Intercontinental Exchange, Inc.
Form 10-K
February 05, 2015

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

Form 10-K

(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

Or

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-36198

Intercontinental Exchange, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	46-2286804 (IRS Employer Identification Number)
5660 New Northside Drive, Atlanta, Georgia (Address of principal executive offices)	30328 (Zip Code)

(770) 857-4700
Registrant’s telephone number, including area code

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No þ

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Annual Report on Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨
		(Do not check if a smaller company)	

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

The aggregate market value of the registrant’s voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant’s most recently completed second fiscal quarter was $21,534,819,124. As of February 3, 2015, the number of shares of the registrant’s Common Stock outstanding was 112,008,777 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the registrant’s Proxy Statement for the 2015 Annual Meeting of Stockholders is incorporated herein by reference in Part III of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant’s fiscal year to which this report relates.

Intercontinental Exchange, Inc.
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2014
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PART I

In this Annual Report on Form 10-K, unless otherwise indicated, the terms “Intercontinental Exchange ”, “ICE”, “we”, “us”, “our”, “our company” and “our business” refer to Intercontinental Exchange, Inc. together with its consolidated subsidiaries. References to ICE products mean products listed on one of our markets.

We are a leading global operator of exchanges and clearing houses. We were previously known as IntercontinentalExchange Group, Inc. and changed our name to Intercontinental Exchange, Inc., a Delaware corporation, on June 2, 2014. We were organized on March 6, 2013 as a direct, wholly-owned subsidiary of Intercontinental Exchange Holdings, Inc. (formerly known as IntercontinentalExchange, Inc.) for the purpose of effecting Intercontinental Exchange Holdings, Inc.'s acquisition of NYSE Holdings LLC (formerly known as NYSE Euronext Holdings LLC) ("NYSE"), which occurred on November 13, 2013 in a stock and cash transaction valued at $11.1 billion. Upon the completion of the acquisition, Intercontinental Exchange Holdings, Inc. and NYSE each became our wholly-owned subsidiaries. The NYSE acquisition has been treated as a purchase business combination for accounting purposes, with Intercontinental Exchange, Inc. designated as the acquirer. As such, the historical financial statements of IntercontinentalExchange, Inc. have become the historical financial statements of Intercontinental Exchange, Inc. The predecessor entity to Intercontinental Exchange Holdings, Inc. was established in May 2000.

Due to rounding, figures in tables may not sum exactly. All references to “options” or “options contracts” in the context of our futures products refer to options on futures contracts.

Forward-Looking Statements

This Annual Report on Form 10-K, including the sections entitled “Business”, “Legal Proceedings,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, contains forward-looking statements that are based on our present beliefs and assumptions and on information currently available to us. You can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “targets,” “goal,” “exp “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements and we caution you not to place undue reliance on any forward-looking statements we may make. Forward-looking statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. These risks and other factors include, among others, those set forth in Item 1(A) under the caption “Risk Factors” and elsewhere in this Annual Report on Form 10-K and other filings with the Securities and Exchange Commission, or SEC. Forward-looking statements and other factors that may affect our performance include, but are not limited to, those listed below:

- our expectations regarding the business environment in which we operate and trends in our industry, including trading volumes, clearing, fees and changing regulations;
- conditions in global financial markets and domestic and international economic conditions;
- volatility in commodity prices, equity prices, and price volatility of financial benchmarks and instruments such as interest rates, credit spreads, equity indexes and foreign exchange rates;
- the impact of any changes in domestic and foreign laws, regulations, rules or government policy with respect to financial markets, including any changes in previously issued regulations and policies, increased regulatory scrutiny or enforcement actions resulting from ongoing scrutiny of the U.S. equity market structure and our ability to comply with regulatory requirements;
- the success of our clearing houses and our ability to minimize the risks associated with operating multiple clearing houses in multiple jurisdictions;
- the performance and reliability of our technology and the technology of our third party service providers;
- our ability to identify and effectively pursue acquisitions and strategic alliances and successfully integrate the companies we acquire;
- increasing competition and consolidation in our industry;

- our ability to continue to realize the synergies and benefits of the NYSE acquisition within the expected time frame, and continue to integrate NYSE's operations with our business;
- our ability to keep pace with rapid technological developments and to ensure that the technology we utilize is not vulnerable to security risks, hacking and cyber attacks;
- the soundness of our electronic platform and disaster recovery system technologies;
- the accuracy of our cost estimates and expectations;
- our belief that cash flows from operations will be sufficient to service our current levels of debt and fund our working capital needs and capital expenditures for the foreseeable future;
- our ability, on a timely and cost-effective basis, to offer additional products and services, leverage our risk management capabilities and enhance our technology;
- our ability to maintain existing market participants and attract new ones;
- our ability to protect our intellectual property rights, including the costs associated with such protection, and our ability to operate our business without violating the intellectual property rights of others;
- our ability to identify trends and adjust our business to benefit from such trends; and
- potential adverse results of threatened or pending litigation and regulatory actions and proceedings.

Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of an unanticipated event. New factors emerge from time to time, and it is not possible for management to predict all factors that may affect our business and prospects. Further, management cannot assess the impact of each factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The following discussion should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

ITEM 1. BUSINESS

Our Business

We are a leading global operator of regulated exchanges, clearing houses and data services for financial and commodity markets. We operate global marketplaces for trading and clearing a broad array of securities and derivatives contracts across major asset classes, including energy and agricultural commodities, interest rates, equities, equity derivatives, credit derivatives, bonds and currencies. On November 13, 2013, we completed our acquisition of NYSE.

Our regulated exchanges include: futures exchanges in the United States, or U.S., United Kingdom, or U.K., Canada, Singapore and Europe, three securities exchanges and two equity options exchanges. We also operate over-the-counter, or OTC, markets for physical energy and credit default swaps, or CDS. We currently own or operate seven central counterparty clearing houses. Through our widely-distributed electronic trading, clearing and post-trade platforms, we bring together buyers and sellers by offering liquid markets, benchmark products, access to capital markets, and a range of services to support market participants’ trading and risk management activities.

Our business is conducted as a single reportable business segment, and substantially all of our identifiable assets are located in the United States, United Kingdom, Continental Europe, Israel, Canada and Singapore. See note 18 to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for a summary of our revenues, net assets and net property and equipment by geographic region.

Derivatives Exchanges

Our derivatives markets provide participants with a means for trading and managing risks associated with price volatility, securing physical delivery of certain contracts, as well as enabling investment, asset allocation and diversification. The majority of our commodity contract volume is either financially or cash settled, meaning that settlement is made through cash payments based upon the difference between the contract price and the value of the underlying commodity at contract expiry rather than through physical delivery of the commodity or financial instrument itself. Our futures contracts are cleared through one of our central counterparty clearing houses. Our global customer base includes financial institutions, corporations, manufacturers, utilities, commodity producers and consumers, institutional and individual investors and governmental bodies. Our equity derivatives exchanges operate markets for security options based on equities, equity indexes and exchange traded products, or ETPs.

We conduct our derivatives business through the following regulated exchanges:

- ICE Futures Europe operates as a Recognized Investment Exchange in the United Kingdom, where it is supervised by the Financial Conduct Authority, or FCA. Liffe, formerly a subsidiary of NYSE, was a London-based leading global futures exchange for financial and agricultural futures contracts. In November 2014, we completed the transition of Liffe’s contracts, regulation and operation to ICE Futures Europe. Today, ICE Futures Europe is a leading exchange for futures and options contracts based on global crude and refined oil, interest rates, equity indices, single stocks, agricultural commodities, emissions, natural gas and power, global coal, freight, iron ore and natural gas liquids. Its members and market participants include many of the world’s largest financial institutions, investment fund asset managers, energy companies, commercial energy consumers and other end users. ICE Futures Europe contracts are cleared by ICE Clear Europe, which is supervised by the Bank of England as a Recognized Clearing House. ICE Clear Europe is also registered as a Derivatives Clearing Organization, or DCO, by the Commodity Futures Trading Commission, or CFTC, and a Securities Clearing Agency, or SCA, in the United States, and has applied for authorization as a Central Clearing Counterparty, or CCP, under what is known as the European Market Infrastructure Regulation, or EMIR. ICE Futures Europe offers its screens for electronic trading in 62 jurisdictions.
- ICE Futures U.S. is a leading global futures and options exchange that lists futures and options for agricultural and energy commodities, equity indexes, currencies and precious metals. ICE Futures U.S. operates as a Designated Contract Market, or DCM, under the Commodity Exchange Act and is regulated by the CFTC. ICE Clear Europe clears the energy contracts listed on ICE Futures U.S. and ICE Clear U.S. clears all other contracts. Each clearing house is a DCO, regulated by the CFTC with respect to those activities. ICE Futures U.S. offers its screens for electronic trading in 32 jurisdictions. During 2014, the contracts listed on Liffe U.S., formerly a subsidiary of NYSE, for equity indexes and precious metals transitioned to ICE Futures U.S.
- ICE Futures Canada is Canada’s leading agricultural futures and options exchange. ICE Futures Canada offers futures and options contracts on canola, milling wheat, durum wheat and barley. ICE Futures Canada is a recognized

commodity futures exchange under the provisions of The Commodity Futures Act (Manitoba) and is regulated by the Manitoba Securities Commission. ICE Clear Canada, which clears contracts traded on ICE Futures Canada, is a recognized clearing house under the provisions of The Commodity Futures Act (Manitoba) and is regulated by the Manitoba Securities Commission. ICE Futures Canada offers its screens for electronic trading in 19 jurisdictions.

- ICE Endex is a leading Continental European energy exchange providing regulated, transparent markets for natural gas and power derivatives, gas balancing markets and gas storage services and is based in Amsterdam, the Netherlands. ICE Endex lists futures contracts based on Continental Europe's leading natural gas trading hub, the Title Transfer Facility, or TTF, Virtual Trading Point in the Netherlands. We are the majority owner of ICE Endex, with NV Netherlands Gasunie holding a minority stake. ICE Clear Europe provides clearing for ICE Endex.
- NYSE Amex Options is a U.S. equity options exchange that offers order execution through a hybrid model (both electronic and via open outcry on our trading floor adjoining the New York Stock Exchange) in approximately 2,500 options issues. We currently own 84% of NYSE Amex Options, with the remaining equity interest held by seven external investors: Bank of America Merrill Lynch, Barclays Capital, Citadel Securities, Citi, Goldman Sachs, TD AMERITRADE and UBS AG.
- NYSE Arca Options is also a U.S. equity options exchange that offers order execution through a hybrid model, with both electronic trading and trading via our trading floor in San Francisco. NYSE Arca Options offers trading in approximately 2,600 options issues.
- ICE Futures Singapore, formerly Singapore Mercantile Exchange, operated futures markets in Singapore across metals, currencies, energy and agricultural commodities. We completed our acquisition of ICE Futures Singapore and ICE Clear Singapore on February 3, 2014, which retain licenses to operate as an approved exchange and approved clearing house and are regulated by the Monetary Authority of Singapore. The exchange and clearing infrastructures are expected to transition to the ICE trading and clearing platforms in the first half of 2015, subject to regulatory approval. As a result, a period of business transition is currently underway and the exchange and clearing house have been temporarily closed.

