the Buyer is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

r. Confirmation. The Company agrees that, if, to the knowledge of the Company, any events occur or circumstances exist prior to the payment of the Purchase Price to the Company which would make any of the Company's representations or warranties set forth herein materially untrue or materially inaccurate as of such date (unless the representation or warranty is made as of a specific prior date), the Company shall immediately notify the Buyer in writing prior to such date of such fact, specifying which representation, warranty or covenant is affected and the reasons therefor.

s. Title. The Company and the Subsidiaries, if applicable, own and have title to, or a valid leasehold interest in, all their respective real properties and good title to their other respective assets and properties, subject to no liens, claims or encumbrances except as have been disclosed to the Buyer.

t. DWAC Eligible. The Company is currently eligible to permit the transfer of its Securities, including all Conversion Shares and Warrant Shares, electronically via Deposit/Withdrawal at Custodian ("*DWAC*").

u. Intellectual Property.

(i) **Ownership.** The Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses (software or otherwise), information, processes and similar proprietary rights ("*Intellectual Property*") necessary to the business of the Company as presently conducted, the lack of which could reasonably be expected to have a Material Adverse Effect. The Company has not received any written communication alleging that the Company has violated or, by conducting its business as currently conducted, would violate any of the Intellectual Property of any other person or entity, nor is the Company aware of any basis therefor. The Company is not obligated to make any payments by way of royalties, fees or otherwise to any owner or licensor of or claimant to any Intellectual Property with respect to the use thereof in connection with the present conduct of its business other than in the ordinary course of its business other than as disclosed in the SEC Documents. There are no agreements, understandings, instruments, contracts, judgments, orders or decrees to which the Company is a party or by which it is bound which involve indemnification by the Company with respect to infringements of Intellectual Property, other than in the ordinary course of its business and other than as disclosed in the SEC Documents.

(ii) No Breach by Employees. The Company is not aware that any of its employees is obligated under any contract or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would materially interfere with the use of his or her efforts to promote the interests of the Company or that would conflict with the Company's business as presently conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as presently conducted, will, to the Company's knowledge, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any such employee is now obligated. The Company does not believe it is or will be necessary to use any inventions of any of its employees made prior to their employment by the Company of which it is aware.

5. CERTAIN COVENANTS AND ACKNOWLEDGMENTS.

a. Covenants and Acknowledgements of the Buyer.

(i) Transfer Restrictions. The Buyer acknowledges that (1) the Securities have not been and are not being registered under the provisions of the 1933 Act and, except as included in an effective registration statement, the Shares have not been and are not being registered under the 1933 Act, and may not be transferred unless (A) subsequently registered thereunder, or (B) the Buyer shall have delivered to the Company an opinion of counsel, reasonably satisfactory in form, scope and substance to the Company, to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration; (2) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of such Rule and further, if such Rule is not applicable, any resale of such Securities under circumstances in which the seller, or the Person through whom the sale is made, may be deemed to be an underwriter, as that term is used in the 1933 Act, may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (3) neither the Company nor any other Person is under any obligation to register the Securities under the 1933 Act or to comply with the terms and conditions of any exemption thereunder.

(ii) Restrictive Legend. The Buyer acknowledges and agrees that, until such time as the relevant Shares have been registered under the 1933 Act, and may be sold in accordance with an effective registration statement, or until such Shares can otherwise be sold without restriction, whichever is earlier, the certificates and other instruments representing any of the Securities shall bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of any such Securities):

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES OR AN OPINION OF COUNSEL OR OTHER EVIDENCE ACCEPTABLE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

b. Covenants, Acknowledgements and Agreements of the Company. As a condition to the Buyer's obligation to purchase the Securities contemplated by this Agreement, and as a material inducement for the Buyer to enter into this Agreement and the other Transaction Documents, so long as any portion of the Note remains outstanding or any portion of the Warrant remains unexercised, or within the timeframes otherwise specifically set forth below, the Company shall comply with the following covenants:

(i) Filings. From the date hereof until the date that is six (6) months after all the Conversion Shares and Warrant Shares either have been sold by the Buyer, or may be sold by the Buyer pursuant to Rule 144, (the "*Registration Period*"), the Company shall timely make all quarterly and annual report filings required to be made by it under the 1934 Act or by the rules and regulations of the Principal Trading Market and such reports shall conform to the requirement of the applicable laws, regulations and government agencies, and, unless such filing is publicly available on the SEC's EDGAR system (via the SEC's web site at no additional charge), the Company shall provide a copy thereof to the Buyer promptly after such filing. Additionally, within four (4) business days following the date of this Agreement, the Company shall file a current report on Form 8-K describing the terms of the transactions contemplated by the Transaction Documents in the form required by the 1934 Act and approved by the Buyer and attaching the material transaction documents as exhibits to such filing. The Company further agrees to redact all confidential information from such Form 8-K identified as confidential by the Buyer, provided the Buyer informs the Company prior to the Closing as to what information it deems confidential and provided further that the Company remains in compliance with the disclosure requirements of the rules and regulations of the SEC. Additionally, the Company shall furnish to the Buyer, so long as the Buyer owns any Securities or Common Stock, promptly upon request, (1) a written statement by the Company that it has complied with the reporting requirements of the 1934 Act, (2) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit the Buyer to sell such securities pursuant to Rule 144 without registration.

(i i) Reporting Status. So long as the Buyer holds the Note or the Warrant and all or any portion of such Securities have neither been converted into Conversion Shares nor exercised for Warrant Shares, as applicable, the Company shall file all reports required to be filed with the SEC pursuant to Sections 13 or 15(d) of the 1934 Act, shall take all reasonable action under its control to ensure that adequate current public information with respect to the Company, as required in accordance with Rule 144(c)(2) of the 1933 Act, is publicly available, and shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would permit such termination.

(i i i) Listing. The Company's Common Stock shall be listed or quoted for trading on any Principal Trading Market. The Company shall promptly secure the listing of all of the Conversion Shares and Warrant Shares upon each national securities exchange and automated quotation system, if any, upon which the Common Stock is then listed (subject to official notice of issuance) and shall maintain such listing of all securities from time to time issuable under the terms of the Transaction Documents. The Company will comply in all material respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Principal Trading Market and/or the Financial Industry Regulatory Authority, Inc. ("*FINRA*") or any successor thereto, as the case may be, applicable to it at least through the date which is sixty (60) days after the later of (x) the date on which the Note has been converted or has been paid in full, or (y) the date on which the Warrant has been exercised in full.

(i v) Use of Proceeds. The Company will use the net proceeds received hereunder for working capital and general corporate purposes; *provided, however,* the Company will not use such proceeds to pay fees payable (a) to any broker or finder relating to the offer and sale of the Note and the Warrant, or (b) to any other party relating to any financing transaction effected prior to the Closing Date.

(v) Publicity, Filings, Releases, Etc. Each of the parties agrees that it will not disseminate any information relating to the Transaction Documents or the transactions contemplated thereby, including issuing any press releases, holding any press conferences or other forums, or filing any reports (collectively, “*Publicity*”), without giving the other party reasonable advance notice and an opportunity to comment on the contents thereof. Neither party will include in any such Publicity any statement or statements or other material to which the other party reasonably objects, unless in the reasonable opinion of counsel to the party proposing such statement, such statement is legally required to be included. In furtherance of the foregoing, the Company will provide to the Buyer’s Counsel drafts of the applicable text of the first filing of a current report on Form 8-K or a Quarterly or Annual Report on Form 10-Q or 10-K, as the case may be, intended to be made with the SEC which refers to the Transaction Documents or the transactions contemplated thereby as soon as practicable (but at least two (2) Trading Days before such filing will be made) and will not include in such filing (or any other filing filed before then) any statement or statements or other material to which the other party reasonably objects, unless in the reasonable opinion of counsel to the party proposing such statement, such statement is legally required to be included. Notwithstanding the foregoing, each of the parties hereby consents to the inclusion of the text of the Transaction Documents in filings made with the SEC (but any descriptive text accompanying or part of such filing shall be subject to the other provisions of this subsection). Notwithstanding, but subject to, the foregoing provisions of this provision, the Company will, within four (4) business days after the Closing Date, file a current report on Form 8-K or, if appropriate, a quarterly or annual report on the appropriate form, describing the terms of the transactions contemplated by the Transaction Documents in the form required by the 1934 Act and approved by the Buyer and attaching the material Transaction Documents as exhibits to such filing.

(vi) FINRA Rule 5110. In the event that the Corporate Financing Rule 5110 of FINRA is or becomes applicable to the transactions contemplated by the Transaction Documents or to the sale by a Holder of any of the Securities, then the Company shall, to the extent required by such rule, timely make any filings and cooperate with any broker or selling stockholder in respect of any consents, authorizations or approvals that may be necessary for FINRA to timely and expeditiously permit the Holder to sell the Securities.

(vii) Keeping of Records and Books of Account. The Company shall keep and cause each Subsidiary, if any, to keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Company and such Subsidiaries, and in which, for each fiscal year, all proper reserves, if applicable, for depreciation, depletion, obsolescence, amortization, taxes, bad debts and other purposes in connection with its business shall be made.

(viii) Corporate Existence. The Company shall (a) do all things necessary to preserve and keep in full force and effect its corporate existence, including, without limitation, all licenses or similar qualifications required by it to engage in its business in all jurisdictions in which it is at the time so engaged, except where such failure would not have a Material Adverse Effect; (b) continue to engage in business of the same general type as conducted as of the date hereof; and (c) continue to conduct its business substantially as now conducted or as otherwise permitted hereunder.

(ix) Taxes. The Company shall pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property before the same shall become delinquent or in default, which, if unpaid, might reasonably be expected to give rise to liens or charges upon such properties or any part thereof, unless, in each case, the validity or amount thereof is being contested in good faith by appropriate proceedings and the Company has maintained adequate reserves with respect thereto in accordance with GAAP.

(x) Compliance. The Company shall comply in all material respects with all federal, state and local laws and regulations, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations and requirements applicable to it (collectively, “*Requirements*”) of all governmental bodies, departments, commissions, boards, companies or associations insuring the premises, courts, authorities, officials or officers which are applicable to the Company, its business, operations, or any of its properties, except where the failure to so comply would not have a Material Adverse Effect on the Company or any of its properties; *provided, however,* that nothing provided herein shall prevent the Company from contesting in good faith the validity or the application of any Requirements.

(xi) Litigation. From and after the date hereof and until all of the Company's obligations hereunder and the Note are paid and performed in full and the Warrant is exercised in full, the Company shall notify the Buyer in writing, promptly upon learning thereof, of any litigation or administrative proceeding commenced or threatened in writing against the Company involving a claim in excess of \$100,000.00.

(xii) Failure to Make Timely Filings. The Company agrees that, if the Company fails to timely file on the SEC's EDGAR system any information required to be filed by it on a Form 10-K, Form 10-Q, or otherwise so as to be deemed a "reporting issuer" with current public information under the 1934 Act, the Company shall be liable to pay to the Holder an amount based on the following schedule (where "*No. Business Days Late*" refers to each Trading Day after the latest due date for the relevant filing, including all applicable extensions under Section 12b-25 of the 1934 Act):

<u>No. Business Days Late</u>	<u>Late Filing Payment For Each \$10,000.00 of Outstanding Principal of the Note</u>
1	\$100.00
2	\$200.00
3	\$300.00
4	\$400.00
5	\$500.00
6	\$600.00
7	\$700.00
8	\$800.00
9	\$900.00
10	\$1,000.00
>10	\$1,000.00 + \$200.00 for each Trading Day Late beyond 10 days

The Company shall pay any payments incurred under this subsection in immediately available funds upon demand by the Holder; *provided, however*, that the Holder making the demand may specify that the payment shall be made in shares of Common Stock at the Conversion Price (as defined in the Note) applicable to the date of such demand. If the payment is to be made in shares of Common Stock, such shares shall be considered Conversion Shares under the Note, with the "*Delivery Date*" for such shares being determined from the date of such demand. The demand for payment of such amount in shares shall be considered a "*Conversion Notice*" (but the delivery of such shares shall be in payment of the amount contemplated by this subsection and not in payment of any principal or interest on the Note).

(xiii) Authorized Shares. The Company shall take all action necessary to at all times have authorized, and reserved for the purpose of issuance, such number of shares of Common Stock as shall be necessary to effect the full conversion of the Note and exercise of the Warrant multiplied by 1.5 (the "*Share Reserve*"). If at any time the Share Reserve is insufficient to effect the full conversion of the Note and exercise of the Warrant, the Company shall promptly take all steps necessary to increase the Share Reserve accordingly including calling a special meeting of the stockholders within thirty (30) days of such occurrence, for the sole purpose of increasing the number of shares authorized.

(xvi) DWAC Eligibility. The Company shall take all action necessary to maintain DWAC eligibility for so long as (A) any portion of the Note remains outstanding, or (B) any portion of the Warrant remains unexercised.

(xvii) Certain Negative Covenants of the Company. From and after the date hereof and until all of the Company's obligations hereunder and the Note are paid and performed in full, and prior to any Event of Default under the Trust Deed Notes (which Default has not been cured or waived), the Company shall not:

- A. Grant or permit any security interest (or other lien or other encumbrance) in or on any of its assets in an amount in excess of \$100,000 absent the prior consent of Buyer;
- B. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate of the Company, or amend or modify any agreement related to any of the foregoing, except on terms that are no less favorable, in any material respect, than those obtainable from any person or entity who is not an Affiliate of the Company;
- C. Transfer, assign, sell, pledge, hypothecate or otherwise alienate or encumber the Buyer Trust Deed Notes in any way without the prior written consent of the Buyer; or

6. TRANSFER AGENT INSTRUCTIONS.

a. The Company warrants that, with respect to the Securities, other than the stop transfer instructions to give effect to Section 5(a)(i) hereof, it will give the Transfer Agent no instructions inconsistent with instructions to issue Common Stock from time to time upon conversion of the Note and/or exercise of the Warrant, as may be applicable from time to time, in such amounts as specified from time to time by the Company to the Transfer Agent, bearing the restrictive legend specified in Section 5(a)(ii) of this Agreement, registered in the name of the Buyer or its nominee and in such denominations to be specified by the Holder in connection therewith. Except as so provided, the Shares shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the other Transaction Documents. Nothing in this Section shall affect in any way the Buyer's obligations and agreement to comply with all applicable securities laws upon resale of the Securities. If the Buyer provides the Company with an opinion of counsel reasonably satisfactory to the Company that registration of a resale by the Buyer of any of the Securities in accordance with clause (1)(B) of Section 5(a)(i) of this Agreement is not required under the 1933 Act, the Company shall (except as provided in clause (2) of Section 5(a)(i) of this Agreement) permit the transfer of the Securities and, in the case of the Conversion Shares and the Warrant Shares, as may be applicable, use its best efforts to cause the Transfer Agent to promptly electronically Deliver to the Holder via DWAC such Conversion Shares or Warrant Shares. The Company specifically represents that, within 45 days of the Closing Date and subject to its covenant in Section 5(b)(xvi) above, (i) the Company's Transfer Agent will be (a) participating in the DWAC program, (b) will be DWAC eligible, and (ii) the Company is not aware of any plans of the Transfer Agent to terminate such DWAC participation or eligibility. Subject to Section 5(b)(xvi) above, while any Holder holds Securities, the Company shall at all times maintain a transfer agent which participates in the DWAC program and is DWAC eligible, and the Company will not appoint any transfer agent which does not both participate in the DWAC program and maintain DWAC eligibility.

b. (i) The Company understands that a delay in the Delivery of Conversion Shares or Warrant Shares, whether on conversion of the Note and/or in payment of accrued interest, or exercise of the Warrant, beyond the relevant Delivery Date (as defined in the Note or the Warrant, as applicable) could result in economic loss to the Holder. As compensation to the Holder for such loss, in addition to any other available remedies at law or equity, the Company agrees to make payments to the Holder for late Delivery of the Shares in accordance with the following schedule (where “*No. Business Days Late*” is defined as the number of Trading Days beyond two (2) Trading Days after the Delivery Date):

<u>No. Business Days Late</u>	<u>Late Payment for Each \$10,000.00 of Principal or Interest Being Converted (or amount of Warrant exercise)</u>
1	\$100.00
2	\$200.00
3	\$300.00
4	\$400.00
5	\$500.00
6	\$600.00
7	\$700.00
8	\$800.00
9	\$900.00
10	\$1,000.00
>10	\$1,000.00 + \$200.00 for each Business Day Late beyond 10 days

The amount of any payments incurred under this Section 6(b)(i) shall be automatically added to the principal balance of the Note and the Company shall pay any such payments in immediately available funds upon demand. Nothing herein shall limit the Holder’s right to pursue actual damages for the Company’s failure to issue and Deliver the Shares to the Holder within a reasonable time. Furthermore, in addition to any other remedies which may be available to a Holder, in the event that the Company fails for any reason to effect Delivery of such Shares within two (2) Trading Days after the Delivery Date, the Holder will be entitled to revoke the relevant Notice of Conversion or Notice of Exercise by delivering a notice to such effect to the Company prior to such Holder’s receipt of the relevant Shares, whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to delivery of such Notice of Conversion or Notice of Exercise, as the case may be; *provided, however*, that any payments contemplated by this Section 6(b)(i) which have accrued through the date of such revocation notice shall remain due and owing to the Holder notwithstanding such revocation.

(ii) If, by the fifth Trading Day after the relevant Delivery Date, the Company fails for any reason to Deliver the Shares, but at any time after the Delivery Date, the Holder purchases, in an arm’s-length open market transaction or otherwise, shares of Common Stock (the “*Covering Shares*”) in order to make Delivery in satisfaction of a sale of Common Stock by the Holder (the “*Sold Shares*”), which Delivery such Holder anticipated to make using the shares to be issued upon such conversion or exercise (a “*Buy-In*”), the Holder shall have the right to require the Company to pay to the Holder, in addition to and not in lieu of the amounts contemplated in other provisions of the Transaction Documents, including, but not limited to, the provisions of the immediately preceding Section 6(b)(i), the Buy-In Adjustment Amount (as defined below). The “*Buy-In Adjustment Amount*” is the amount equal to the number of Sold Shares multiplied by the excess, if any, of (x) the Holder’s total purchase price per share (including brokerage commissions, if any) for the Covering Shares over (y) the net proceeds per share (after brokerage commissions, if any) received by the Holder from the sale of the Sold Shares. The Company shall pay the Buy-In Adjustment Amount to the Holder in immediately available funds immediately upon demand by the Holder. By way of illustration and not in limitation of the foregoing, if the Holder purchases shares of Common Stock having a total purchase price (including brokerage commissions) of \$11,000.00 to cover a Buy-In with respect to shares of Common Stock it sold for net proceeds of \$10,000.00, the Buy-In Adjustment Amount which Company will be required to pay to the Holder will be \$1,000.00.

c. The Company shall assume any fees or charges of the Transfer Agent or Company Counsel regarding (i) the removal of a legend or stop transfer instructions with respect to the Securities, and (ii) the issuance of certificates or DWAC registration to or in the name of the Holder or the Holder's designee or to a transferee as contemplated by an effective registration statement. Notwithstanding the foregoing, it shall be the Holder's responsibility to obtain all needed formal requirements (specifically: medallion guarantee and prospectus delivery compliance) in connection with any electronic issuance of shares of Common Stock.

d. The Holder of the Note shall be entitled to exercise its conversion privilege with respect to the Note, as the case may be, notwithstanding the commencement of any case under 11 U.S.C. §101 et seq. (the "*Bankruptcy Code*"). In the event the Company is a debtor under the Bankruptcy Code, the Company hereby waives, to the fullest extent permitted, any rights to relief it may have under 11 U.S.C. §362 in respect of such Holder's exercise privilege. The Company hereby waives, to the fullest extent permitted, any rights to relief it may have under 11 U.S.C. §362 in respect of the conversion of the Note. The Company agrees, without cost or expense to such Holder, to take or to consent to any and all action necessary to effectuate relief under 11 U.S.C. §362.

7. CLOSING DATE.

a. The Closing Date shall occur on the date which is the first Trading Day after each of the conditions contemplated by Sections 8 and 9 hereof shall have either been satisfied or been waived by the party in whose favor such conditions run.

b. Closing of the purchase and sale of the Note and the Warrant, which the parties anticipate shall occur concurrently with the execution of this Agreement, shall occur at the offices of the Buyer and shall take place no later than 3:00 P.M., Eastern Time, or on such day or such other time as is mutually agreed upon by the Company and the Buyer.

8. **CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.** The Buyer understands that the Company's obligation to sell the Note and the Warrant to the Buyer pursuant to this Agreement on the Closing Date is conditioned upon all of the following conditions, any of which may be waived in whole or in part by the Company:

- a. The execution and delivery of this Agreement and, as applicable, the other Transaction Documents by the Buyer on or before the Closing Date;
- b. Delivery by the Buyer by or on the Closing Date of good funds as payment in full of an amount equal to the Initial Cash Purchase Price in accordance with this Agreement;
- c. Delivery by the Buyer to the Company of executed copies of the Buyer Trust Deed Notes and the Trust Deed on or before the Closing Date;

d. The accuracy on the Closing Date of the representations and warranties of the Buyer contained in this Agreement, each as if made on such date, and the performance by the Buyer on or before such date of all covenants and agreements of the Buyer required to be performed on or before such date; and

e. There shall not be in effect any law, rule or regulation prohibiting or restricting the transactions contemplated hereby, or requiring any consent or approval which shall not have been obtained.

9. CONDITIONS TO THE BUYER'S OBLIGATION TO PURCHASE. The Buyer's obligation to purchase the Note and the Warrant is conditioned upon and subject to the fulfillment, on or prior to the Closing Date, of all of the following conditions, any of which may be waived in whole or in part by the Buyer:

a. The execution and delivery of this Agreement, the Security Agreement, the Request, the Escrow Agreement, the Transfer Agent Letter and, as applicable, the other Transaction Documents by the Company on or before the Closing Date;

b. The delivery by the Company to the Buyer of the Note and the Warrant, each in original form, duly executed by the Company, in accordance with this Agreement;

c. On the Closing Date, each of the Transaction Documents executed by the Company on or before such date shall be in full force and effect and the Company shall not be in default thereunder;

d. On or prior to the Closing Date, the Share Reserve shall be sufficient to effect the full conversion of the Note and exercise of the Warrant as of the Closing Date;

e. The accuracy in all material respects on the Closing Date of the representations and warranties of the Company contained in this Agreement and the other Transaction Documents, each as if made on such date, and the performance by the Company on or before such date of all covenants and agreements of the Company required to be performed on or before such date;

f. There shall not be in effect any law, rule or regulation prohibiting or restricting the transactions contemplated hereby, or requiring any consent or approval which shall not have been obtained;

g. From and after the date hereof to and including the Closing Date, each of the following conditions will remain in effect: (i) the trading of the Common Stock shall not have been suspended by the SEC or on the Principal Trading Market; (ii) trading in securities generally on the Principal Trading Market shall not have been suspended or limited; (iii), no minimum prices shall be established for securities traded on the Principal Trading Market; and (iv) there shall not have occurred any Material Adverse Effect;

h. Except for any notices required or permitted to be filed after the Closing Date with certain federal and state securities commissions, the Company shall have obtained (i) all governmental approvals required in connection with the lawful sale and issuance of the Securities, and (ii) all third party approvals required to be obtained by the Company in connection with the execution and delivery of the Transaction Documents by the Company or the performance of the Company's obligations thereunder; and

i. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents and instruments incident to such transactions shall be reasonably satisfactory in substance and form to the Buyer.