OTC Markets

Our OTC markets include both regulated and unregulated platforms for the execution of cleared and bilateral, or non-cleared, CDS instruments and bilateral energy contracts. ICE Swap Trade, Creditex Group and its subsidiaries (collectively, "Creditex") and Creditex Brokerage provide trade execution in our CDS business and are authorized and regulated by the CFTC. Prior to October 2013, we conducted our interdealer broker business through Creditex and Creditex Brokerage. In 2013, we launched ICE Swap Trade, our swap execution facility, or SEF, offering electronic execution in OTC energy and CDS markets. Creditex is also regulated by the Securities and Exchange Commission, or SEC. We list financially settled bilateral energy contracts on ICE Swap Trade and offer electronic trading on our physically settled natural gas, power, and crude and refined oil product contracts for forward delivery on ICE U.S. OTC commodity markets.

Clearing Houses

We currently own or operate seven clearing houses, each of which acts as a central counterparty (meaning we become the buyer to every seller and the seller to every buyer). The clearing houses provide financial security for each transaction for the duration of the position by limiting counterparty credit risk. Our clearing houses are responsible for providing clearing services to each of our futures exchanges, and for certain of our clearing houses, for contracts traded outside of our execution venues. Our clearing houses are ICE Clear Europe, ICE Clear U.S., ICE Clear Credit, ICE Clear Canada, Holland Clearing House, or HCH, The Clearing Corporation, or TCC, and ICE Clear Singapore. ICE Clear Singapore is expected to complete its transition to begin operations in the first half of 2015, subject to regulatory approval.

Securities Trading and Listings

Following our acquisition of NYSE, we operate three securities exchanges for participants to buy and sell cash equities, fixed income securities and ETPs. One of the primary functions of our markets is to ensure that orders to purchase and sell securities are executed in a reliable, orderly, liquid and efficient manner. Through our listings operations, we offer our corporate issuers of equity and developers of ETPs access to the capital markets in the United States.

We conduct our securities trading and listings business through the following exchanges and marketplaces:

- The New York Stock Exchange is a leading global equity exchange. We conduct our primary cash equity trading and U.S. listings business through the New York Stock Exchange. In addition to common stocks, preferred stocks and warrants, the New York Stock Exchange lists structured products, such as capital securities, mandatory convertibles and repackaged securities (excluding ETPs). The New York Stock Exchange is the leading equity exchange for initial public offerings, or IPOs, globally, and enables companies seeking to raise capital to become publicly listed through the IPO process upon meeting minimum exchange listing standards.

- NYSE MKT, formerly NYSE Amex and prior to that, the American Stock Exchange, was acquired by NYSE in 2008 and is our U.S. listing venue for emerging growth companies. NYSE MKT provides a listing venue for a broader range of companies than are qualified for listing on NYSE.
- NYSE Arca is a fully electronic exchange in the United States for ETPs, which include exchange traded funds, or ETFs, exchange traded notes, and exchange traded vehicles.

The New York Stock Exchange and NYSE MKT combine both auction-based and electronic trading capabilities. These markets are intended to emulate, in a primarily automatic execution environment, the features of the traditional auction market that have provided stable, liquid and less volatile markets, as well as provide the opportunity for price and/or size improvement. The markets build on our core attributes of liquidity, pricing efficiency, low trading costs and tight spreads by broadening customers' ability to trade quickly and anonymously. The New York Stock Exchange designated market makers, or DMM’s, on the trading floor are charged with maintaining fair, orderly and continuous two-way trading markets by bringing buyers and sellers together and, in the relative absence of orders to buy or sell their assigned stock, adding liquidity by buying and selling the assigned stock for their own accounts. Supplemental liquidity providers, or SLP’s, are a class of high-volume members financially incentivized to add liquidity on the New York Stock Exchange by fulfilling quoting requirements. "Floor brokers" act as agents on the trading floor to handle customer orders. Companies listing equity securities on our markets must meet minimum initial and ongoing financial and governance listing requirements.

NYSE Arca operates an all-electronic stock exchange for trading all U.S. listed securities and is a listing venue for ETPs. NYSE Arca's trading platform provides customers with electronic execution and open, direct and anonymous market access. NYSE Arca operates the lead market maker program, whereby a lead market maker functions as the exclusive dedicated liquidity provider in NYSE Arca primary listings. Selected by the issuer, the lead market maker must meet minimum performance requirements determined by NYSE Arca, which include percentage of time at the national best bid and offer, average displayed size and average quoted spread, and must support the NYSE Arca opening and closing auctions.

Data Services

We offer data services across our markets. We compile and package market data derived from trading activity in our markets into products that are relied upon by customers all over the world. The broad distribution of accurate and reliable market data is essential to the proper functioning of any cash or derivatives market because it enables market professionals and investors to make informed risk management and trading decisions. The quality of our market data, our collection and distribution facilities, and our technology help attract liquidity to our exchanges. Our primary data services fees include the provision of real-time information relating to price, transaction and order data on all of the instruments traded on the cash and derivatives markets of our exchanges and fees from Secured Financial Transaction Infrastructure, or SFTI, which is a physical network infrastructure that connects our markets and other major markets centers with market participants and allows those participants to receive data feeds. See "- ICE Data Services" and "- NYSE Data Services" below.

Initial Public Offering of Euronext

On June 24, 2014, we sold 65.8 million shares of common stock of Euronext, representing 94% of all outstanding shares, in three transactions. The three transactions include our sale of 42.2 million shares of Euronext common stock in an IPO at €20 per share, 23.4 million shares of Euronext common stock to a group of European institutional investors at €19.20 per share, and 0.2 million shares of Euronext common stock to eligible Euronext employees at €16 per share. On December 9, 2014, we sold our remaining 4.2 million shares of Euronext common stock, representing 6% of the outstanding shares of Euronext, for €95 million ($118 million). We no longer hold any shares of Euronext stock and these four transactions generated an aggregate €1.5 billion ($2.1 billion) in net cash proceeds for us. The net cash proceeds received included cash of $220 million distributed from Euronext as part of the separation of Euronext from us.

We de-consolidated the assets and liabilities of Euronext as of the IPO date and included the financial results of Euronext in discontinued operations in our consolidated financial statements. Refer to note 16 to our consolidated financial statements and related notes, which are included elsewhere in this Annual Report on Form 10-K, for more information on the IPO and sale of Euronext and the presentation of the results as discontinued operations.We used the cash proceeds from the IPO and sale of Euronext shares to repay debt.

In connection with the IPO, Euronext and ICE entered into a series of services agreements and related agreements, or SLAs, to ensure that Euronext and ICE (including Liffe) have continuity in operating their respective businesses through the separation. The majority of the SLAs terminated at the end of 2014 and provided for, among other things, Euronext operational support and transition services to be provided to Liffe until the completion of the transition to ICE Futures Europe and the ICE platform in November 2014.

Liffe Transition to ICE Futures Europe

We successfully transitioned all of the Liffe futures and options contracts to ICE Futures Europe during the year ended December 31, 2014. These products are now made available for trading on ICE Futures Europe via the ICE trading platform.

NYSE Technologies Divestitures

NYSE previously operated a commercial technology business, NYSE Technologies, which offered transaction, data and infrastructure services, and managed solutions for market participants. During the year ended December 31, 2014, we sold NYFIX, Metabit and Wombat, three companies that comprised NYSE Technologies. These sales completed our previously announced intention to divest non-core NYSE Technologies assets.

The results of NYFIX, Metabit and Wombat are reflected as discontinued operations in the consolidated financial statements. We used the net cash proceeds from the sales to repay debt, invest in growth initiatives, pursue strategic investments and return capital to shareholders via dividends and share repurchases. Refer to note 16 to our consolidated financial statements and related notes, which are included elsewhere in this Annual Report on Form 10-K, for more information on the sales and the presentation of the results as discontinued operations.

History

Intercontinental Exchange, Inc., through its predecessor companies, including IntercontinentalExchange, Inc., was established in May 2000. Our mission was to serve the OTC energy markets by providing a transparent, accessible, around-the-clock electronic trading platform to a previously fragmented and opaque market structure. Through the ICE platform, we offered the energy community price transparency, efficiency, liquidity and lower transaction costs than were available through traditional methods of trade execution, such as voice brokered or open outcry markets.

In June 2001, we expanded into the futures markets by acquiring ICE Futures Europe, formerly the International Petroleum Exchange of London. ICE Futures Europe is today the leading energy futures exchange outside of the United States. In 2002, we were first to develop cleared OTC energy products for the industry. In addition, ICE Data was formed in 2002 to meet the demand for market data in the energy markets.

In November 2005, we completed our IPO on the New York Stock Exchange under the ticker symbol “ICE” and have since become a member of the Russell 1000 and the S&P 500 indexes.

In January 2007, we acquired ICE Futures U.S., formerly the New York Board of Trade. Following the introduction of electronic futures trading in 2007, ICE Futures U.S. transitioned from a fully floor-based futures exchange to an electronic futures exchange. In August 2007, we acquired ICE Futures Canada, formerly the Winnipeg Commodity Exchange, which is the largest canola futures market.

In August 2008, we completed our acquisition of Creditex, a leading interdealer broker for the execution and processing of credit derivatives. We launched ICE Clear Europe in November 2008 and launched ICE Clear Credit in March 2009.

In July 2010, we acquired Climate Exchange plc, or CLE, an operator of environmental markets in the United States and Europe. CLE was the parent company of European Climate Exchange. In July 2011, we acquired a 12% stake in Cetip, S.A., or Cetip, a publicly traded company that is Brazil’s leading operator of registration and custodial services for securities, fixed-income bonds and OTC derivatives.

In March 2013, we acquired 79% of the derivatives and spot business of the energy exchange formerly known as APX-ENDEX and renamed it ICE Endex. The trade execution and clearing of the ICE Endex derivatives products have transitioned to our trading platform and to ICE Clear Europe.