10. INDEMNIFICATION.

a. The Company agrees to defend, indemnify and forever hold harmless the Buyer and its officers, managers, employees, and agents, and each Buyer Control Person (the “*Buyer Parties*”) from and against any losses, claims, damages, liabilities or expenses incurred (collectively, “*Damages*”), joint or several, and any action in respect thereof to which the Buyer, its partners, Affiliates, officers, directors, employees, and duly authorized agents, and any such Buyer Control Person becomes subject, resulting from, arising out of or relating to any misrepresentation, breach of warranty or nonfulfillment of or failure to perform any covenant or agreement on the part of the Company contained in this Agreement, as such Damages are incurred, *provided* such Damages do not wholly arise, directly or indirectly from any fraud, negligence or willful misconduct of any Buyer Parties (in which event the Company’s indemnification obligations herein will be offset by the amount attributable thereto as a result of a Buyer Parties’ fraud, negligence or willful misconduct, but otherwise such obligations shall remain in full force and effect); and *provided further* such indemnification obligations may be offset against any Damages incurred by the Company as a result of any fraud, negligence or willful misconduct of any Buyer Parties whether or not such Damages on the part of Buyer Parties and the Company arise from the same action or proceeding. The Buyer Parties with the right to be indemnified under this Section (the “*Indemnified Parties*”) shall have the right to defend any such action or proceeding with attorneys of their own selection, and the Company shall be solely responsible for all reasonable costs and expenses related thereto. If the Indemnified Parties opt not to retain their own counsel, the Company shall defend any such action or proceeding with attorneys of its choosing at its sole cost and expense, provided that such attorneys have been pre-approved by the Indemnified Parties, which approval shall not be unreasonably withheld, and provided further that the Company may not settle any such action or proceeding without first obtaining the written consent of the Indemnified Parties.

b. The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar rights of the Buyer Parties against the Company or others, and (ii) any liabilities the Company may be subject to.

11. **SPECIFIC PERFORMANCE.** The Company and the Buyer acknowledge and agree that irreparable damage would occur in the event that any provision of this Agreement or any of the other Transaction Documents were not performed in accordance with its specific terms or were otherwise breached. It is accordingly agreed that the parties (including any Holder) shall be entitled to an injunction or injunctions, without (except as specified below) the necessity to post a bond, to prevent or cure breaches of the provisions of this Agreement or such other Transaction Document and to enforce specifically the terms and provisions hereof or thereof, this being in addition to any other remedy to which any of them may be entitled by law or equity; *provided, however* that the Company, upon receipt of a Notice of Conversion or a Notice of Exercise, may not fail or refuse to deliver the stock certificates and the related legal opinions, if any, or if there is a claim for a breach by the Company of any other provision of this Agreement or any of the other Transaction Documents, the Company shall not raise as a legal defense, any claim that the Holder or anyone associated or affiliated with the Holder has violated any provision hereof or any other Transaction Document or has engaged in any violation of law or any other claim or defense, unless the Company has first posted a bond for one hundred fifty percent (150%) of the principal amount and, if relevant, then obtained a court order specifically directing it not to deliver said stock certificates to the Holder. The proceeds of such bond shall be payable to the Holder to the extent that the Holder obtains judgment or its defense is recognized. Such bond shall remain in effect until the completion of the relevant proceeding and, if the Holder appeals therefrom, until all such appeals are exhausted. This provision is deemed incorporated by reference into each of the Transaction Documents as if set forth therein in full. Notwithstanding anything to the contrary herein, the Company shall not be required to deliver Conversion Shares or Warrant Shares, as the case may be, in the event the Company in good faith reasonably believes the actions requested by the Buyer are in material violation of applicable law.

12. OWNERSHIP LIMITATION. If at any time after the Closing, the Buyer shall or would receive shares of the Company's Common Stock in payment of interest or principal under the Note or upon conversion of the Note or exercise of the Warrant, so that the Buyer would, together with other shares of Common Stock held by it or its Affiliates, hold by virtue of such action or receipt of additional shares of Common Stock a number of shares exceeding 9.99% of the number of shares of the Company's Common Stock outstanding on such date (the "9.99% Cap"), the Company shall not be obligated and shall not issue to the Buyer shares of its Common Stock which would exceed the 9.99% Cap, but only until such time as the 9.99% Cap would no longer be exceeded by any such receipt of shares of Common Stock by the Buyer. In connection with the performance of this Section 12, the Buyer and/or its Affiliates agree to furnish to the Company any information reasonably requested by the Company in order to calculate the 9.99% Cap amount.

13. SHARE ISSUANCE CAP. Notwithstanding anything to the contrary herein or in the Note or the Warrant, the number of Shares that may be issued to the Buyer pursuant to a conversion of the Note or exercise of the Warrant shall not exceed a cap determined by (a) dividing the sum of (i) the face amount of the Note, plus (ii) an amount equal to all interest that would accrue under the Note during its term (assuming no payments of principal or interest are made prior to the Maturity Date), by a price per Share of \$0.20 (subject to adjustment for stock splits, stock dividends, issuances of Securities having a price per Share equal to less than \$0.20, and other events as set forth in the Note), and (b) then adding the sum calculated pursuant to the foregoing clause (a) to the maximum number of Warrant Shares that may be acquired by the Holder thereof upon exercise of the Warrant (regardless of whether such exercise is a cashless exercise).

14. MISCELLANEOUS. The Company and the Buyer hereby agree that the provisions of this Section 14 shall apply to all of the Transaction Documents.

a. Governing Law and Venue. Other than the Deed of Trust, the Request, and issues pertaining thereto, which shall be governed by Utah law and venued in appropriate courts within the State of Utah, this Agreement shall be governed by and interpreted in accordance with the laws of the State of Illinois for contracts to be wholly performed in such state and without giving effect to the principles thereof regarding the conflict of laws. Each of the parties consents to the exclusive jurisdiction of the federal courts whose districts encompass any part of the County of Cook or the state courts of the State of Illinois sitting in the County of Cook in connection with any dispute arising under this Agreement or any of the other Transaction Documents (other than the Deed of Trust and the Request) and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions or to any claim that such venue of the suit, action or proceeding is improper. Nothing in this subsection shall affect or limit any right to serve process in any other manner permitted by law.

b. No Waiver. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

c. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties hereto.

d. Pronouns. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may permit or require.

e. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, but all of which together shall be deemed to constitute one instrument. Facsimile and email copies of signed signature pages will be deemed binding originals.

f. Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

g. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such provision shall be modified to achieve the objective of the parties to the fullest extent permitted and such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

h. Amendment. This Agreement may be amended only by an instrument in writing signed by the parties hereto.

i. Entire Agreement. This Agreement together with the other Transaction Documents constitute and contain the entire agreement between the Company and the Buyer and supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

j. Currency. All dollar amounts referred to or contemplated by this Agreement or any other Transaction Document shall be deemed to refer to US Dollars, unless otherwise explicitly stated to the contrary.

k. Buyer's Expenses. In the event the Company or the Buyer elects not to effect the Closing on or before August 15, 2010 for any reason, the Company shall pay \$10,000 in cash to the Buyer for the Buyer's legal, administrative and due diligence expenses. Except as provided in the immediately preceding sentence, and except for \$10,000 which has been added to and included in the principal amount of the Note for the Buyer's legal, administrative and due diligence expenses, the Company and the Buyer shall be responsible for paying such party's own fees and expenses (including legal expenses) incurred in connection with the preparation and negotiation of this Agreement and the other Transaction Documents and the closing of the transactions contemplated hereby and thereby.

l. Assignment. Notwithstanding anything to the contrary herein, the rights, interests or obligations hereunder may not be assigned, by operation of law or otherwise, in whole or in part, by the Company without the prior written consent of the Buyer, which consent may be withheld at the sole discretion of the Buyer; *provided, however*, that in the case of a merger, sale of substantially all of the Company's assets or other corporate reorganization, the Buyer shall not unreasonably withhold, condition or delay such consent. The Buyer shall not assign in whole or in part, the Note, to any person, including any Affiliate, that is not the title and record owner of the Property (as defined in the Trust Deed).

m. Advice of Counsel. In connection with the preparation of this Agreement and all other Transaction Documents, each of the Company, its stockholders, officers, agents, and representatives acknowledges and agrees that the attorney that prepared this Agreement and all of the other Transaction Documents acted as legal counsel to the Buyer only. The Company (i) hereby acknowledges that it has been, and hereby is, advised to seek legal counsel and to review this Agreement and all of the other Transaction Documents with legal counsel of its choice, and (ii) either has sought such legal counsel or hereby waives the right to do so.

n. No Strict Construction. The language used in this Agreement is the language chosen mutually by the parties hereto and no doctrine of construction shall be applied for or against any party.

o. Attorney's Fees. In the event of any action at law or in equity to enforce or interpret the terms of this Agreement or any of the other Transaction Documents, the Prevailing Party (as defined hereafter) shall be entitled to reasonable attorneys' fees, court costs and collection costs in addition to any other relief to which such party may be entitled. "*Prevailing Party*" shall mean the party in any litigation or enforcement action that prevails in the highest number of final rulings, counts or judgments adjudicated by a court of competent jurisdiction.

p. Replacement of the Note. Subject to any restrictions on or conditions to transfer set forth in the Note, the Holder of the Note, at its option, may in person or by duly authorized attorney surrender the same for exchange at the Company's chief executive office, and promptly thereafter and at the Company's expense, except as provided below, receive in exchange therefor one or more new convertible secured promissory note(s), each in the principal requested by such Holder, dated the date to which interest shall have been paid on the Note so surrendered or, if no interest shall have yet been so paid, dated the date of the Note so surrendered and registered in the name of such person or persons as shall have been designated in writing by such Holder or its attorney for the same principal amount as the then unpaid principal amount of the Note so surrendered, subject in each case to any restrictions on transfer in this Agreement or the Note. As applicable, upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of the Note and (a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it; or (b) in the case of mutilation, upon surrender thereof, the Company, at its expense, will execute and deliver in lieu thereof a new convertible secured promissory note executed in the same manner as the Note being replaced, in the same principal amount as the unpaid principal amount of such Note and dated the date to which interest shall have been paid on the Note or, if no interest shall have yet been so paid, dated the date of the Note.

q. Notices. Any notice required or permitted hereunder shall be given in writing (unless otherwise specified herein) and shall be deemed effectively given on the earliest of

(a) the date delivered, if delivered by personal delivery as against written receipt therefor or by confirmed facsimile or electronic mail transmission,

(b) the fifth Trading Day after deposit, postage prepaid, in the United States Postal Service by registered or certified mail, or

(c) the third Trading Day after mailing by domestic or international express courier, with delivery costs and fees prepaid,

in each case, addressed to each of the other parties thereunto entitled at the following addresses (or at such other addresses as such party may designate by ten (10) days' advance written notice similarly given to each of the other parties hereto):

If to the Company:

Aethlon Medical, Inc.

Attn: James Joyce

8910 University Center Lane, Suite 660

San Diego, California 92122

with a Copy to:

Law Office of Jennifer A. Post

Attention: Jennifer A. Post, Esq.

340 North Camden Drive, Suite 304

Beverly Hills, California 90210

If to the Buyer:

Tonaquint, Inc.
303 East Wacker Drive, Suite 1200
Chicago, Illinois 60601

with a copy to (which shall not constitute notice):

Bennett Tueller Johnson & Deere, P.C.
Attn: Jonathan K. Hansen
3165 East Millrock Drive, Suite 500
Salt Lake City, Utah 84121

14. SURVIVAL OF COVENANTS, REPRESENTATIONS AND WARRANTIES . The Company's and the Buyer's covenants, agreements, representations and warranties contained herein shall survive the execution and delivery of this Agreement and the other Transaction Documents and the Closing hereunder until the payment and performance in full of the Note and the full exercise of the Warrant, and shall inure to the benefit of the Buyer and the Company and their respective successors and permitted assigns for such period.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed on its behalf (if an entity, by one of its officers thereunto duly authorized) as of the date first above written.

INITIAL CASH PURCHASE PRICE:

\$400,000.00

THE BUYER:

TONAQUINT, INC.

By: _____
_____, President

THE COMPANY:

AETHLON MEDICAL, INC.

By: /s/ James Joyce
James Joyce, Chief Executive Officer

[SIGNATURE PAGE TO NOTE AND WARRANT PURCHASE AGREEMENT]

ANNEX I	WIRE INSTRUCTIONS
ANNEX II	NOTE
ANNEX III	SECURITY AGREEMENT
ANNEX IV	TRUST DEED
ANNEX V	WARRANT
ANNEX VI	REQUEST
ANNEX VII	ESCROW AGREEMENT
ANNEX VIII	TRANSFER AGENT LETTER
ANNEX IX	BUYER TRUST DEED NOTE #1
ANNEX X	BUYER TRUST DEED NOTE #2

THIS NOTE MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE ALIENATED OR ENCUMBERED WITHOUT THE PRIOR WRITTEN CONSENT OF THE BORROWER.

\$200,000.00

State of Illinois
July 15, 2010

BUYER TRUST DEED NOTE #1

FOR VALUE RECEIVED, Tonaquint, Inc. a Utah corporation (the "**Borrower**"), hereby promises to pay to Aethlon Medical, Inc., a Nevada corporation (the "**Lender**," and together with the Borrower, the "**Parties**"), the principal sum of \$200,000.00 together with all accrued and unpaid interest thereon, fees incurred or other amounts owing hereunder, all as set forth below in this Secured Promissory Note (this "**Note**"). This Note is issued pursuant to that certain Note and Warrant Purchase Agreement of even date herewith, entered into by and between the Borrower and the Lender (the "**Purchase Agreement**" and together with all other agreements entered into between the Parties in connection with this Note, the "**Transaction Documents**"), pursuant to which the Lender issued to the Borrower a Secured Convertible Promissory Note in the principal amount of \$890,000.00 (the "**Lender Note**") and a warrant to purchase shares of the Company's Common Stock (as defined in the Purchase Agreement).

1. **Principal and Interest.** Interest shall accrue on the unpaid principal balance and any unpaid late fees or other fees under this Note at a rate of 5.0% per annum until the full amount of the principal and fees has been paid. Upon the occurrence of an Event of Default (as defined below), this Note shall accrue simple interest at the rate of 10.00% per annum from and after the date of the Event of Default, whether before or after judgment. Notwithstanding any provision to the contrary herein, in no event shall the applicable interest rate at any time exceed the maximum interest rate allowed under applicable law. The entire unpaid principal balance and all accrued and unpaid interest, if any, shall be due and payable on or before the earlier of (i) the date that is 14 months from the date of this Note, or (ii) provided the Conversion Shares (as defined in the Lender Note) are then eligible for sale under Rule 144 promulgated under the Securities Act of 1933, as amended, (including payment in cash or as a result of prepayment of this Note), the date on which the aggregate principal and interest owed by the Lender under the initial Tranche (as defined in the Lender Note) of the Lender Note is equal to or less than \$25,000.00 (the "**Maturity Date**").

2. **Payment.** Unless prepaid, all principal and accrued interest under this Note is due on the Maturity Date. All payments of interest and principal shall be (i) in lawful money of the United States of America, and (ii) in the form of immediately available funds. All payments shall be applied first to costs of collection, if any, then to accrued and unpaid interest, and thereafter to principal. Payment of principal and interest hereunder shall be delivered to the Lender at the address furnished to the Borrower for that purpose.

3. **Prepayment by the Borrower.** The Borrower may, in its sole and absolute discretion, pay, without penalty, all or any portion of the outstanding balance along with any accrued but unpaid interest on this Note at any time prior to the Maturity Date.

4. **Security.** The payment of this Note is secured by that certain Trust Deed (the "**Trust Deed**") of even date herewith executed by the Borrower, as Trustor, in favor of the Lender, as Beneficiary, encumbering certain real property of the Borrower, as more specifically set forth in the Trust Deed, all the terms and conditions of which are hereby incorporated and made a part of this Note. The Lender covenants and agrees to release the Trust Deed pursuant to the terms of Section 5.

5. **Release.** The Lender covenants and agrees that simultaneous with the receipt of this Note, duly executed by the Borrower, it shall execute and deliver a Deed of Reconveyance substantially in the form attached hereto as **Exhibit A** (the "**Reconveyance**"), which will operate to release the Trust Deed upon satisfaction of the conditions for release of the Trust Deed set forth in the Escrow Agreement (as defined in the Purchase Agreement). An escrow agent (the "**Escrow Agent**"), mutually satisfactory to the Borrower and the Lender, shall hold the Reconveyance in escrow, subject to the condition that the Escrow Agent may not record the Reconveyance until all of the conditions for release of the Trust Deed set forth in the Escrow Agreement have been satisfied. In accordance with the terms of the Escrow Agreement, the Reconveyance shall be recorded (and thereby the Trust Deed reconveyed) the earlier of (i) the first date on which the Buyer Trust Deed Notes (as defined in the Purchase Agreement) are repaid in full, or (ii) six months and three days following the date the Trust Deed is recorded (the "**Release Date**"). For avoidance of doubt, after the Release Date, there shall be no collateral securing this Note.

6. **Right of Offset.** Notwithstanding anything to the contrary herein or in any other Transaction Document, in the event of (i) an Event of Default under the Lender Note, or (ii) a breach of any material term, condition, representation, warranty, covenant or obligation of the Lender under any Transaction Document, the Borrower shall be entitled to deduct and offset any amount owing by the Lender under the Lender Note from any amount owed by the Borrower under this Note. In the event that the Borrower's exercise of its offset rights under this Section 6 results in the full satisfaction of the Borrower's obligations under this Note, then the Lender shall return this Note to the Borrower for cancellation or, in the event this Note has been lost, stolen or destroyed, a lost note affidavit in a form reasonably acceptable to the Borrower.

7. **Default.** If any of the events specified below shall occur (each, an "**Event of Default**") the Lender may declare the unpaid principal balance together with all accrued and unpaid interest thereon, fees incurred or other amounts owing hereunder immediately due and payable, by notice in writing to the Borrower. If any default, other than a Payment Default (as defined below), is curable, then the default may be cured (and no Event of Default will have occurred) if the Borrower, after receiving written notice from the Lender demanding cure of such default, either (a) cures the default within fifteen (15) days, or (b) if the cure requires more than fifteen (15) days, immediately initiates steps that the Lender deems in the Lender's reasonable discretion to be sufficient to cure the default and thereafter diligently continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical. Each of the following events shall constitute an Event of Default:

(a) **Failure to Pay.** The Borrower's failure to make any payment when due and payable under the terms of this Note (a "**Payment Default**");

(b) **Breaches of Covenants.** The Borrower or its subsidiaries, if any, shall fail to observe or perform any other covenant, obligation, condition or agreement contained in this Note or in the Deed of Trust;

(c) Representations and Warranties. Any representation or warranty made or furnished by the Borrower to the Lender in writing in connection with this Note, or as an inducement to the Lender to enter into the Purchase Agreement, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished; and

(d) Involuntary Bankruptcy. If any involuntary petition is filed under any bankruptcy or similar law or rule against the Borrower, or a receiver, trustee, liquidator, assignee, custodian, sequestrator or other similar official is appointed to take possession of any of the assets or properties of the Borrower or any guarantor.

(e) Encumbrance on Property. Borrower shall permit to arise any lien, claim or encumbrance on the Property (as defined in the Deed of Trust) that is senior to the lien granted to Lender pursuant to the Deed of Trust and that is not removed or subordinated within thirty (30) days of Borrower's receipt of written notice from Lender that such a lien has arisen or Borrower shall sell or attempt to sell, transfer, assign or alienate any interest in the Property, or Borrower shall fail to adequately insure the Property against loss; such Property shall suffer a diminution in value below \$400,000, or any other incident shall be caused by Borrower's action or inaction, or any other cause or event, that creates a material and adverse effect on the title to or value of the Property and remains uncured for a period of thirty (30) days from Lender's receipt of written notice of such event.

(f) Event of Default under Deed of Trust. There shall occur any Event of Default under the Deed of Trust.

8. **Binding Effect; Assignment**. This Note shall be binding on the Parties and their respective heirs, successors, and assigns; *provided, however*, that the Lender shall not assign any of its rights hereunder without the prior written consent of the Borrower.

9. **Governing Law; Venue**. The terms of this Note shall be construed in accordance with the laws of the State of Illinois as applied to contracts entered into by Illinois residents within the State of Illinois which contracts are to be performed entirely within the State of Illinois. With respect to any disputes arising out of or related to this Note, the Parties consent to the exclusive jurisdiction of, and venue in, the state courts in Illinois (or in the event of federal jurisdiction, the United States District Court for the Northern District of Illinois).

10. **Compliance with Applicable Law**. The Borrower agrees that the obligations evidenced by this Note constitute an exempted transaction under the Truth-In-Lending Act, 15 U.S.C. Section 1601, et seq. and such obligations constitute a business loan which comes within the purview of Section 4(l)(c) of "An Act in Relation to the Rule of Interest and Lending of Money," approved May 24, 1879, as amended, 815 ILCS 205/4(l)(a).

11. **Customer Identification—USA Patriot Act Notice**. The Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56, signed into law October 26, 2001) (the "*Act*"), and the Lender's policies and practices, the Lender is required to obtain, verify and record certain information and documentation that identifies the Borrower, which information includes the name and address of the Borrower and such other information that will allow the Lender to identify the Borrower in accordance with the Act.

12. **Lawful Interest.** It being the intention of the Lender and the Borrower to comply with all applicable laws with regard to the interest charged hereunder, it is agreed that, notwithstanding any provision to the contrary in this Note or the other Transaction Documents, no such provision, including without limitation any provision of this Note providing for the payment of interest or other charges, shall require the payment or permit the collection of any amount in excess of the maximum amount of interest permitted by law to be charged for the use or detention, or the forbearance in the collection, of all or any portion of the indebtedness evidenced by this Note or by any extension or renewal hereof ("**Excess Interest**"). If any Excess Interest is provided for, or is adjudicated to be provided for, in this Note or the other Transaction Documents, then in such event:

(a) the provisions of this Section shall govern and control;

(b) the Borrower shall not be obligated to pay any Excess Interest;

(c) any Excess Interest that the Lender may have received hereunder shall, at the option of the Lender, be (i) applied as a credit against the principal balance due under this Note or accrued and unpaid interest thereon not to exceed the maximum amount permitted by law, or both, (ii) refunded to the Borrower, or (iii) any combination of the foregoing;

(d) the applicable interest rate or rates shall be automatically subject to reduction to the maximum lawful rate allowed to be contracted for in writing under the applicable governing usury laws, and this Note and the Transaction Documents shall be deemed to have been, and shall be, reformed and modified to reflect such reduction in such interest rate or rates; and

(e) the Borrower shall not have any action or remedy against the Lender for any damages whatsoever or any defense to enforcement of this Note or arising out of the payment or collection of any Excess Interest.

13. **Pronouns.** Regardless of their form, all words shall be deemed singular or plural and shall have the gender as required by the text.

14. **Headings.** The various headings used in this Note as headings for sections or otherwise are for convenience and reference only and shall not be used in interpreting the text of the section in which they appear and shall not limit or otherwise affect the meanings thereof.

15. **Time of Essence.** Time is of the essence with this Note.

16. **Severability.** If any part of this Note is construed to be in violation of any law, such part shall be modified to achieve the objective of the Parties to the fullest extent permitted by law and the balance of this Note shall remain in full force and effect.

17. **Attorneys' Fees.** If any action at law or in equity is necessary to enforce this Note or to collect payment under this Note, the Lender shall be entitled to recover reasonable attorneys' fees directly related to such enforcement or collection actions.

18. **Amendments and Waivers; Remedies.** No failure or delay on the part of a Party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to a Party hereto at law, in equity or otherwise. Any amendment, supplement or modification of or to any provision of this Note, any waiver of any provision of this Note, and any consent to any departure by either Party from the terms of any provision of this Note, shall be effective (i) only if it is made or given in writing and signed by the Borrower and the Lender and (ii) only in the specific instance and for the specific purpose for which made or given.

19. **Notices.** All notices, requests, demands, claims and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given if it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient, as set forth in the Purchase Agreement. Any Party may send any notice, request, demand, claim or other communication hereunder to the intended recipient at the address set forth in the Purchase Agreement using any other means (including personal delivery, expedited courier, messenger service, facsimile, ordinary mail, or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient or receipt is confirmed electronically or by return mail. Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in any manner herein set forth.

20. **Final Note.** This Note, together with the other Transaction Documents, contains the complete understanding and agreement of the Borrower and the Lender and supersedes all prior representations, warranties, agreements, arrangements, understandings, and negotiations. THIS NOTE, TOGETHER WITH THE OTHER TRANSACTION DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed this Note as of the date set forth above.