On November 13, 2013 we acquired NYSE in a stock and cash transaction valued at $11.1 billion. This transaction added additional asset classes and products to our portfolio including interest rates, commodities and equity derivatives, equity options and cash equities, and the license to administer LIBOR.

In February 2014, we acquired ICE Futures Singapore and ICE Clear Singapore, formerly Singapore Mercantile Exchange and Singapore Mercantile Exchange Clearing Corporation, respectively, in an all-cash transaction. The acquisition adds an Asian footprint to our current network of markets and clearing houses in the United States, the United Kingdom, Continental Europe and Canada. The exchange and clearing house have been temporarily closed during a period of business transition and are expected to reopen and transition to the ICE trading and clearing platforms in the first half of 2015.

In October 2014, we acquired SuperDerivatives, Inc. in an all-cash transaction. The acquisition is intended to accelerate our multi-asset class clearing, risk management and market data strategy. In December 2014, we completed the transaction to acquire a seventy-five percent ownership stake in HCH, a derivatives clearing house based in Amsterdam which provides clearing for The Order Machine, or TOM, a European multi-lateral trading facility.

Our Growth Strategy

The record consolidated revenues and trading volume we achieved in 2014 reflect our focus on the implementation and execution of our long-term growth strategy. We have expanded our core exchange and clearing business both organically and through acquisitions, developed innovative new products for global markets, and provided trading-related services to a larger and more diverse participant base. In addition, we have completed a number of strategic alliances to leverage our core strengths and grow our business. We seek to advance our leadership position in our markets by focusing our efforts on the following key strategies for growth:

- expand on our extensive clearing and risk management capabilities;
- attract new market participants and offer additional products and asset classes;
- expand our data offerings and maintain leadership in our listing businesses;
- continue to enhance our technology infrastructure and increase distribution; and
- pursue select acquisitions and strategic opportunities.

Expand on Our Extensive Clearing and Risk Management Capabilities

By establishing and maintaining our own clearing operations, we are able to respond to market demand for central clearing and related risk management services. With the 2007 acquisition of ICE Clear U.S, the 2008 launch of ICE Clear Europe, the 2009 launch of ICE Clear Credit and the 2011 migration of ICE Clear Europe from outsourced clearing technology to internally developed clearing technology and related software, we now manage our product development cycle and risk management systems and are better able to introduce products that our customers require in a timely manner, subject to regulatory approvals. As new markets evolve, we intend to leverage our domain knowledge in clearing to meet additional demand for clearing globally. For example, we acquired ICE Clear Singapore to better serve our market participants across Asia. With the transaction to acquire a majority stake in HCH, we own or operate seven clearing houses globally, including in the United States, United Kingdom, Continental Europe, Canada and Singapore.

Attract New Market Participants and Offer Additional Products and Asset Classes

Our derivatives customer base has grown and diversified due to the continued emergence of new participants in the derivatives and financial markets; the increased use of hedging programs by commercial enterprises; our expansion into new markets; the increased access to our markets as a result of electronic trading; regulatory reform which increasingly requires the use of clearing; the expansion of our product set; and the increased allocation to commodities by institutional investors. Our market participants include financial institutions, asset managers, pension funds, commodity producers and refiners, utilities and governments, as well as industrial and manufacturing businesses that are increasingly engaging in hedging, trading and risk management strategies. We believe that many participants are attracted to our markets due in part to our markets' transparency, the need to hedge price volatility and reduced barriers to market access. We intend to continue to expand our customer base by leveraging our existing relationships and our global sales and marketing team to promote participation in our markets, and by expanding our range of products and services.

We have grown, and intend to expand our extensive clearing services and our ability to develop new and innovative products and solutions, including expanding the market data services we offer customers. Through ICE Futures Europe, we offer our customers the ability to trade and manage risk in interest rates, the largest futures asset class, as well as provide an enhanced suite of products in agriculture and equity indices. Through NYSE, we offer access to U.S. equity and options trading. We have also enhanced our product offerings by entering into strategic relationships and licensing arrangements, including the license for futures on MSCI and FTSE indexes and the DTCC GCF Repo Index®. We intend to continue to expand the range of products we offer, both by product type and contract design by continuing to work with our customers and potential partners to develop new products. We may also seek to license our platform to other exchanges for the operation of their markets on our platform, as we have done in the past with NGX, Climate Exchange, and Cetip.

Expand our Data Offerings and Maintain Leadership in our Listing Businesses

With the combination of ICE and NYSE markets, we have strengthened and enhanced our market data offering for customers. Also, on October 7, 2014, we acquired SuperDerivatives, a leading provider of risk management analytics, financial market data and valuation services. The SuperDerivatives acquisition is intended to accelerate our multi-asset class clearing, risk management and market data strategy.

In addition, we administer the LIBOR and ISDAFIX benchmarks through ICE Benchmark Administration, or IBA, which commenced administration of these benchmarks in 2014. In 2015, IBA will assume the administration of the Gold Price benchmark. We also continue to pursue opportunities in markets we do not currently serve.

In our NYSE listings business, we intend to continue to focus on enhancing our product offerings and services to retain and attract companies of all sizes and industries to our listing venues. In 2014, demand for our listing services continued to be strong in terms of new listings and secondary offerings. A total of 195 issuers listed their securities on NYSE markets in 2014 and there are over 2,400 total companies listed on the New York Stock Exchange and NYSE MKT. NYSE was the leader in capital raising in 2014 with $183 billion raised in 552 transactions. The New York Stock Exchange listed 129 IPO's in 2014 raising total IPO proceeds of $70 billion, including the largest IPO in history, and also led in technology IPO's for the fourth consecutive year.

Continue to Enhance Our Technology Infrastructure and Increase Distribution

We develop and maintain our own network infrastructure, electronic trading platform and clearing systems to ensure the delivery of leading-edge technology that meets our customers' demands for price transparency, reliability, risk management and transaction efficiency. We intend to continue to increase ease of access and connectivity with our existing and prospective market participants. We develop and maintain all of our trading and clearing systems, as well as many post-trade systems such as ICE Link and ICE Trade Vault, among others. We are developing a new integrated trading platform and matching engine for the five U.S. cash equities and equity options markets, which NYSE currently operates on distinct platforms to improve performance and reduce the cost and complexity of operating multiple equity and options trading systems.

Pursue Select Acquisitions and Strategic Opportunities

As an early consolidator in global markets, we intend to continue to explore and pursue acquisitions and other strategic opportunities to strengthen our competitive position globally, broaden our product offerings and services for our customers, and support the growth of our company while maximizing shareholder value as measured by return on invested capital and earnings growth. We may enter into business combinations, make acquisitions or enter into strategic partnerships, joint ventures or alliances, any of which may be material. In addition to growing our business, we may enter into these transactions for a variety of reasons, including leveraging our existing strengths to enter new markets, expanding our products and services, addressing underserved markets, advancing our technology, anticipating or responding to regulatory change, or taking advantage of new developments and potential changes in our industry.

Our Products and Services

As a leading operator of global futures exchanges, equity and equity options exchanges, OTC markets and clearing houses, we seek to provide our participants with centralized access to our markets for price transparency, trade execution, clearing and related services that support trading, listings and risk management activities. The primary services we provide are trade execution, listings, price discovery and transparency, trade processing and repositories, clearing, benchmark administration and market data.

Trading in our regulated markets is available to our members and market participants. Once trades are executed on our derivatives platforms, they are matched and forwarded to a trade registration system that routes them to the applicable clearing house for clearing and settlement. In our clearing houses, derivatives trades are maintained by our risk management systems until the positions are closed out by our customers. Most of our markets are regulated and are responsible for carrying out self-regulatory functions and have governance, compliance, surveillance and market supervision functions.

Regulated Energy Futures Contracts

We operate regulated markets for energy futures contracts and options on those contracts through our subsidiaries ICE Futures Europe and ICE Futures U.S. Our core products include contracts based on crude and refined oil, natural gas, power, emissions, coal, freight, iron ore and natural gas liquids. In aggregate, we make available for trading over 1,500 energy futures contracts. Our largest energy contract is the ICE Brent crude futures contract. The contract is a derivative of the ICE Brent Index, which is based on trades in the forward physical market for blends of light, sweet crude oil that originate from oil fields in the North Sea that comprise the Brent, Forties, Oseberg, Ekofisk, or BFOE, complex as well as other oil fields that have been added in recent years. The Brent complex, which includes ICE Brent crude futures, is a group of related benchmarks used to price a range of traded oil products, including approximately two-thirds of the world's internationally-traded crude oil. The ICE Low Sulphur Gasoil futures contract is a European diesel oil contract that offers physical delivery and serves as a middle distillate pricing benchmark for refined oil products, particularly in Europe and Asia. We also operate the world's second largest market for trading in West Texas Intermediate, or WTI, crude oil futures, as measured by the volume of contracts traded in 2014 according to the

Futures Industry Association. The WTI Crude futures contract is the benchmark for pricing U.S. crude. ICE's share of the crude oil futures market in volume terms for 2014 was 54%. ICE also operates leading markets for North American, European and U.K. natural gas futures.

Regulated Agricultural Futures Contracts

ICE Futures U.S. and ICE Futures Europe are our regulated, leading commodity futures exchanges for the trading of agricultural commodities. These contracts are designed to provide effective pricing and hedging tools to industry users worldwide, as well as strategic trading opportunities for investors. The prices for our agricultural contracts serve as global benchmarks for the physical commodity markets, including Sugar No. 11® (world raw sugar), white sugar, Coffee "C"® (Arabica coffee), robusta coffee, Cotton No. 2® (cotton), U.S. and London cocoa and frozen concentrated orange juice.

ICE Futures Canada is the only regulated commodity futures exchange in Canada and it facilitates the trading of futures and options on futures contracts for canola, milling wheat, durum wheat and barley. ICE Futures Canada contracts are designed to provide effective pricing, trading and hedging tools to market participants worldwide. ICE Futures Canada's canola futures contract is the worldwide price benchmark for canola.

Regulated Financial Futures Contracts

ICE Futures Europe makes available for trading a range of financial futures products, including interest rate, equity index, and currency derivative products, which were transitioned from the Liffe platform during 2014. Core products are short-term interest rate, or STIR, contracts, with its principal STIR contracts based on implied forward rates denominated in euro and sterling, such as Euribor, Sterling and Gilts, as well as U.S. rates relating to Eurodollar and GCF repo futures. In addition, we introduced approximately 20 new interest rate products in 2014 that further extend the duration of our interest rate complex into medium and long-term interest rates across European markets. In November 2014, we completed the transition of Liffe's operations and markets to ICE Futures Europe.

ICE Futures U.S. offers financial products in currency, equity index and credit index markets, including futures and options contracts on Russell indexes, including the Russell 2000®, Russell 1000® and related indexes, and futures on certain MSCI indexes. We entered into a licensing arrangement with Russell and retain certain exclusive rights for the remainder of the licensing agreement term, which extends through June 2017, subject to achieving specified trading volumes. We also entered into a licensing agreement with MSCI, Inc. and retain certain exclusive rights with respect to 540 MSCI equity indexes, most notably the Emerging Markets and EAFE indices, for the remainder of the licensing term.

ICE Futures U.S. lists futures and options contracts for approximately 56 currency pair contracts including euro-based, U.S. dollar-based, yen-based, sterling-based and other cross-rates, as well as the benchmark USDX® futures contract.

Securities Products and Listings

We offer securities trading products and listings through our exchange subsidiaries: the New York Stock Exchange, NYSE MKT and NYSE Arca. Through these exchanges, we provide multiple marketplaces for investors, broker-dealers and other market participants to meet directly to buy and sell equities, fixed income securities and ETPs. One of the primary functions of our markets is to ensure that orders to purchase and sell securities are executed in a reliable, orderly, liquid and efficient manner.

We offer our customers access to the capital markets in the United States. Through our various listing venues, we allow companies to list domestic and international equity securities, corporate structured products, convertible bonds, ETPs and bonds.

Fees we receive from NYSE Governance Services are included in listing fee revenues. NYSE Governance Services is a leading provider of corporate governance, risk and compliance services to a diverse set of customers, including a number of those listed on the NYSE.

Credit Derivatives Products

Credit default swaps, or CDS, are derivative instruments that involve a credit risk transfer between counterparties with respect to fixed income instruments such as corporate and sovereign debt securities. CDS are mainly used to hedge against credit risk exposure related to a particular reference entity for a specified debt obligation or debt instrument. The buyer of the CDS contract, who may or may not own the underlying reference instrument, will make a payment or a series of payments to the seller of the CDS contract in return for protection against credit events with respect to the underlying reference entity or security.

We offer electronic and voice brokered trade execution for CDS through Creditex Brokerage, which is authorized and regulated by the FCA, and Creditex, our U.S. based interdealer broker, which is regulated by the CFTC and SEC. In 2013, we launched ICE Swap Trade, which provides electronic execution for the OTC credit markets. We offer clearing services for the CDS markets through ICE Clear Europe and ICE Clear Credit. Both CDS clearing houses are open-access and therefore accept qualifying trades for clearing that are executed on other venues.

We also operate an electronic platform known as ICE Link, which is an automated trade workflow and connectivity platform for affirming credit derivatives transactions. ICE Link also provides connectivity between market participants, facilitating straight-through processing to the Depository Trust & Clearing Corporation's Trade Information Warehouse for non-cleared CDS transactions or to a clearing house for CDS transactions that are clearing eligible.

OTC Energy Products

Our OTC energy markets comprise the trading of bilateral energy contracts. We operate our financially settled bilateral energy markets through ICE Swap Trade and we offer electronic trading of contracts based on physically settled natural gas, power and refined oil products through ICE U.S. OTC Commodity Markets.

As of December 31, 2014, we list approximately 500 OTC energy contracts on our electronic trading platform that are available for bilateral trading. A substantial portion of our OTC volume relates to approximately 70 contracts in North American natural gas and power, and global oil. For these contracts, the highest degree of market liquidity resides in the front (next day or month) contracts.

ICE Data Services

ICE Data provides real-time futures data to data distributors, also known as quote vendors. These companies, such as Bloomberg or Reuters, then package this data into real-time, tick, intra-day, delayed, end-of-day and historical data packages to sell to end users. The real-time packages are accessed on a subscription basis, and the appropriate exchange fee is paid for each user's access. End users include financial information providers, futures commission merchants, pension funds, financial services companies, funds, insurance companies, commodity pools and individual investors.

ICE Data services include publication of daily indexes, historical price and other transaction data, view-only and mobile access to our trading platform, end of day settlements and price data. ICE Data also offers a service that provides independent validation of participants' own valuations for OTC products. We also charge for access to our ICE Data offerings through our colocation services.

NYSE Data Services

NYSE's primary market data service is the distribution of real-time market data. This data includes price, transaction and order book data on all of the instruments traded on NYSE's cash and derivatives markets. The data is marketed in different information products, and can be packaged according to the type of instrument (shares, derivatives or indexes), the depth of the information (depth of the order book, number of lines of bid and ask prices), and the type of customer (professional or non-professional). The data is disseminated primarily via data vendors, but also directly to financial institutions and other service providers in the financial sector. NYSE provides two types of market data products and services: core data products, or those governed by National Market Systems, or NMS, plans, and non-core, or proprietary, data products.

NYSE operates SFTI, which is a physical network infrastructure that connects our markets and other major market centers with numerous market participants in the United States and Europe and allows those participants to receive data feeds. SFTI is a redundant network that supports a range of NYSE services and third-party content and connects all NMS market centers in the United States.

Core Data Products

The SEC requires securities markets to join together in consolidating their bids, offers and last sale prices for each security, and to provide this information to the public on a consolidated basis. We work with other exchanges and FINRA to make our U.S. market data available, on a consolidated basis, on what is often referred to as the "consolidated tape." The data resulting from the consolidated tape is also referred to as "core data." This intermarket cooperative effort provides the investing public with the reported transaction prices and the best bid and offer for each security, regardless of the market from which a quote is reported or on which market a trade takes place. Last sale prices and quotes in NYSE-listed, NYSE MKT-listed and NYSE Arca-listed securities are disseminated through Tape A and Tape B, which constitute the majority of our NYSE market data revenues. We also receive a share of the revenues from Tape C, which represents data related to trading of certain securities (including ETPs) that are listed on Nasdaq.

Non-Core Data Products

We make certain market data available independently of other markets, which is known as non-core, or proprietary, data. We package this type of market data as real-time quoting and trading products (such as NYSE OpenBook, through which we make available all limit orders) and historical products used for analysis by traders, researchers and academics. These products are proprietary to us, and we do not share the revenues that they generate with other markets. Generally, proprietary data that provides real-time quoting or trading information regarding our markets is subject to review by the SEC. In addition, the pricing for these market data products is subject to review by the SEC on the basis of whether prices are fair, reasonable and not unfairly discriminatory.

Through our Index Weightings service, we also provide traders, analysts, investors and others who rely on up-to-date index information with daily information on the exact composition and weighting of our indexes and precise details of changes in index levels and constituent share prices. We also offer comprehensive corporate actions information for all New York Stock Exchange, NYSE Arca and NYSE MKT listed instruments.

ICE Benchmark Administration

LIBOR

In September 2012, the Wheatley Review, an independent UK-based review of the setting and usage of the London Interbank Offered Rate, or LIBOR, identified the need for an independent administrator for LIBOR. Following a selection process by the Hogg Tendering Advisory Committee, which was an independent committee established to recommend a new administrator for LIBOR, ICE Benchmark Administration, or IBA, our wholly-owned subsidiary, was recommended as the administrator for LIBOR in July 2013. In February 2014, IBA was authorized by the FCA to commence administration of LIBOR as an independent and regulated benchmark administrator. Since authorization, IBA has been working with global industry associations, stakeholders and regulators to transition LIBOR and improve the integrity and transparency of the benchmark. IBA has established a robust oversight and governance framework, in addition to developing surveillance technology and analytical tools to operate the benchmark setting process.

ISDAFIX

In April 2014, IBA was appointed as the new administrator of ISDAFIX by the International Swaps and Derivatives Association, or ISDA, and formally commenced its role as the administrator on August 1, 2014. The ISDAFIX benchmark represents the average mid-market swap rate for major currencies at selected maturities on a daily basis. Market participants use the rate to price and settle swap contracts and as a reference rate for floating rate bonds. IBA is in the process of evolving the calculation methodology for ISDAFIX from a submission-based rate using inputs from a panel of banks to a rate calculated from tradeable quotes displayed on regulated trading venues. This move will be made possible by the introduction of electronic markets for interest rate swaps and is designed to align the ISDAFIX benchmark with the principles for financial benchmarks published by the International Organization of Securities Commissions, or IOSCO, in 2013, which were subsequently endorsed by the G20 and by the Financial Stability Board.

Gold Price

In November 2014, IBA was appointed as the administrator of the Gold Price by the London Bullion Market Association, or LBMA. IBA will start administrating the Gold Price in early 2015. The LBMA Gold Price will replace the Gold Fixing Price that has been in existence since September 1919. The price is set in London twice a day and provides a published benchmark price that is widely used as an international pricing medium by producers, consumers, investors and central banks.

Clearing Services

We currently own or operate the following seven clearing houses:

- ICE Clear Europe clears ICE Futures Europe, ICE Endex and Liffe (prior to its products being transfered to ICE Futures Europe in 2014) futures contracts for interest rates, equity indexes, energy and agriculture products, as well as European CDS instruments and energy futures contracts made available for trading at ICE Futures U.S.;
- ICE Clear U.S. clears ICE Futures U.S. soft commodity, currency, metals, credit and domestic and global equity index futures contracts;
- ICE Clear Credit clears North American, European and Emerging Market CDS instruments;
- ICE Clear Canada clears ICE Futures Canada agricultural futures contracts;
- HCH currently clears for TOM;

- TCC offers clearing services for ICE Futures U.S., which may include mini-sized, financially settled versions of current ICE Futures U.S. contracts; and
- ICE Clear Singapore is not yet operational due to the transition to ICE technology that is underway and regulatory approvals, which are expected in the first half of 2015.

Our clearing strategy is designed to provide financial security to our diverse markets while providing capital efficiency and meeting the risk management, capital and regulatory requirements of a global marketplace. Our clearing houses clear, settle and guarantee the financial performance of futures contracts and options on futures contracts. ICE Clear Europe also clears European CDS instruments, and ICE Clear Credit clears North American, European and Emerging Market CDS instruments. Through each of our clearing houses, we maintain a system for the performance of financial obligations for the products we clear. This system is supported by several mechanisms, including rigorous clearing membership requirements, daily mark-to-market of positions and payment of variation margin, the calculation and posting of original margin deposits, a limited contribution of the clearing house's capital, maintenance of guaranty funds in which clearing members maintain deposits to mutualize losses, and broad assessment powers all of which cover financial losses beyond the resources of a defaulting clearing member. The amount of margin and guaranty fund deposits on hand fluctuates over time as a result of, among other things, the extent of open positions held at any point in time by market participants and the volatility of the market as reflected in the applicable margin rates for such contracts.