BORROWER:

TONAQUINT, INC.

By: _____
_____, President

ACKNOWLEDGED, ACCEPTED AND AGREED:

AETHLON MEDICAL, INC.

By: /s/ James Joyce
James Joyce, Chief Executive Officer

[Signature page to Buyer Trust Deed Note #1]

EXHIBIT A
RECONVEYANCE

THIS NOTE MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE ALIENATED OR ENCUMBERED WITHOUT THE PRIOR WRITTEN CONSENT OF THE BORROWER.

\$200,000.00

State of Illinois
July 15, 2010

BUYER TRUST DEED NOTE #2

FOR VALUE RECEIVED, _____ a Utah corporation (the "**Borrower**"), hereby promises to pay to Aethlon Medical, Inc., a Nevada corporation (the "**Lender**," and together with the Borrower, the "**Parties**"), the principal sum of \$200,000.00 together with all accrued and unpaid interest thereon, fees incurred or other amounts owing hereunder, all as set forth below in this Secured Promissory Note (this "**Note**"). This Note is issued pursuant to that certain Note and Warrant Purchase Agreement of even date herewith, entered into by and between the Borrower and the Lender (the "**Purchase Agreement**" and together with all other agreements entered into between the Parties in connection with this Note, the "**Transaction Documents**"), pursuant to which the Lender issued to the Borrower a Secured Convertible Promissory Note in the principal amount of \$890,000.00 (the "**Lender Note**") and a warrant to purchase shares of the Company's Common Stock (as defined in the Purchase Agreement).

1. **Principal and Interest.** Interest shall accrue on the unpaid principal balance and any unpaid late fees or other fees under this Note at a rate of 5.0% per annum until the full amount of the principal and fees has been paid. Upon the occurrence of an Event of Default (as defined below), this Note shall accrue simple interest at the rate of 10.00% per annum from and after the date of the Event of Default, whether before or after judgment. Notwithstanding any provision to the contrary herein, in no event shall the applicable interest rate at any time exceed the maximum interest rate allowed under applicable law. The entire unpaid principal balance and all accrued and unpaid interest, if any, shall be due and payable on or before the earlier of (i) the date that is 16 months from the date of this Note, or (ii) provided the Conversion Shares (as defined in the Lender Note) are then eligible for sale under Rule 144 promulgated under the Securities Act of 1933, as amended, (including payment in cash or as a result of prepayment of this Note), the date on which the aggregate principal and interest owed by the Lender under the second Tranche (as defined in the Lender Note and also referred to therein as the initial Subsequent Tranche) of the Lender Note is equal to or less than \$25,000.00 (the "**Maturity Date**").

2. **Payment.** Unless prepaid, all principal and accrued interest under this Note is due on the Maturity Date. All payments of interest and principal shall be (i) in lawful money of the United States of America, and (ii) in the form of immediately available funds. All payments shall be applied first to costs of collection, if any, then to accrued and unpaid interest, and thereafter to principal. Payment of principal and interest hereunder shall be delivered to the Lender at the address furnished to the Borrower for that purpose.

3. **Prepayment by the Borrower.** The Borrower may, in its sole and absolute discretion, pay, without penalty, all or any portion of the outstanding balance along with any accrued but unpaid interest on this Note at any time prior to the Maturity Date.

4. **Security.** The payment of this Note is secured by that certain Trust Deed (the "**Trust Deed**") of even date herewith executed by the Borrower, as Trustor, in favor of the Lender, as Beneficiary, encumbering certain real property of the Borrower, as more specifically set forth in the Trust Deed, all the terms and conditions of which are hereby incorporated and made a part of this Note. The Lender covenants and agrees to release the Trust Deed pursuant to the terms of Section 5.

5. **Release.** The Lender covenants and agrees that simultaneous with the receipt of this Note, duly executed by the Borrower, it shall execute and deliver a Deed of Reconveyance substantially in the form attached hereto as **Exhibit A** (the "**Reconveyance**"), which will operate to release the Trust Deed upon satisfaction of the conditions for release of the Trust Deed set forth in the Escrow Agreement (as defined in the Purchase Agreement). An escrow agent (the "**Escrow Agent**"), mutually satisfactory to the Borrower and the Lender, shall hold the Reconveyance in escrow, subject to the condition that the Escrow Agent may not record the Reconveyance until all of the conditions for release of the Trust Deed set forth in the Escrow Agreement have been satisfied. In accordance with the terms of the Escrow Agreement, the Reconveyance shall be recorded (and thereby the Trust Deed reconveyed) the earlier of (i) the first date on which the Buyer Trust Deed Notes (as defined in the Purchase Agreement) are repaid in full, or (ii) six months and three days following the date the Trust Deed is recorded (the "**Release Date**"). For avoidance of doubt, after the Release Date, there shall be no collateral securing this Note.

6. **Right of Offset.** Notwithstanding anything to the contrary herein or in any other Transaction Document, in the event of (i) an Event of Default under the Lender Note, or (ii) a breach of any material term, condition, representation, warranty, covenant or obligation of the Lender under any Transaction Document, the Borrower shall be entitled to deduct and offset any amount owing by the Lender under the Lender Note from any amount owed by the Borrower under this Note. In the event that the Borrower's exercise of its offset rights under this Section 6 results in the full satisfaction of the Borrower's obligations under this Note, then the Lender shall return this Note to the Borrower for cancellation or, in the event this Note has been lost, stolen or destroyed, a lost note affidavit in a form reasonably acceptable to the Borrower.

7. **Default.** If any of the events specified below shall occur (each, an "**Event of Default**") the Lender may declare the unpaid principal balance together with all accrued and unpaid interest thereon, fees incurred or other amounts owing hereunder immediately due and payable, by notice in writing to the Borrower. If any default, other than a Payment Default (as defined below), is curable, then the default may be cured (and no Event of Default will have occurred) if the Borrower, after receiving written notice from the Lender demanding cure of such default, either (a) cures the default within fifteen (15) days, or (b) if the cure requires more than fifteen (15) days, immediately initiates steps that the Lender deems in the Lender's reasonable discretion to be sufficient to cure the default and thereafter diligently continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical. Each of the following events shall constitute an Event of Default:

- (a) **Failure to Pay.** The Borrower's failure to make any payment when due and payable under the terms of this Note (a "**Payment Default**");

(b) Breaches of Covenants. The Borrower or its subsidiaries, if any, shall fail to observe or perform any other covenant, obligation, condition or agreement contained in this Note or in the Deed of Trust;

(c) Representations and Warranties. Any representation or warranty made or furnished by the Borrower to the Lender in writing in connection with this Note, or as an inducement to the Lender to enter into the Purchase Agreement, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished; and

(d) Involuntary Bankruptcy. If any involuntary petition is filed under any bankruptcy or similar law or rule against the Borrower, or a receiver, trustee, liquidator, assignee, custodian, sequestrator or other similar official is appointed to take possession of any of the assets or properties of the Borrower or any guarantor.

(e) Encumbrance on Property. Borrower shall permit to arise any lien, claim or encumbrance on the Property (as defined in the Deed of Trust) that is senior to the lien granted to Lender pursuant to the Deed of Trust and that is not removed or subordinated within thirty (30) days of Borrower's receipt of written notice from Lender that such a lien has arisen or Borrower shall sell or attempt to sell, transfer, assign or alienate any interest in the Property, or Borrower shall fail to adequately insure the Property against loss; such Property shall suffer a diminution in value below \$400,000, or any other incident shall be caused by Borrower's action or inaction, or any other cause or event, that creates a material and adverse effect on the title to or value of the Property and remains uncured for a period of thirty (30) days from Lender's receipt of written notice of such event.

(f) Event of Default under Deed of Trust. There shall occur any Event of Default under the Deed of Trust.

8. **Binding Effect; Assignment**. This Note shall be binding on the Parties and their respective heirs, successors, and assigns; *provided, however*, that the Lender shall not assign any of its rights hereunder without the prior written consent of the Borrower.

9. **Governing Law; Venue**. The terms of this Note shall be construed in accordance with the laws of the State of Illinois as applied to contracts entered into by Illinois residents within the State of Illinois which contracts are to be performed entirely within the State of Illinois. With respect to any disputes arising out of or related to this Note, the Parties consent to the exclusive jurisdiction of, and venue in, the state courts in Illinois (or in the event of federal jurisdiction, the United States District Court for the Northern District of Illinois).

10. **Compliance with Applicable Law**. The Borrower agrees that the obligations evidenced by this Note constitute an exempted transaction under the Truth-In-Lending Act, 15 U.S.C. Section 1601, et seq. and such obligations constitute a business loan which comes within the purview of Section 4(l)(c) of "An Act in Relation to the Rule of Interest and Lending of Money," approved May 24, 1879, as amended, 815 ILCS 205/4(l)(a).

11. **Customer Identification—USA Patriot Act Notice**. The Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56, signed into law October 26, 2001) (the "*Act*"), and the Lender's policies and practices, the Lender is required to obtain, verify and record certain information and documentation that identifies the Borrower, which information includes the name and address of the Borrower and such other information that will allow the Lender to identify the Borrower in accordance with the Act.

12. **Lawful Interest.** It being the intention of the Lender and the Borrower to comply with all applicable laws with regard to the interest charged hereunder, it is agreed that, notwithstanding any provision to the contrary in this Note or the other Transaction Documents, no such provision, including without limitation any provision of this Note providing for the payment of interest or other charges, shall require the payment or permit the collection of any amount in excess of the maximum amount of interest permitted by law to be charged for the use or detention, or the forbearance in the collection, of all or any portion of the indebtedness evidenced by this Note or by any extension or renewal hereof ("**Excess Interest**"). If any Excess Interest is provided for, or is adjudicated to be provided for, in this Note or the other Transaction Documents, then in such event:

(a) the provisions of this Section shall govern and control;

(b) the Borrower shall not be obligated to pay any Excess Interest;

(c) any Excess Interest that the Lender may have received hereunder shall, at the option of the Lender, be (i) applied as a credit against the principal balance due under this Note or accrued and unpaid interest thereon not to exceed the maximum amount permitted by law, or both, (ii) refunded to the Borrower, or (iii) any combination of the foregoing;

(d) the applicable interest rate or rates shall be automatically subject to reduction to the maximum lawful rate allowed to be contracted for in writing under the applicable governing usury laws, and this Note and the Transaction Documents shall be deemed to have been, and shall be, reformed and modified to reflect such reduction in such interest rate or rates; and

(e) the Borrower shall not have any action or remedy against the Lender for any damages whatsoever or any defense to enforcement of this Note or arising out of the payment or collection of any Excess Interest.

13. **Pronouns.** Regardless of their form, all words shall be deemed singular or plural and shall have the gender as required by the text.

14. **Headings.** The various headings used in this Note as headings for sections or otherwise are for convenience and reference only and shall not be used in interpreting the text of the section in which they appear and shall not limit or otherwise affect the meanings thereof.

15. **Time of Essence.** Time is of the essence with this Note.

16. **Severability.** If any part of this Note is construed to be in violation of any law, such part shall be modified to achieve the objective of the Parties to the fullest extent permitted by law and the balance of this Note shall remain in full force and effect.

17. **Attorneys' Fees.** If any action at law or in equity is necessary to enforce this Note or to collect payment under this Note, the Lender shall be entitled to recover reasonable attorneys' fees directly related to such enforcement or collection actions.

18. **Amendments and Waivers; Remedies.** No failure or delay on the part of a Party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to a Party hereto at law, in equity or otherwise. Any amendment, supplement or modification of or to any provision of this Note, any waiver of any provision of this Note, and any consent to any departure by either Party from the terms of any provision of this Note, shall be effective (i) only if it is made or given in writing and signed by the Borrower and the Lender and (ii) only in the specific instance and for the specific purpose for which made or given.

19. **Notices.** All notices, requests, demands, claims and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given if it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient, as set forth in the Purchase Agreement. Any Party may send any notice, request, demand, claim or other communication hereunder to the intended recipient at the address set forth in the Purchase Agreement using any other means (including personal delivery, expedited courier, messenger service, facsimile, ordinary mail, or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient or receipt is confirmed electronically or by return mail. Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in any manner herein set forth.