To ensure performance, our clearing houses maintain extensive technology and quantitative risk management systems, as well as financial and operational requirements for clearing members and minimum margin requirements for our cleared products. Our clearing houses use software based on industry standard margining conventions and on our proprietary models uniquely customized to our products to determine the appropriate margin requirements for each clearing member by simulating the possible gains and losses of complex portfolios based on price movements.

Our clearing houses have an excellent track record of risk management, and have never experienced an incident of a clearing member default which has required the use of the guaranty funds of non-defaulting members or the assets of the clearing house. Nevertheless, we have extensive risk management procedures in place to ensure we protect the interests of our clearing members and clearing houses. Each of our clearing houses has a instituted multi-layered risk management system of rules, policies and procedures to protect itself in the event of a clearing member default.

In the event of a payment default by a clearing member, the applicable clearing house would follow the default procedures specified in the rules of that clearing house. In general, the clearing houses would first apply assets of the defaulting clearing member to cover its payment obligation. These assets include original/initial margin, variation margin, positions held at the clearing house and guaranty fund deposits of the clearing member. In addition, the clearing houses could make a demand for payment pursuant to any available guarantee provided to the clearing houses by the parent or affiliate of the defaulting clearing member. Thereafter, if the defaulted payment obligation remains unsatisfied, the clearing houses would use the guaranty fund contributions of other clearing members as well as any designated contributions by the clearing house itself, as applicable, and funds collected through an assessment against all other non-defaulting clearing members, to satisfy the deficit. As part of the powers and procedures designed to backstop financial obligations in the event of a default, each of our clearing houses may levy assessments on all of their clearing members if there are insufficient funds available to cover a deficit following the depletion of all assets in the guaranty fund prior to such assessment.

We offer clearing services for the CDS markets through ICE Clear Credit and ICE Clear Europe in risk management frameworks that are separate from one another and from our futures and options or non-CDS clearing operations. We have established separate CDS risk pools for ICE Clear Credit and ICE Clear Europe, including separate guaranty funds and margin accounts, meaning that the CDS positions are not combined with positions in our traditional futures and options clearing houses. The CDS clearing houses have risk management systems that are designed specifically for CDS instruments and have independent governance structures. Both CDS clearing houses are open-access pursuant to regulatory requirements and therefore accept qualifying trades for clearing that are executed on other venues. As of December 31, 2014, our CDS clearing houses clear 379 single name instruments and 122 CDS indexes.

We have committed $303 million in borrowing capacity under our credit facilities to assist our clearing houses with liquidity that may be needed to both operate and manage a default during a time of financial stress. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital

Resources" which is included elsewhere in this Annual Report on Form 10-K.

ICE Clear Credit currently self-manages clearing members' cash on deposit to satisfy original/initial margin and guaranty fund requirements. ICE Clear U.S. and ICE Clear Europe currently use external investment managers for investment activity of their clearing member cash deposits. In July 2012, the Financial Stability Oversight Council designated ICE Clear Credit as a systemically important financial market utility under Title VIII of the Dodd-Frank Act.

To provide a tool to liquidate margin and guaranty fund deposits held in the form of high quality sovereign debt, ICE Clear Europe, ICE Clear Credit and ICE Clear U.S. have entered into Committed Repurchase Agreement Facilities, or Committed Repo. Each of these clearing houses is seeking to increase both the amount and the number of counterparties to its existing Committed Repo facilities. As of December 31, 2014, ICE Clear Europe had $350 million in Committed Repo, ICE Clear Credit had $100 million and ICE Clear U.S. had $200 million. As of January 9, 2015, ICE Clear Europe increased its Committed Repo to $450 million and ICE Clear U.S. increased its Committed Repo to $250 million. The ICE Clear Europe Committed Repo is available in U.S. dollars, euro and pound sterling, the ICE Clear Credit Committed Repo is available in U.S. dollars and euro and the ICE Clear U.S. Committed Repo is available in U.S. dollars.

The Committed Repo arrangements provide these three clearing houses with an additional liquidity tool that may be used in the event there is a need to convert high quality sovereign debt into cash on a same-day basis during a market disruption that makes it difficult to sell and settle such sovereign debt on a same-day basis.

Our Customer Base

Our customer base includes financial institutions, institutional and individual investors, major corporations, manufacturers, producers and governments. Customers may be members of one or more of our exchanges and access to our markets generally depends upon the customer's status as a member of one of our exchanges or whether they have executed an agreement with us for access through an existing member firm.

Derivatives Markets

Customers in our derivatives markets include market participants seeking to trade, clear and manage risk by accessing our derivatives markets. Our market participants include those served by our energy, financial, and agricultural markets, including, financial institutions, money managers, trading firms, commodity producers and consumers, and corporations. The majority of clearing and transaction fees received from clearing firms represent charges for trades executed and cleared on behalf of their customers. Market participants in our futures exchanges may become members or trade through a member firm. For example, to become a member of ICE Futures Europe, an applicant must undergo a thorough review and application process and agree to be bound by ICE Futures Europe rules.

Securities Trading and Listings

In securities trading and listings, our customers include various market participants in the equities markets, from financial institutions, institutional investors, wholesalers, hedge funds, quantitative funds, algorithmic traders and individual investors to companies looking to raise capital and list their securities on one of our equity exchanges. Our customers are also our members, which are entities registered as broker-dealers with the SEC and that have obtained trading permits or licenses in accordance with, and are subject to the rules of the exchange in which they are members. Our global listings businesses offer capital raising and trading of listed companies to over 2,400 companies globally, including 1,889 in the United States, which represent $27 trillion in market capitalization as of December 31, 2014. NYSE's listed companies represent a diverse range of sectors, including technology, financial services, consumer brands, industrial, transportation, media, energy and mining. These companies meet minimum initial and ongoing listings requirements, including governance and financial standards, as established by the exchange.

Data Services Participant Base

Data services participants include financial institutions, corporations, commodity trading companies, proprietary trading firms, utilities, hedge funds and private investors. A large proportion of our data services fee revenues are derived from companies executing trades on our platforms. The primary customers for our futures data services are redistributors such as Bloomberg, CQG, Interactive Data Corporation and Thomson Reuters, who redistribute our real-time pricing data.

Product Development

We leverage our customer relationships, global distribution, technology infrastructure and software development capabilities to diversify our products and services. New product development is an ongoing process, and we are continually developing, evaluating and testing new products for introduction into our markets to better serve our participant base. The majority of our product development relates to evaluating new contracts or new markets based on customer demand. New contracts often must be reviewed and approved by relevant regulators. Outside of third-party licensing costs, we typically do not incur separate, identifiable material costs in connection with the development of new products - such costs are embedded in our normal costs of operation.

While we have historically developed our products and services internally, we also periodically evaluate and enter into strategic partnerships and licensing arrangements to identify opportunities to develop meaningful new products and services.

Technology

Technology is a key component of our business strategy, and we regard effective execution of our technology initiatives as crucial to our success. Where feasible, we design and build our software systems and believe that having control over our technology allows us to be more responsive to the needs of our customers, better support the dynamic nature of our business and deliver the highest quality markets and data. Our proprietary systems are built using state-of-the-art software technologies, including component-based architectures and a combination of leading-edge open source and proprietary technology products.

A large number of our employees work in areas of technology, including in the areas of product management, project management, system architecture, software development, network engineering, security, performance, systems analysis, quality assurance, database administration and helpdesk.

ICE Derivatives Trading Platforms and Related Technology

The ICE derivatives trading platform supports trading in our futures and options markets and in our bilateral OTC markets. For futures and options products, the platform supports multiple order types, matching algorithms, price reasonability checks, inter-commodity spread pricing and real-time risk management. In addition, we have developed a multi-generation implied matching engine that automatically discovers best bid and offer prices throughout the forward curve. For OTC products, we also support bilateral trading with real-time credit risk management between counterparties by commodity and company. We also offer voice brokers a facility for submitting block trades for products that are eligible for clearing. For equity options, we offer a hybrid model of electronic and open outcry trading through NYSE Amex Options and NYSE Arca Options.

Speed, reliability, scalability and capacity are critical performance criteria for electronic trading platforms. Connectivity to our trading platform for our markets is available through our web-based front-end, WebICE, as well as multiple independent software vendors, or ISVs, and application programming interfaces, or APIs. WebICE serves as a secure, customizable, feature-rich front-end to our trading platform. Participants can access our platform globally via the Internet or private networks by logging in via our website homepage. Generally, we have over 21,000 concurrent connections to our electronic platform globally each trading day via WebICE and through multiple ISVs, co-location data centers, dedicated lines and global telecommunication hubs. For our futures markets we offer participants the use of APIs, which allow developers to create customized applications and services around our electronic platform to suit their specific needs. Participants using APIs are able to link their own internal computer systems to our platform and enable algorithmic trading, risk management, data services, and straight-through processing. ICE mobile gives ICE customers the ability to view real-time market data, manage their order book including canceling and floating new orders, view real-time position and P&L information, and exchange audited chat messages with coworkers and customers via the secure ICE Connect network from mobile devices.

NYSE Trading Platform and Other Technology

NYSE's electronic trading platform features an open system architecture that allows users to access our system via one of the many front-end trading applications developed by ISVs. NYSE's trading platform has been designed to handle significant order flow and transaction volumes. Orders can be matched either on a price/time or pro rata basis, configurable by contract, with transacted prices and volumes and the aggregate size of all bids and offers at each price level updated on a real-time basis. In 2014, development commenced on a new, integrated matching engine for NYSE's five exchanges in order to consolidate the disparate platforms, streamline operations and improve performance.

Clearing Technology

Trade Management and Clearing Services Technology

A broad range of trade management and clearing services are offered through our clearing houses. The ICE Clearing Systems encompass a number of integrated systems, most importantly the Post-Trade Management System, or PTMS/ACT, and the Extensible Clearing System, or ECS. PTMS/ACT provides real-time trade processing services enabling clearing members to offer real-time risk management services. ECS supports open and delivery position management, real-time trade and post-trade accounting, risk management, collateral management, daily settlement and banking utilizing SWIFT as the payment system. ECS offers open, Internet-based connectivity and integration options for clearing member access to user and account management, position reporting and collateral management. ECS also has an extensive reporting system that delivers on-line access to daily and historical reports in multiple formats, as well as an extensive currency delivery system to manage the delivery and payment of currency settlements.

Clearing Risk Technology

A core component of our derivatives clearing houses is the risk management of clearing firm members. Our extensive technology and rules-based risk system provides analytical tools to determine margin, to determine credit risk, and monitor risk of the clearing members. The risk system also monitors trading activities of the clearing members.

The CDS risk system self-adjusts to market conditions, accounts for the highly asymmetric risk profiles of CDS instruments, and captures the specificities of CDS trading behavior. In addition to normal clearing functions, CDS clearing technology facilitates a daily auction-style price discovery process in which all clearinghouse members provide end-of-day quotes for all index and single name CDS instruments in which they have open interest. From these quotes the CDS clearing systems establish final prices for mark-to-market and variation margin calculations, as well as for computing original margin requirements and guaranty fund contributions.

ICE Trade Vault

ICE Trade Vault is a CFTC provisionally registered Swap Data Repository for the commodities and credit asset classes. ICE Trade Vault Europe Limited is an ESMA registered Trade Repository for the credit, interest rate and commodity asset classes, and has also received Trade Repository approval from the Canadian provinces of Ontario, Quebec and Manitoba. ICE Trade Vault provides safe and simple trade reporting to multiple global jurisdictions, allowing customers to comply with all applicable laws through a single, easy-to-use interface. Trades, positions and valuations are securely stored and reported in accordance with our standards and the rules set out by appropriate authorities, including U.S. Dodd-Frank and European EMIR rules.

Compliance and Regulatory Reporting Technology

We have invested or contracted for extensive internal compliance and external regulatory reporting systems for post trade analysis. For compliance, we developed ICEcap, which is used by our futures exchanges and OTC energy markets. The foundation for ICEcap is our enterprise data warehouse which combines data from multiple exchanges and clearing platforms. A flexible, customizable reporting front-end is then used to deliver the data to users, such as market supervision or regulators. ICEcap also services enterprise-wide business intelligence needs for our finance, operations and sales departments. For real time trade analysis, we have a third-party license and maintenance agreement to use the SMARTS Market Surveillance system, which gives us a real time graphical view of all of the trading in our futures and OTC markets coupled with real time alerts.

Data Centers, Global Network and Distribution

The ICE platform is located in a state-of-the-art hosting center in Illinois and we also maintain a disaster recovery site for our technology systems in Georgia. We offer access to our electronic markets through a broad range of interfaces including dedicated lines, server co-location data centers, telecommunications hubs in the United States, Europe and Asia, and directly via the Internet. The ICE global network consists of high speed dedicated data lines connecting data hubs in New York, Atlanta, Chicago, London and Singapore with the exchanges' and clearing houses' primary and disaster recovery data centers.

NYSE established two purpose-built data centers in the United Kingdom and New Jersey in 2009 to host the respective markets. Matching engines for ICE Futures Europe, the former Liffe markets and the third-party Euronext exchanges are consolidated in the U.K. facility, and our U.S. equities exchanges are hosted in the U.S. facility. We offer server co-location space at our data centers that enables market participants to house their servers and applications in the NYSE data centers on equivalent terms.

In addition to our global network, the accessibility of the ICE platform through the Internet differentiates our markets and serves to attract liquidity in our markets. As of the fourth quarter of 2014, there was an average of 21,000 simultaneous active connections daily during peak trading hours. One active connection can represent many individual traders. In addition, we have 49 order routing and 47 trade capture conformed ISVs interfacing to our trading platform. Many ISVs present a single connection while facilitating numerous individual participants entering orders and trading on our exchange. As a result, we have the potential to attract thousands of additional participants who may trade in our markets through ISVs or through our own front-end.

Cyber Security

Cyber security is critical to our operations. We employ a defense-in-depth strategy, employing leading-edge security technology and processes including encryption, firewalls, virus prevention, intrusion prevention systems and secured servers. We use a multi-tiered firewall scheme to control access to our network and have incorporated protective features within applications to ensure the integrity of participant data and connectivity. Where our services are accessible via Internet, we have implemented additional restrictions to limit access to specific approved networks. Technology from advanced threat mitigation providers is deployed and the key security metrics are reviewed quarterly by an Information Security Oversight Committee comprised of senior management representatives from all major subsidiaries. We work closely with law enforcement, government intelligence and financial services peer groups in the jurisdictions in which we operate, leveraging information sharing resources to monitor the latest threat intelligence and evaluate the latest controls and technology. We also maintain insurance coverage that may, subject to the terms and conditions of the policy and payment of significant deductibles, cover certain aspects of cyber security issues; however, our cyber security insurance coverage may not be sufficient to cover all losses. We monitor physical threats in addition to cyber and continuously review and update physical security and environmental controls to secure our office and data center locations.

Our Competitive Strengths and Competition

Competitive Strengths

We are a leading operator of global equities, options and futures exchanges, derivative clearing houses and post-trade services. We operate leading markets in the asset classes in which we compete, including securities, cash equities, equity options, futures and many OTC markets. We believe our key strengths include our:

- liquid, global equity and derivatives markets and benchmark futures contracts;
- geographic and product diversity across 11 regulated exchanges;
- secure central counterparty clearing houses and risk management for our global markets;
- leading global listings and trading venues; and
- widely-distributed, leading edge technology for trading, clearing, data and trade processing.

Many of our futures contracts serve as global benchmarks for managing risk relating to exposure to price movements in the underlying products, including financial, energy and agricultural commodities. For example, we operate the leading market for trading in ICE Brent crude oil futures, as measured by the volume of contracts traded in 2014 according to the Futures Industry Association. The ICE Brent Crude futures contract is the leading benchmark for pricing light, sweet crude oil produced and consumed outside of the United States. The ICE Brent Crude futures contract is part of the Brent complex, which forms the price reference for approximately two-thirds of the world’s physical oil. Based on 2014 contract volume, over half of the world’s crude and refined oil futures contracts were traded through ICE Futures Europe. In 2014, open interest in Brent surpassed open interest in Nymex WTI for the first time in the contract's history. In addition, we operate a leading market for short-term European interest rates, or STIR, contracts, with our principal STIR contracts based on implied forward rates based on European Money Markets Institute, or EMMI, Euribor rates, as well as the Sterling contract. We also offer leading agricultural benchmark contracts, including sugar, cocoa, cotton and coffee, which serve as global price benchmarks.

Our regulated exchanges and platforms offer qualified market participants access to our markets, covering a range of categories, including interest rates, equities, energy, agricultural, metals, equity index, environmental, currencies, and U.S. equity options. By offering multiple markets and products we provide our participants with flexibility to implement their trading and risk management strategies across a variety of asset classes. We operate across multiple geographies and serve customers in dozens of countries as a result of listing products that are globally relevant.

We offer a range of central clearing and related risk management services to promote the security of our markets. The credit and performance assurance provided by our clearing houses to clearing members substantially reduces counterparty risk and is a critical component of our exchanges’ identities as reliable and secure marketplaces for global transactions. We believe the services offered by our clearing houses are a competitive advantage and attract market participants to our exchanges. Our clearing houses are designed to protect the financial integrity of our markets by maintaining collateral, facilitating payments and collections, enhancing capital efficiency and limiting counterparty credit risk.

We operate the leading global listings and trading venues for equities and offer our customers access to the capital markets in the United States. Our various listing venues allow companies to list domestic and international equity securities, corporate structured products, convertible bonds, trackers and debt securities. In 2014, NYSE was the global leader in IPOs for the fourth consecutive year, raising $70.3 billion in total IPO proceeds, including leading in technology company IPOs. During the same period, NYSE was the leader in follow-on financings, raising $113.1 billion in proceeds.

Our leading edge technology infrastructure provides centralized and direct access to trade execution, processing and clearing for a variety of derivatives and financial products. We operate the majority of our interest rate, energy, agricultural and financial markets on our electronic trading platforms. Our trading platforms have enabled us to attract significant liquidity from traditional market participants, as well as new market entrants seeking the access, efficiency and ease of execution offered by electronic trading. We developed and maintain our own clearing systems across our clearing houses.

Competition

The markets in which we operate are global and highly competitive. We face competition in all aspects of our business from a number of different enterprises, both domestic and international, including traditional exchanges, electronic trading platforms and voice brokers. We believe we compete on the basis of a number of factors, including:

- depth and liquidity of markets;
- price transparency;
- reliability and speed of trade execution and processing;
- technological capabilities and innovation;
- breadth of product range;
- rate and quality of new product developments;
- quality of service;
- distribution and ease of connectivity;
- mid- and back-office service offerings, including differentiated and value-added services;
- transaction costs; and
- reputation.

We believe that we compete favorably with respect to these factors, and that our deep, liquid markets, breadth of product offerings, new product development, and efficient, secure settlement, clearing and support services distinguish us from our competitors. We believe that in order to maintain our competitive position, we must continue to develop new and innovative products and services, enhance our technology infrastructure, maintain liquidity and offer competitive transaction costs.

In our derivatives markets, certain exchanges replicate our futures contracts. For example, CME Group, the largest derivatives exchange in the United States with 91% market share of all U.S. futures contracts traded, competes with our exchanges on agricultural and energy commodities, currency and equity index contracts. We also compete in interest rates and equity derivatives with Eurex, which is the derivatives exchange operated by Deutsche Börse, and NLX, which is the multi-lateral trading facility operated by Nasdaq.

We compete with voice brokers active in certain of the OTC energy and credit derivatives markets, other electronic trading platforms for derivatives, clearing houses and market data vendors. ICE Swap Trade, Creditex and Creditex Brokerage compete with other swap execution facilities and large inter-dealer brokers in the credit derivatives market.

In addition to competition from derivative exchanges that offer commodity products, we also face competition from other exchanges, electronic trading systems, third-party clearing houses, futures commission merchants and technology firms. Further, certain financial services or technology companies have entered the OTC trade execution services market. Additional joint ventures and consortia could form, or have been formed, to provide services that could potentially compete with certain services that we provide.

We face significant competition with respect to securities trading, and this competition is expected to remain intense. Our current and prospective competitors include regulated markets, electronic communication networks, dark pools and other alternative trading systems, market makers and other execution venues. The 2014 merger of BATS Global Markets, Inc., or BATS, and Direct Edge, LLC may increase competitive pressures in securities trading. We also face growing competition from large brokers and customers that may assume the role of principal and act as counterparty to orders originating from retail customers, or by matching their respective order flows through bilateral trading arrangements, including through internalization of order flow. Some of these competitors are among our largest customers or are owned by our customers. In particular, many of our key customers are prioritizing their internalization and alternative trading system businesses ahead of their exchange-based market making business.