20. **Final Note.** This Note, together with the other Transaction Documents, contains the complete understanding and agreement of the Borrower and the Lender and supersedes all prior representations, warranties, agreements, arrangements, understandings, and negotiations. THIS NOTE, TOGETHER WITH THE OTHER TRANSACTION DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed this Note as of the date set forth above.

BORROWER:

By: _____
_____, President

ACKNOWLEDGED, ACCEPTED AND AGREED:

AETHLON MEDICAL, INC.

By: /s/ James Joyce
James Joyce, Chief Executive Officer

[Signature page to Buyer Trust Deed Note #2]

EXHIBIT A
RECONVEYANCE

EXHIBIT 10.4

WHEN RECORDED, MAIL TO:
Aethlon Medical, Inc.
Attn: James Joyce
8910 University Center Lane, Suite 6600
San Diego, California 92122

APN: 16-35-207-019-0000

TRUST DEED

(with Assignment of Rents)

THIS TRUST DEED, made this 15th day of July, 2010, is given by Tonaquint, Inc., a Utah corporation, whose address is _____, as "**Trustor**," to Tyler Turner, having a mailing address of 512 East 4500 South, Suite 150, Murray, Utah 84107, as "**Trustee**," for the benefit of Aethlon Medical, Inc., a Nevada corporation, whose address is 8910 University Center Lane, Suite 660, San Diego, California 92122, as "**Beneficiary**."

WITNESSETH: That Trustor hereby CONVEYS AND WARRANTS TO TRUSTEE IN TRUST, WITH POWER OF SALE, the following described property, situated in Salt Lake County, State of Utah:

See Exhibit A attached hereto.

Together with all of the following (all of which, together with such real property described on Exhibit A, is referred to herein collectively as the "**Property**"):

- (a) all buildings, structures, and improvements of every nature whatsoever now or hereafter situated thereon;
 - (b) all rights of way, easements, tenements, hereditaments, privileges and appurtenances thereunto belonging, now or hereafter used or enjoyed with such property or any part thereof; SUBJECT, HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply rents, issues, and profits;
 - (c) all present and future right, title, and interest of Trustor in and to all fixtures (as that term is defined in the Utah Uniform Commercial Code (the "**UCC**"), and whether existing now or in the future) now or in the future located at, upon, or about or affixed or attached to or installed in the real property described on Exhibit A; and
 - (d) all insurance policies, insurance and condemnation awards and proceeds, proceeds of the sale of promissory notes, and any other rights to the payment of money with respect to the property; all advance payments of insurance premiums made by Trustor with respect to such real property and improvements; and all plans, drawings and specifications relating to such real property and improvements, Trustor hereby granting to Beneficiary a security interest in and to the same as a secured party under the UCC, in addition to and not in limitation of Trustee's rights and remedies hereunder.
-

FOR THE PURPOSE OF SECURING:

For a period of six (6) months and three (3) days from the date hereof (the date of the conclusion of such period shall be referred to herein as the **Reconveyance Date**), except as set forth in that certain Escrow Agreement of even date herewith entered into by and among Beneficiary, Trustor, and Griffiths & Turner / GT Title Services, Inc., a Utah corporation (the **Escrow Agreement**), (1) payment of (a) the indebtedness evidenced by the Buyer Trust Deed Note #1 dated of even date herewith in the original principal sum of Two Hundred Thousand and No/100 Dollars (\$200,000.00), together with interest thereon, executed by Trustor in favor of Beneficiary, and any extensions, revisions, modifications, substitutions, or renewals thereof ("**Note #1**"); and (b) the indebtedness evidenced by the Buyer Trust Deed Note #2 dated of even date herewith in the original principal sum of Two Hundred Thousand and No/100 Dollars (\$200,000.00), together with interest thereon, executed by Trustor in favor of Beneficiary, and any extensions, revisions, modifications, substitutions, or renewals thereof ("**Note #2**," and together with Note #1, the "**Notes**"); (2) the performance of each agreement of Trustor herein contained; and (3) the payment of all sums expended or advanced by Beneficiary under or pursuant to the terms hereof, together with interest thereon as herein provided.

AND, Trustor hereby warrants, covenants and agrees that Trustor is the lawful owner of the Property, with good and marketable title, free and clear of all encumbrances, liens or charges, excepting only those matters currently of record.

TO PROTECT THE SECURITY OF THIS TRUST DEED, TRUSTOR AGREES:

1. To keep the Property in good condition and repair; not to remove or demolish any building thereon; to materially comply with all laws, covenants and restrictions affecting the Property; and not to commit or permit waste thereof.

2. To provide and maintain insurance, of such type or types and amounts as Beneficiary may reasonably require in writing (but in any event not to exceed the amount of the indebtedness secured hereby unless agreed to by Trustor) on the improvements now existing or hereafter erected or placed on the Property.

Trustor or any subsequent owner or purchaser of the Property shall have the right to substitute for a then existing policy of insurance, a policy of insurance issued by another insurance carrier at any time, provided Trustor provides notice to Beneficiary of such new insurance carrier within sixty (60) days of the issuance of a substitute insurance policy.

3. To deliver to and maintain with Beneficiary until the earlier of (a) the indebtedness secured hereby is paid in full, or (b) the Reconveyance Date, such evidence of title as Beneficiary may reasonably require, including abstracts of title.

4. To pay at least ten (10) days before delinquency all taxes and assessments affecting the Property; to pay, when due, all encumbrances, charges, and liens, with interest, on the Property or any part thereof, which at any time appear to be prior or superior hereto; and to pay all costs, fees, and expenses of this trust.

5. To pay immediately and without demand all sums expended hereunder by Beneficiary or Trustee, with interest from date of expenditure at the rate of ten percent (10%) per annum until paid, and the repayment thereof shall be secured hereby.

IT IS MUTUALLY AGREED THAT:

6. Should the Property or any part thereof be taken or damaged by reason of any public improvement or condemnation proceeding, or damaged by fire, or earthquake, or in any other manner, Beneficiary shall be entitled to all compensation, awards, and other payments or relief therefor, up to the full amount of the indebtedness secured hereby.

7. As additional security, Trustor hereby assigns Beneficiary, during the continuance of these trusts, all rents, issues, royalties, and profits of the Property affected by this Trust Deed and of any personal property located thereon. Until Trustor shall default in the payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Trustor shall have the right to collect all such rents, issues, royalties, and profits earned prior to default as they become due and payable. If Trustor shall default as aforesaid, Trustor's right to collect any of such moneys shall cease and Beneficiary shall have the right, with or without taking possession of the Property affected hereby, to collect all rents, royalties, issues, and profits.

8. Except as otherwise noted herein, if any default by Trustor hereunder is curable, then such default may be cured (and no default will have occurred) if Trustor, after receiving written notice from Beneficiary demanding cure of such default, either (a) cures such default within thirty (30) days, or (b) if the cure requires more than thirty (30) days, immediately initiates steps that Beneficiary deems in Beneficiary's reasonable discretion to be sufficient to cure such default and thereafter diligently continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

9. Upon any uncured default by Trustor hereunder (after the conclusion of any cure period set forth in Section 8 above), Beneficiary may at any time upon not less than ten (10) days' written notice to Trustor, either in person, by agent, or by a receiver to be appointed by a court (Trustor hereby consenting to the appointment of Beneficiary as such receiver), and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of the Property or any part thereof, in its own name sue for or otherwise collect the rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine.

10. The failure on the part of Beneficiary to promptly enforce any right hereunder shall not operate as a waiver of such right and the waiver by Beneficiary of any default shall not constitute a waiver of any other or subsequent default.

11. Time is of the essence hereof. Upon default by Trustor in the payment of any indebtedness secured hereby or in the performance of any agreement hereunder, all sums secured hereby shall immediately become due and payable at the option of Beneficiary. In the event of such default, Beneficiary may execute or cause Trustee to execute a written notice of default and of election to cause the Property to be sold to satisfy the obligations hereof, and Trustee shall file such notice for record in each county wherein the Property or some part or parcel thereof is situated. Beneficiary also shall deposit with Trustee, the Notes and all documents evidencing expenditures secured hereby.

12. After the lapse of such time as may then be required by law following the recordation of such notice of default, and notice of default and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell the Property on the date and at the time and place designated in the notice of sale, either as a whole or in separate parcels, and in such order as it may determine (but subject to any statutory right of Trustor to direct the order in which such Property, if consisting of several known lots or parcels, shall be sold), at public auction to the highest bidder, the purchase price payable in lawful money of the United States at the time of sale. The person conducting the sale may, for any cause he deems expedient, postpone the sale from time to time until it shall be completed and, in every case, notice of postponement shall be given by public declaration thereof by such person at the time and place last appointed for the sale; provided, if the sale is postponed for longer than one day beyond the day designated in the notice of sale, notice thereof shall be given in the same manner as the original notice of sale. Trustor agrees to surrender possession immediately after any such sale of the Property, if possession has not previously been surrendered. Trustee shall execute and deliver to the purchaser its Deed conveying said property so sold, but without any covenant or warranty, express or implied. Any person, including Beneficiary, may bid at the sale. Trustee shall apply the proceeds of the sale to payment of (a) the costs and expenses of exercising the power of sale and of the sale, including the payment of Trustee's and attorneys' fees; (b) cost of any evidence of title procured in connection with such sale and revenue stamps on Trustee's Deed; (c) all sums expended under the terms hereof, not then repaid, with accrued interest at ten percent (10%) per annum from date of expenditure; (d) all other sums then secured hereby; and (e) the remainder, if any, to the person or persons legally entitled thereto.

13. From time to time, Beneficiary may require Trustee to reconvey, release and discharge from the operation of this Trust Deed any part or parts of the property described in this Trust Deed, given to secure payment of the indebtedness evidence by the Notes. Trustee shall execute and deliver unto Beneficiary a written reconveyance and release upon receiving from Beneficiary a written request therefor. Such written request shall be in the form attached hereto as **Exhibit B** and shall include a description of the Property to be reconveyed or released, a statement of the consideration, if any, received by Beneficiary for such reconveyance or release, and a declaration that Beneficiary is the owner and holder of the debt mentioned in this Trust Deed and that the same has never been assigned or transferred. The partial reconveyance or release executed by Trustee shall identify this Trust Deed and describe the property to be reconveyed or released. A partial reconveyance or release executed and delivered by Trustee under authority of this paragraph shall not affect or impair the security remaining under this Trust Deed. This Trust Deed need not accompany any request for a partial reconveyance or release, but upon demand of Trustee, Beneficiary will exhibit to Trustee the Notes. Successive partial reconveyances or releases may be requested by Beneficiary.

14. Subject to the terms and conditions of the Escrow Agreement and provided Trustor is not in default under the Note as of such date, Beneficiary, by recording this Trust Deed, covenants to deliver to Trustee a Request for Reconveyance in the form attached hereto as **Exhibit B** on the Reconveyance Date.

15. Each abstract of title, title insurance policy, or all other evidences of title, and all insurance policies placed or deposited with Beneficiary shall be deemed an incident to the title of the Property herein described and upon sale or foreclosure or otherwise shall pass to the purchaser, and same are hereby pledged as additional security for payment of the indebtedness secured hereby.

16. In the event Beneficiary and Trustee or either of them shall determine to foreclose this Trust Deed by court action, Trustor agrees to pay all costs and expenses incurred therein and reasonable compensation for the attorneys representing Beneficiary and Trustee, or either of them.

17. This Trust Deed shall apply to, inure to the benefit of, and bind all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. In this Trust Deed, whenever the context requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

18. Any option, election, notice or right granted to Beneficiary may be exercised only by written approval of Beneficiary.

19. If the loan secured by this Trust Deed is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Trustor which exceed permitted limits will be refunded to Trustor. Beneficiary may choose to make this refund by reducing the principal owed under the Notes or by making a direct payment to Trustor.

20. If one or more riders are executed by Trustor and recorded together with this Trust Deed, the covenants and agreements of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Trust Deed as if the rider(s) were part of this Trust Deed.

21. If any provision of this Trust Deed is declared by a court of competent jurisdiction to be invalid for any reason such invalidity shall not affect the remaining provisions of this Trust Deed. The remaining provisions shall be fully severable, and this Trust Deed shall be construed and enforced as if the invalid provision had never been included herein.

22. Trustee accepts this trust when this Trust Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Trust Deed or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party, unless brought by Trustee.

23. Trustee is authorized to reconvey or cause to be reconveyed this Trust Deed without further action or consent by Beneficiary in accordance with the terms of that certain Escrow Agreement of even date herewith by and among Trustor, Beneficiary and Griffiths & Turner / GT Title Services, Inc., a Utah corporation.

24. This Trust Deed shall be construed according to the laws of the State of Utah.

25. The undersigned Trustor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Trustor at the address hereinbefore set forth.

TRUSTOR:

Tonaquint, Inc., a Utah corporation

By: _____
_____, President

STATE OF UTAH)
 : ss.
COUNTY OF _____)

On the ___ day of _____ 2010, personally appeared before me John M. Fife, the President of Trustor, the signer of the above instrument, who duly acknowledged to me that he executed the same on behalf of such corporation.

Notary Public

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

COM 976.8 FT N & S $73^{\circ}30'$ E 217.8 FT & 458.04 FT N FR CEN SEC 35 T1S R1E SL MER N 350.46 FT M OR L TO CEN OF MILL CREEK S $78^{\circ}28'$ E 141.66 FT S 290.69 FT S $69^{\circ}14'$ W 88.02 FT W 56.5 FT TO BEG 1 AC.

Together with the non-exclusive right of way over the access easements as shown on the recorded plats.

(Tax Serial No. 16-35-207-019-0000)

EXHIBIT B

REQUEST FOR RECONVEYANCE

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "*Agreement*") is made and entered into as of July 15, 2010 by and among (a) Tonaquint, Inc., a Utah corporation ("*Borrower*"), (b) Aethlon Medical, Inc., a Nevada corporation ("*Lender*"), and (c) Griffiths & Turner / GT Title Services, Inc., a Utah corporation ("*Escrow Agent*").

RECITALS

A. Borrower has issued to Lender certain Buyer Trust Deed Notes dated July 15, 2010 (the "*Notes*") pursuant to the terms and conditions of a Note and Warrant Purchase Agreement of the same date.

B. Borrower's obligations under the Notes are secured by a Trust Deed (the "*Trust Deed*") encumbering certain real property of Borrower, as more specifically set forth in the Trust Deed.

C. Lender has executed a Request for Full Reconveyance in the form attached hereto as Exhibit A (the "*Request*"), which instructs Escrow Agent to execute and record a Deed of Reconveyance in substantially the form attached hereto as Exhibit B (the "*Reconveyance*") reconvey the Trust Deed upon the satisfaction of the conditions set forth herein.

D. Pursuant to Section 5 of the Notes, Borrower and Lender have agreed to place the Request in escrow and Escrow Agent has agreed to hold the Request in escrow subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, Lender and Escrow Agent agree as follows:

TERMS

1. Establishment of Escrow. Upon the execution of the Notes, Lender shall deliver to Escrow Agent the Request, in original form and duly executed by Lender, to have and to hold until satisfaction of the conditions set forth below (the "*Escrow*"). Borrower shall deliver to Escrow Agent an executed Trust Deed to be recorded by Escrow Agent.

2. Conditions for Reconveyance. Escrow Agent shall retain the Request until the earlier of (i) Escrow Agent's receipt of written notice from Lender that the full amount of the Notes has been repaid, or (ii) the date that is six months and three days following the date the Trust Deed is recorded (the "*Release Date*"), at which time Escrow Agent shall execute and record the Reconveyance; *provided, however*, that in the event Escrow Agent receives written notice from Lender stating that a Payment Default (as defined in the Notes) has occurred and specifically identifying both the nature of the Payment Default and the Note under which the Payment Default occurred, Escrow Agent shall retain the Request until the later of the Release Date or the date on which Escrow Agent receives written notice from Lender that the Payment Default has been cured. Upon such a cure of a Payment Default, Lender hereby covenants and agrees to promptly send written notice to Escrow Agent (a) indicating the Payment Default has been cured, and (b) so long as six months and three days have elapsed since the date the Trust Deed was recorded, instructing Escrow Agent to execute and record the Reconveyance. In the event of a dispute between Borrower and Lender with respect to whether the full amount of the Notes has been paid, or whether a Payment Default has occurred, Escrow Agent is permitted to interplead the Request into the District Court of the State of Utah pursuant to Section 7.b. below.

3. Termination. This Agreement shall terminate after the Reconveyance has been recorded.

4. Notices. All communications, consents, and other notices provided for in this Agreement shall be in writing and shall be effective on the date hand delivered, sent by facsimile or email, or mailed by registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

a. If to Borrower, to:

With a copy to:

Bennett Tueller Johnson & Deere, P.C.
Attn: Jonathan K. Hansen
3165 East Millrock Drive, Suite 500
Salt Lake City, Utah 84121

or to such other address as Borrower may designate to Lender and Escrow Agent, in writing.

b. If to Lender, to:

Aethlon Medical, Inc.
Attn: James Joyce

8910 University Center Lane, Suite 660
San Diego, California 92122

With a copy to:

Law Office of Jennifer A. Post
Attn: Jennifer A. Post
340 North Camden Drive, Suite 302
Beverly Hills, California 90210

or to such other address as Lender may designate to Borrower and Escrow Agent, in writing.

c. If to Escrow Agent, to:

Griffiths & Turner / GT Title Services, Inc.
Attn: Tyler Turner
512 East 4500 South, Suite 150
Murray, Utah 84107

or to such other address as Escrow Agent may designate to Borrower and Lender, in writing.

5. **Payment of Fees.** Borrower shall bear the costs of the Escrow, which shall be equal to the sum of \$500.00.

6. **Tenure of Escrow Agent.** Escrow Agent may resign from its duties hereunder at any time by giving written notice of such resignation to Borrower and Lender; *provided, however*, that Escrow Agent shall continue to serve until Borrower and Lender jointly appoint a successor and such successor accepts and agrees to perform the obligations of Escrow Agent hereunder and receives the Request. Borrower and Lender shall have the right at any time upon mutual agreement to substitute a new escrow agent by giving written notice thereof to Escrow Agent.

7. **Liability; Indemnification.** Escrow Agent shall perform such duties as are specifically set forth herein and, so long as it does so, shall have no liability to Borrower and Lender hereunder except to the extent a court of competent jurisdiction determines that Escrow Agent's fraud, gross negligence or willful misconduct was the primary cause of any loss to Borrower or Lender. Anything in this Agreement to the contrary notwithstanding, in no event shall Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. Escrow Agent undertakes to perform only such duties as are expressly set forth herein and no duties shall be implied. Escrow Agent may rely upon and shall not be liable for acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. Escrow Agent shall have no duty to solicit any payments which may be due it or the escrow account. Escrow Agent may execute any of its powers and perform any of its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. Escrow Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. In the event that Escrow Agent shall be uncertain as to its duties or rights hereunder or shall receive instructions, claims or demands from any party hereto which, in its opinion, conflict with any of the provisions of this Agreement, or with any instructions, claims or demands from any other party hereto, it shall be permitted to refrain from taking any action and its sole obligation shall be to keep safely all property held in Escrow until it shall be directed otherwise in writing by all of the parties hereto or by a final arbitration decision or a non-appealable order or judgment of a court of competent jurisdiction. Borrower and Lender agree that the following provisions shall control with respect to the rights, duties, liabilities, and immunities of Escrow Agent:

a. Escrow Agent is entitled to refrain from taking any action contemplated by this Agreement in the event that it becomes aware of any dispute between Borrower and Lender as to any facts or as to the happening of any contemplated event precedent to such action. Escrow Agent is hereby authorized to comply with and obey all final nonappealable orders, judgments, decrees or writs entered or issued by any court or final decision of any arbitrator, and in the event Escrow Agent obeys or complies with any such final nonappealable order, judgment, decree or writ of any court or final decision of any arbitrator, in whole or in part, after giving Borrower and Lender seven (7) days' prior written notice, it shall not be liable to any of the parties hereto, nor to any other person or entity, by reason of such compliance, notwithstanding that it shall be determined that any such final nonappealable order, judgment, decree, writ, or final decision of a court or final decision of any arbitrator be entered without jurisdiction or be invalid for any reason or be subsequently reversed, modified, annulled or vacated.

b. In the event any dispute shall arise between Borrower and Lender with respect to the disposition or delivery of the Request, or the occurrence of a Payment Default under a Note, Escrow Agent is permitted to interplead the Request into the District Court of the State of Utah, and thereafter shall be fully relieved from any and all liability or obligation with respect to the Request. Borrower and Lender further agree to pursue any redress or recourse in connection with such a dispute without making Escrow Agent a party to same.

c. Borrower and Lender shall each severally indemnify, defend and save harmless Escrow Agent and its directors, officers, agents and employees (the "**Indemnified Parties**") from all loss, liability or expense (including the reasonable fees and expenses of outside counsel and the cost and expense of any interpleader action as authorized under Section 7.b. above) arising out of or in connection with (i) Escrow Agent's execution and performance of this Agreement, except in the case of any Indemnified Party to the extent that such loss, liability or expense is due to the gross negligence or willful misconduct of such Indemnified Party, or (ii) its following any instructions or other directions executed by Borrower and Lender. Borrower and Lender acknowledge that the foregoing indemnities shall survive the resignation or removal of Escrow Agent or the termination of this Agreement.

d. In receiving the Escrow, Escrow Agent acts only as a depository for Borrower and Lender and assumes no responsibility except pursuant to the provisions of this Agreement. All of the terms and conditions in connection with Escrow Agent's duties and responsibilities, and the rights of Borrower and Lender or anyone else with respect to Escrow Agent, are contained solely in this Agreement, and Escrow Agent is not expected or required to be familiar with the provisions of any other agreements, and shall not be charged with any responsibility or liability in connection with the observance of the provisions of any such other agreements.

8. Miscellaneous. In addition to the foregoing, the parties to this Agreement, including Escrow Agent, agree as follows:

a. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations and understandings of the parties with respect thereto. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all parties. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed, in writing, by the party making the waiver.

b. Recitals. The recitals stated above shall be and hereby are incorporated in and made a part of this Agreement by this reference.

c. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of the parties to it and their respective successors and assigns; provided that no party hereto shall be entitled to assign or transfer this Agreement or any rights or obligations hereunder, voluntarily, involuntarily, by operation of law or otherwise, without the written consent of Lender and Borrower.

d. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such provision shall be modified to achieve the objective of the parties to the fullest extent permitted and such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

e. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Utah for contracts to be wholly performed in such state and without giving effect to the principles thereof regarding the conflict of laws. Each of the parties (except Escrow Agent with respect to an interpleader pursuant to Section 7.b. above) consents to the exclusive jurisdiction of the federal courts whose districts encompass any part of the County of Salt Lake or the state courts of the State of Utah sitting in the County of Salt Lake in connection with any dispute arising under this Agreement or any of the other agreements between Lender and Borrower related hereto and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions or to any claim that such venue of the suit, action or proceeding is improper. Nothing in this subsection shall affect or limit any right to serve process in any other manner permitted by law.

f. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The parties hereto confirm that any telecopy or electronic copy of another party's executed counterpart of this Agreement (or its signature page thereof) will be deemed to be an executed original thereof.

g. Confidentiality. Except as may be reasonably necessary to effect the transaction contemplated hereunder, (including disclosure to third-party legal counsel and consultants, accountants, and/or advisors of Borrower or Lender, as the case may be), and except as may be otherwise required by law, rule or regulation, the terms and conditions of this Agreement shall be kept confidential and shall not be disclosed to any person or entity without the advance consent of the other party; provided that any inadvertent disclosure by a party shall not subject any such party to liability hereunder, so long as reasonable steps are taken to advise the recipient of any such disclosure of the confidential nature thereof.

h. Third Parties. Nothing in this Agreement is or shall be intended to provide or convey any actionable right or benefit to or upon any person or persons other than the parties to this Agreement. Except as otherwise specifically provided herein, each party shall bear its own costs and expenses (including legal and consulting fees) in connection with this Agreement and the negotiation of all agreements and preparation of documents contemplated by this Agreement.

i. Waiver of Jury Trial. EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES HERETO BE TRIED BY JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING UNDER COMMON LAW OR ANY APPLICABLE STATUTE, LAW, RULE OR REGULATION. FURTHER, EACH PARTY HERETO ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY.

j. Attorneys' Fees. In the event of any action at law or in equity to enforce or interpret the terms of this Agreement, the Prevailing Party (as defined hereafter) shall be entitled to reasonable attorneys' fees, court costs and collection costs in addition to any other relief to which such party may be entitled. "**Prevailing Party**" shall mean the party in any litigation or enforcement action that prevails in the highest number of final rulings, counts or judgments adjudicated by a court of competent jurisdiction.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BORROWER:

TONAQUINT, INC.