Our principal competitor for listings in the United States is Nasdaq OMX Group, Inc., or Nasdaq OMX. We also face competition for foreign issuer listings from a number of stock exchanges outside the United States, including London Stock Exchange, Deutsche Börse and stock exchanges in Tokyo, Hong Kong, Toronto, Singapore and Australia. As other liquidity venues seek exchange status, we may face more competition for listings.

NYSE Arca and NYSE Amex Options face considerable competition in the equity options markets. Their principal U.S. competitors are the Chicago Board Options Exchange, Inc., or CBOE, the International Securities Exchange Holdings, Inc., BATS, the Boston Options Exchange Group, LLC and the Nasdaq OMX, as well as startups such as Miami International Securities Exchange, LLC, and ELX Futures, L.P., backed by a consortium of banks and other market participants.

Intellectual Property

We rely on a wide range of intellectual property, both owned and licensed, that is utilized in the operation of our electronic platforms. We own the rights to a large number of trademarks, service marks, domain names and trade names in the United States, Europe and in other parts of the world. We have registered the majority of our trademarks in the United States and other countries. We hold the rights to a number of patents and have made a number of patent applications in the United States and other countries. We also own the copyright to a variety of material. Those copyrights, some of which are registered, include software code, printed and online publications, websites, advertisements, educational material, graphic presentations and other literature, both textual and electronic. We attempt to protect our intellectual property rights by relying on trademarks, patents, copyrights, database rights, trade secrets, restrictions on disclosure and other methods.

This Annual Report on Form 10-K also contains additional trade names, trademarks and service marks of our and of other companies. We do not intend the use or display of other parties’ trademarks, trade names or service marks to imply, and this use or display should not be construed to imply, our endorsement or sponsorship of these other parties, their endorsement or sponsorship of it, or any other relationship between it and these other parties.

Sales

As of December 31, 2014, we employed 340 full-time sales personnel, including voice brokers. Our global sales team is comprised primarily of experienced financial services staff with extensive experience and established relationships within the listings and trading community. Because our businesses are regulated, we employ sales and marketing staff that is knowledgeable with respect to the regulatory requirements.

Our sales and marketing strategy is designed to expand relationships with existing participants through the provision of value-added products and services, technology support and product information, as well as to attract new participants to our traded markets and listings venues. Our sales and marketing efforts also support new product development by working to understand the evolving needs of our customers. We also seek to build brand awareness and educate the public on our business, including how our markets, products and technology support enhanced price discovery, risk management, capital raising, efficiency and transparency in the global financial and commodity markets.

Employees

As of December 31, 2014, we had a total of 2,902 employees, with 602 employees at our headquarters in Atlanta, 1,109 employees in New York, 401 employees in the United Kingdom and a total of 790 employees across our other offices around the world. Of our total employee base, less than 1% are subject to collective bargaining arrangements, and such relations are considered to be good.

Executive Officers of the Registrant

Information relating to our executive officers is included under "Executive Officers" in Part III, Item 10, "Directors, Executive Officers and Corporate Governance" of this Annual Report on Form 10-K.

Business Continuity Planning and Disaster Recovery

We maintain comprehensive business continuity and disaster recovery plans and facilities to provide nearly continuous availability of our markets in the event of a business disruption or disaster. We maintain incident and crisis management plans that address responses to disruptive events at any of our locations worldwide. We continuously evaluate business risks and their impact on operations, provide training to employees and perform exercises to validate the effectiveness of our plans, including participation in industry-sponsored disaster recovery and business continuity exercises. Oversight of business continuity and disaster recovery planning is provided by a committee comprised of senior managers representing each business unit, Internal Audit, Enterprise Risk Management and the Audit Committee of the Board of Directors.

Regulation

Our markets are primarily subject to the jurisdiction of regulatory agencies in the United States, the United Kingdom, the Netherlands, Singapore and Canada. Various domestic and foreign governments have undertaken reviews of their existing legal framework governing financial markets, and have either passed new laws and regulations, or are in the process of drafting and/or enacting new laws and regulations that apply to financial services and markets, including our business and our customers' businesses.

In 2010, the U.S. Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. Through extensive rulemaking authority granted under the Dodd-Frank Act, the CFTC and SEC were charged with creating a comprehensive new regulatory regime governing OTC derivative markets and market participants, including our OTC markets and customers. The Dodd-Frank Act requires, among other things, mandatory exchange trading, clearing and reporting of OTC derivatives and greater regulation of exchanges and clearing houses. Implementation of the Dodd-Frank Act in relation to the OTC derivative markets is largely complete in the United States with rules relating to SEC regulated equity derivatives left to be implemented.

The European Union, or EU, has adopted legislation on OTC and exchange-traded derivatives, clearing houses and trade repositories commonly known as the European Market Infrastructure Regulation, or EMIR. EMIR requires, among other things, all exchange traded and OTC derivatives trades to be reported to trade repositories, clearing of standardized OTC derivative contracts and more stringent prudential, operational and business requirements for clearing houses. EMIR also requires clearing houses to require enough margin to cover an exchange traded derivatives (futures) position for two days and requires additional margin to provide for pro-cyclicality, both of which represent an increase over the present margining methodology. The increased margin requirements for market participants could make trading of cleared futures contracts in Europe more expensive for market participants, which may cause our customers to prefer trading products under regulatory regimes in the United States or other jurisdictions and require us to restructure or move certain aspects of our business. Such an action would result in operational and/or regulatory risks to our business. The final form of the legislation was enacted in August 2012 and secondary legislation to enact EMIR became effective on March 15, 2013, and is applicable to a Central Counterparty, or CCP, that has been authorized pursuant to EMIR. ICE Clear Europe applied to the Bank of England and is in the process of being authorized as a CCP under EMIR.

In addition, the EU finalized Markets in Financial Instruments Directives II, or MiFID II, which prescribes new rules for trading, clearing and reporting of financial products in Europe. In December 2014, the European Securities and Markets Authority, or ESMA, finalized the first round of rulemaking (the Level 2 text) for MiFID II. The legislation and the Level 2 text require European CCPs to offer open access to trading venues for products that CCPs currently clear. The Level 2 text further states that CCPs must net equivalent products within the clearing house, essentially treating a product traded on a competing venue the same as one traded on ICE Futures Europe, for example. The legislation applies to both swaps and futures cleared by a European CCP. Open access could hurt the trading volumes on ICE Futures Europe as other exchanges could offer competing, equivalent products that ICE Clear Europe would then clear. In addition, the legislation and Level 2 text require exchanges such as ICE Futures Europe to offer open access to other clearing houses, which could impact business that is cleared at ICE Clear Europe. MiFID II rules would apply to other European clearinghouses and future exchanges, and thus offer ICE Clear Europe and ICE Futures Europe the ability to connect to other exchanges and clearinghouses, respectively. The earliest implementation date for the legislation is January 3, 2017.

We believe that many of the new requirements of the Dodd-Frank Act, EMIR, MiFID II and other global financial reform initiatives are consistent with the manner in which we already operate our business, although the differences in implementation of financial reform by different countries may cause us to restructure certain parts of our business. For example, requirements to centrally clear OTC swaps and trade them on regulated platforms are consistent with our existing business model. The mandate to clear standardized swaps complements our clearing businesses. While certain of these changes may have a positive impact on our business, some changes could adversely affect our business. Refer to the discussion below and to the “Risk Factors” section for an additional description of regulatory and legislative risks and uncertainties.

Derivatives Regulation

Trade Execution

Our U.S. futures contracts are listed on ICE Futures U.S., which is subject to extensive regulation by the CFTC under the Commodity Exchange Act, or CEA. The CEA generally requires that futures trading in the United States be conducted on a commodity exchange registered as a Designated Contract Market, or DCM. As a registered DCM, ICE Futures U.S. is a self-regulatory organization that has instituted rules and procedures to comply with the core principles applicable to it under the CEA. ICE Futures U.S. also has surveillance and compliance operations and procedures to monitor and enforce compliance with its rules, and ICE Futures U.S. is periodically audited by the CFTC with respect to the fulfillment of its self-regulatory programs in these areas. Our U.S. swaps business is listed on ICE Swap Trade, which is regulated as a SEF by the CFTC. Like registered DCMs, SEFs are self-regulated organizations that must comply with core principles that are similar to the DCM core principles. The cost of regulatory compliance for DCMs and SEFs is substantial. In addition, the increased regulation of derivatives transactions could result in reduced trading activity, which could adversely affect our business.

The regulatory framework applicable to ICE Futures U.S, and ICE Swap Trade is supplemented by the CEA, which has provisions regulating the conduct of participants in the regulated market. Importantly, the CEA contains provisions making it an offense for participants to engage in certain market behavior such as market manipulation and prohibits market abuse. Breaches of those provisions give rise to the risk of sanctions, including financial or criminal penalties. In addition, many market participants, including clearing firms, must independently register with the CFTC and National Futures Association and perform various compliance and reporting functions.

In November 2013, the CFTC proposed new rules placing position limits on 28 energy, metals and agricultural contracts. ICE Futures U.S. has spot month position limits for its energy, agricultural, metals and certain financial products and also has single month and all month limits for certain agricultural, metals and financial contracts. If finalized, the new rules will place federal all month and spot month limits on these 28 contracts, and the limits will be aggregated across all U.S. exchanges and the OTC swaps markets. Key contracts included in the rule will be the Henry Hub natural gas contract and the ICE WTI crude oil contract. The proposed rules state that financially settled contracts will maintain a position limit five times the limit for physically settled futures contracts. If the CFTC's position limits were to be imposed in the form proposed, trading activity and liquidity on our exchanges may decline, which may have an adverse effect on our results of operations.

In the United Kingdom, ICE Futures Europe is a Recognized Investment Exchange, or RIE, in accordance with the Financial Services and Markets Act 2000, or FSMA. Like U.S. regulated derivatives markets, RIEs are self-regulatory organizations, or SROs, with surveillance and compliance responsibilities. The regulatory framework applicable to ICE Futures Europe is supplemented by a series of legislative provisions regulating the conduct of participants in the regulated market. Importantly, FSMA contains provisions making it an offense for participants to engage in certain market behavior and prohibits market abuse through the misuse of information, the giving of false or misleading impressions or the creation of market distortions. Breaches of those provisions give rise to the risk of sanctions, including financial penalties.