By: _____
_____, President

LENDER:

AETHLON MEDICAL, INC.

By: /s/ James Joyce
James Joyce, Chief Executive Officer

ESCROW AGENT:

GRIFFITHS & TURNER / GT TITLE SERVICES, INC.

By: _____
Name: _____
Title: _____

[Signature page to Escrow Agreement]

EXHIBIT A

REQUEST

EXHIBIT B
RECONVEYANCE

WHEN RECORDED, MAIL TO: _____

Tax Serial No. 16-35-207-019

DEED OF RECONVEYANCE

NOTICE IS HEREBY GIVEN:

Tyler Turner, as Trustee under that certain Deed of Trust, dated July 15, 2010, executed by Tonaquint, Inc., a Utah corporation, as Trustor, in favor of Aethlon Medical, Inc., a Nevada corporation, as Beneficiary, and recorded on July __, 2010 as Entry No. _____, in the Official Records of Salt Lake County, State of Utah, pursuant to the request of the Beneficiary thereunder, does hereby reconvey, without warranty, to the person or persons entitled thereto, the trust property now held by him as Trustee under said Trust Deed covering real property situated in Salt Lake County, Utah described as follows:

COM 976.8 FT N & S 73^30' E 217.8 FT & 458.04 FT N FR CEN SEC 35 T1S R1E
SL MER N 350.46 FT M OR L TO CEN OF MILL CREEK S 78^28' E 141.66 FT S
290.69 FT S 69^14' W 88.02 FT W 56.5 FT TO BEG 1 AC.

Together with the non-exclusive right of way over the access easements as shown on the recorded plats.

(Tax Serial No. 16-35-207-019-0000)

DATED this ___ day of _____, 20__.

TRUSTEE

/s/ Tyler Turner
Tyler Turner

STATE OF _____)
: ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 20__, by Tyler Turner.

Notary Public

REQUEST FOR FULL RECONVEYANCE

TO: _____, Trustee

The undersigned represents and warrants that it is the holder and owner of the entire beneficial interest created by a Trust Deed, (the "Trust Deed") dated as of July 15, 2010, given by Tonaquint, Inc., a Utah corporation, to _____, as trustee for the benefit of Aethlon Medical, Inc., a Nevada corporation, which Trust Deed was recorded July ____, 2010, as Entry No. _____ in the official real property records of Salt Lake County, Utah. The undersigned also represents and warrants that it is the party entitled to the performance of all of the obligations described in the Trust Deed (the "Obligations").

All of the Obligations and conditions for reconveyance have been fully discharged and satisfied. Accordingly, you are hereby requested and directed to cancel the Trust Deed and to reconvey, without warranty, to the person, persons, entity, or entities entitled thereto all of the estate now held by you under the same.

DATED _____, 20__.

AETHLON MEDICAL, INC.

By: _____
Name: _____
Title: _____

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 20__ by _____, the _____ of Aethlon Medical, Inc., the signer of the above instrument, who duly acknowledged to me that he executed the same on behalf of such corporation.

Notary Public

IRREVOCABLE INSTRUCTIONS TO TRANSFER AGENT

Date: July 15, 2010

To the transfer agent of Aethlon Medical, Inc.

Re: Instruction to Transfer Shares

Ladies and Gentlemen:

Reference is made to that certain Secured Convertible Promissory Note dated as of July 15, 2010 (the "*Note*"), made by Aethlon Medical, Inc., a Nevada corporation (the "*Company*"), pursuant to which the Company agreed to pay to Tonaquint, Inc, a Utah corporation, its successors and/or assigns (the "*Holder*"), the sum of \$890,000.00. The Note was issued pursuant to that certain Note and Warrant Purchase Agreement dated as of the date of the Note by and between the Company and the Holder (the "*Purchase Agreement*"). Pursuant to the terms of the Note, at the option of the Holder, the Note may be converted into shares of the common stock, par value \$0.001 per share, of the Company (the "*Common Stock*") (the shares of Common Stock issuable upon conversion, the "*Conversion Shares*").

Reference is also made to that certain Warrant to Purchase Shares of Common Stock dated as of the date of the Note (the "*Warrant*"), issued by the Company, pursuant to which the Holder may purchase shares of Common Stock. All shares of Common Stock that may be purchased under the Warrant shall be referred to herein as the "*Warrant Shares*." The Conversion Shares, together with the Warrant Shares are hereinafter referred to as the "*Shares*."

This irrevocable letter of instructions shall serve as the authorization and direction of the Company to Computer Share or its successors as transfer agent to the Company, ("*you*" or "*your*" or the "*Transfer Agent*") to issue shares of Common Stock to the Holder, upon the order of the Holder, (i) upon conversion of the Note, (ii) upon exercise of the Warrant, as follows:

1. You shall issue the Conversion Shares free of any restrictive legend to or at the direction of the Company upon conversion of all or a portion of the Note, upon delivery to you of (a) a properly completed and duly executed Notice of Conversion (the "*Notice of Conversion*") in the form attached hereto as Exhibit A, and (b) a legal opinion as to the free transferability of the Shares from counsel, dated within 90 days from the date of conversion, to either the Holder or the Company; *provided, however*, that in the event the legal opinion is not provided as described above, you will issue the Conversion Shares subject to a restrictive legend.

2. You shall issue the Warrant Shares to or at the direction of the Company upon exercise of all or a portion of the Warrant, upon delivery to you of (a) a properly completed and duly executed Notice of Exercise (the "*Notice of Exercise*") in the form attached hereto as Exhibit B, and (b) a legal opinion as to the free transferability of the Shares from counsel (either to the Company or to the Holder) dated within 90 days from the exercise date, to either the Holder or the Company; *provided, however*, that in the event the legal opinion is not provided as described above, you will issue the Warrant Shares subject to a restrictive legend.

3. In the case of a request for shares of Common Stock pursuant to Paragraphs 1 or 2 above, you shall, within five (5) Trading Days (as defined below) thereafter, (a) if you are eligible to participate in the Depository Trust Company (“DTC”) Fast Automated Securities Transfer Program, credit such aggregate number of shares of the Common Stock to the Holder’s or its designees’ balance account with DTC through the Deposit Withdrawal at Custodian (“DWAC”) system, provided the Holder causes its bank or broker to initiate the DWAC transaction, or (b) if you are not eligible to participate in the DWAC system, issue and deliver to the Holder, via a common carrier for overnight delivery, to the address as specified in the Notice of Conversion or the Notice of Exercise, as the case may be, a certificate or certificates, registered in the name of the Holder or its designees, for such number of shares of Common Stock as may be requested by the Holder to be transferred as set forth in the Notice of Conversion or Notice of Exercise, as applicable, up to the number of Shares evidenced by the certificates. For purposes hereof, “Trading Day” shall mean any day on which the New York Stock Exchange is open for customary trading. The Company and Holder understand that the Transfer Agent shall not be required to perform any issuances or transfers or Shares if (i) such an issuance or transfer of Shares is in violation of any state or federal securities laws or regulations, or (ii) the issuances or transfer of Shares are prohibited or stopped as required or directed by a court order.

4. You understand that a delay in the crediting of Shares or the delivery of certificates hereunder, as the case may be, could result in economic loss to the Holder and that time is of the essence in your processing of a Notice of Conversion or Notice of Exercise.

5. To the extent the applicable Shares being issued will be certificated:

- (a) the certificates representing the Conversion Shares to be issued pursuant to Paragraph 1 above, if the date on which the Notice of Conversion is submitted to you is (i) more than twelve (12) months following the date of issuance of the Note, or (ii) more than six (6) months following the date of issuance of the Note and the Company is subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended, and
- (b) the certificates representing the Warrant Shares to be issued pursuant to Paragraph 2 above, if the date on which the Notice of Exercise is submitted to you is (i) more than twelve (12) months following the date of issuance of the applicable Warrant, or (ii) more than six (6) months following the date of issuance of the applicable Warrant and the Company is subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended,

shall (i) be in the name of the Holder, and (ii) not bear any legend restricting transfer and should not be subject to any stop-transfer restrictions, and shall otherwise be freely transferable on the books and records of the Company, pursuant to the opinion of counsel to the Company or the Holder. You will accept such opinion of counsel provided that it opines that the certificates may be issued without restrictive legend in accordance with the applicable securities laws of the United States. The Company and the Holder understand that the Transfer Agent shall not be required to perform any issuances or transfers of Shares if (a) such an issuance or transfer of Shares is in violation of any state or federal securities laws or regulations, or (b) the issuances or transfer of Shares are prohibited or stopped as required or directed by a court order.

6. You shall rely exclusively on the Notice of Conversion or Notice of Exercise, as applicable, and shall have no liability for relying on such instructions. Any Notice of Conversion or Notice of Exercise delivered hereunder shall constitute an irrevocable instruction to you to process such notice or notices in accordance with the terms thereof. Such notice or notices may be transmitted to you by fax or any commercially reasonable method.

7. The Company hereby confirms to you and to the Holder that, assuming the Holder's actions and requests are compliant with the transaction documents between the Holder and the Company, and the Holder's actions and requests are not in violation of, or will not cause a violation of, any State or Federal securities laws or regulations, no instruction other than as contemplated herein will be given to you by the Company with respect to the matters referenced herein. The Company hereby authorizes you, and you shall be obligated, to disregard any contrary instruction received by or on behalf of the Company or any other person purporting to represent the Company unless such contrary instruction sets forth, in reasonable detail, why the Holder's actions and requests are not compliant with the transaction documents between the Holder and the Company, or why, in the Company's reasonable belief, the Holder's actions and requests are in violation of, or will result in a violation of, any State or Federal securities laws or regulations.

8. The Company hereby agrees to notify the Holder in the event of any replacement of Computer Share as the Transfer Agent.

9. The Company acknowledges that the Holder is relying on the representations and covenants made by the Company in this irrevocable letter of instructions and that the representations and covenants contained in this letter constitute a material inducement to the Holder to make the loan evidenced by the Note. The Company further acknowledges that without such representations and covenants of the Company made in this letter, the Holder would not have made the loan to the Company evidenced by the Note.

10. The parties hereto specifically acknowledge and agree that in the event of a breach or threatened breach by a party hereto of any provision hereof, the Holder will be irreparably damaged, and that damages at law would be an inadequate remedy if this irrevocable letter of instructions were not specifically enforced. Therefore, in the event of a breach or threatened breach by the Company, the Holder shall be entitled, in addition to all other rights or remedies, to seek an injunction restraining such breach, without being required to show any actual damage or to post any bond or other security for the protection of the Company, and/or to a decree for a specific performance of the provisions of this letter.

11. By signing below, each individual executing this letter on behalf of an entity represents and warrants that he or she has authority to so execute this letter on behalf of such entity and thereby bind such entity to the terms and conditions hereof.

[SIGNATURE PAGE FOLLOWS]

Very truly yours,

AETHLON MEDICAL, INC.

By: /s/ James Joyce
James Joyce, Chief Executive Officer

Attachments:

Exhibit A – Form of Notice of Conversion
Exhibit B – Form of Notice of Exercise

Signature Page to Irrevocable Instructions to Transfer Agent Letter

EXHIBIT A

FORM OF NOTICE OF CONVERSION

EXHIBIT B

FORM OF NOTICE OF EXERCISE