Further, we engage in sales and marketing activities in relation to our OTC and futures businesses in the United Kingdom through our subsidiary ICE Markets Limited, which is authorized and regulated by the FCA as an investment adviser and arranger. Creditex Brokerage is authorized and regulated by the FCA to operate the Creditex RealTime platform in the United Kingdom and facilitate the conclusion of transactions of credit derivative instruments and bonds. Creditex Brokerage has regulatory approval to deal as riskless principal or agent. To retain their status as FCA registered entities, these entities are required to meet various regulatory requirements in the United Kingdom. Creditex Brokerage is also registered as an Introducing Broker with the National Futures Association.

ICE Endex operates its Dutch short term gas markets under an official designation of the Minister of Economic Affairs. The Authority Consumer and Market regulates the Dutch energy industry and wholesale energy trading market. ICE Endex facilitates the trading in energy futures via ICE Endex Derivatives B.V., which is an operator of a regulated market under a license of the Ministry of Finance and supervised by the Netherlands Authority for the Financial Markets and the Dutch Central Bank. In the United Kingdom, ICE Endex Gas Spot Ltd. is designated and appointed as the independent market operator of the gas balancing market (On-the-day Commodity market or OCM). ICE Endex facilitates the trading in electricity futures with delivery on the Belgian grid and ICE Endex has been appointed as the market operator for the gas balancing market in Belgium.

In Europe, MiFID came into force on November 1, 2007 and introduced a harmonized approach to the licensing of services relating to commodity derivatives across Europe. The legislation also imposed greater regulatory burdens on EU-based operators of regulated markets, alternative trading systems and authorized firms in the commodity derivatives area. MiFID II is designed to increase European regulation of trading in financial instruments. MiFID II will require derivatives that are sufficiently liquid to be traded on a multilateral trading facility or an organized trading facility. The legislation also institutes a position limit regime for commodity derivatives, which will be set by the national regulators pursuant to a methodology established by ESMA, which is likely to be a set percentage of deliverable supply, much like the United States. In addition, MiFID II contains an open access provision for exchanges, mandating that an exchange offer clearing services at any CCP that wants to clear for the exchange. Implementation of this provision could fragment liquidity on ICE Futures Europe. Further, the legislation requires non-discriminatory access to benchmarks (an index or other measure used to determine the value of a financial instrument, for example, LIBOR or the FTSE) used in the EU. The non-discriminatory access provisions are expected to take effect between 2017 and 2019 based on current implementation timelines that have been provided.

ICE Futures Singapore is regulated by the Monetary Authority of Singapore pursuant to the Securities and Futures Act of Singapore as an Approved Exchange to operate a futures market, and is required to undertake such functions such as market surveillance, member compliance and rule enforcement. ICE Futures Singapore is scheduled to reopen in the first half of 2015.

ICE Futures Canada's operations are subject to extensive regulation by the Manitoba Securities Commission, or MSC, under the Commodity Futures Act (Manitoba), or CFA. The CFA requires that an organization must be recognized and registered before it can carry on the business of a futures exchange, and establishes financial and non-financial criteria for an exchange. In addition, ICE Futures Canada is also recognized by the MSC as a self-regulatory organization and is required to institute and maintain detailed rules and procedures to fulfill its obligations. ICE Futures Canada is responsible for surveillance and compliance operations and procedures to monitor and enforce compliance by market participants with its rules, and is under the audit jurisdiction of the MSC with respect to these self-regulatory functions. In September 2014, the federal government of Canada, in cooperation with the provincial governments of Ontario, Saskatchewan, Prince Edward Island, British Columbia and New Brunswick, have entered into a Memorandum of Understanding pursuant to which they have issued for comment new federal legislation, the Capital Markets Stability Act and model provincial legislation, the Provincial Capital Markets Act, to underpin the creation of a Canadian Cooperative Capital Markets Regulatory System, or CCMRS. The CCMRS is anticipated to be implemented in the fall of 2015, although that is dependent upon a number of regulations being published and circulated for comment.

LIFFE Administration and Management (the operator of Liffe, the London market of NYSE Liffe) administers the markets for financial and commodity derivatives in London and is currently overseen by the FCA. In November 2014, Liffe's contracts were moved to ICE Futures Europe. While Liffe still has a regulated status, we expect to apply for a de-recognition order in 2015, and make relevant notifications regarding the de-recognition as required.

Clearing

ICE Clear Credit, ICE Clear U.S., and TCC are regulated by the CFTC as Derivatives Clearing Organizations, or DCOs. ICE Clear Europe, which is primarily regulated in the United Kingdom by the Bank of England as a Recognized Clearing House, or RCH, is also subject to regulation by the CFTC as a DCO. Both ICE Clear Credit and ICE Clear Europe are also regulated by the SEC as clearing agencies because they clear security-based swaps. DCOs are subject to extensive regulation by the CFTC under the CEA. As required by EMIR, which came into force on March 15, 2013, ICE Clear Europe presented an application to the Bank of England to be authorized under EMIR within the required timeframe. EMIR also requires increased clearing house margin requirements, as discussed above. In addition to EMIR, MiFID II further regulates European CCPs. As noted above, the legislation and Level 2 text state that European CCPs must net equivalent products within the clearing house, essentially treating a product traded on a competing venue the same as one traded on ICE Futures Europe, for example. Open access could hurt the trading volumes on ICE Futures Europe as other exchanges could offer competing, equivalent products that ICE Clear Europe would then clear.

Under EMIR, foreign domiciled CCPs must be recognized by ESMA to conduct business in Europe. ICE Clear U.S., ICE Clear Credit and ICE Clear Canada have made applications to ESMA to become recognized as EMIR third country CCPs and ESMA has deemed those applications complete. However, ESMA's recognition of ICE Clear U.S., ICE Clear Credit and ICE Clear Canada as third country CCPs is dependent upon an equivalence decision by the European Commission that each clearing house's home country regulatory framework is equivalent to the regulatory framework of the EU. The European Commission and the U.S. CFTC remain in dialog regarding the issue of equivalence and a final decision is anticipated in the first half of 2015. The deadline for EMIR equivalence determinations has been postponed until June 2015. Failure by the European Commission to find the United States or Canada equivalent would result in higher capital charges for European clearing firms accessing U.S. or Canadian CCPs and could cause those clearing firms to exit the U.S. and/or Canadian markets.

In December 2014, ICE acquired a seventy-five percent ownership interest in HCH, an EMIR authorized CCP. HCH is regulated by its national authority, the Dutch Central Bank.

In 2012, IOSCO issued Principles for Financial Market Infrastructures, or PFMI. Clearing houses that adhere to the rules of their local regulator designed to meet the PFMIs can be deemed to be a Qualified Central Counter Party or QCCP. Generally, global banking regulators give favorable capital treatment to banks that clear at QCCPs. For example, the U.S. banking agencies (the Federal Reserve, the Office of the Comptroller of Currency and the Federal Deposit Insurance Corporation) issued final rules implementing the Basel III accord. To encourage central clearing, the final rules assess a relatively low risk weight of either 2% or 4% to a bank's exposure to cleared derivatives held in a QCCP. ICE Clear Credit, as a systemically important financial market utility under Title VIII of the Dodd-Frank Act, is deemed a QCCP by U.S. banking regulators. ICE Clear Europe, HCH, ICE Clear U.S., and ICE Clear Canada adhere to the rules of their local regulator designed to meet the international standards set forth in the PFMIs and accordingly retain their status as QCCPs. We plan to seek QCCP status for ICE Clear Singapore, which is regulated by the Monetary Authority of Singapore as a Designated Clearing House.

Europe and the United States (among other G20 nations) are implementing the Basel Committee's supplementary leverage ratio, or SLR, with a goal of full implementation by 2018. The current methodology for calculating the SLR requires that banks treat initial margin received as collateral as part of their derivatives balance sheet; which in turn increases the bank's capital requirements. If implemented in this manner, the SLR could increase the cost of derivatives clearing through banks, which serve the majority of our derivatives markets, and this may increase costs to trade and clear for market participants.

Trade Reporting

A key aspect of financial reform efforts is the reporting of derivatives trades to trade repositories. In the United States, all swaps must be reported to swap data repositories, or SDRs. In June 2012, the CFTC provisionally registered ICE Trade Vault as a SDR for the credit and commodity asset classes. In Europe, EMIR requires all derivatives trades (futures or swaps) to be reported to a Trade Repository. In November 2013, ESMA approved ICE Trade Vault Europe as a Trade Repository in advance of EMIR's trade reporting deadline in February 2014. In September 2014, ICE Trade Vault received Trade Repository approval from the Canadian provinces of Ontario, Quebec, and Manitoba. We expect to continue to seek approvals to serve as a Trade Repository as other jurisdictions finalize their reporting rules.

Benchmark Administration

IBA is an authorized benchmark administrator regulated by the FCA. IBA administers the LIBOR and ISDAFIX benchmarks, and will be the Gold Price administrator in the first quarter of 2015. Currently, the FCA regulates the LIBOR benchmark. In December 2014, the FCA published a consultation paper proposing to expand the benchmarks from LIBOR to include ISDAFIX and the ICE Brent Index. Final rules are expected to be published in the first quarter of 2015.

Equities Regulation

U.S. federal securities laws have established a two-tiered system for the regulation of securities markets and market participants. The first tier consists of the SEC, which has primary responsibility for enforcing federal securities laws and regulations and is subject to Congressional oversight. The second tier consists of the regulatory responsibilities of SROs over their members. SROs are non-governmental entities that are registered with, and regulated by, the SEC. The New York Stock Exchange, NYSE Arca and NYSE MKT are national securities exchanges and, as such, are SROs and subject to oversight by the SEC. Accordingly, our U.S. securities exchanges are regulated by the SEC and, in turn, are the regulators of their members. As national securities exchanges, the New York Stock Exchange, NYSE Arca and NYSE MKT must comply with, and enforce compliance by their members, with the Exchange Act. Failure to satisfy these requirements can give rise to sanctions by the SEC.

The New York Stock Exchange has delegated the performance of certain of these regulatory functions to NYSE Regulation, a not-for-profit subsidiary of NYSE. Similarly, NYSE Arca and NYSE MKT have entered into Regulatory Service Agreements, or RSAs, with NYSE Regulation to perform these regulatory functions. NYSE Regulation has an agreement with the Financial Industry Regulatory Authority, or FINRA, to perform certain of our regulatory functions.

More specifically, financial, operational and sales practice oversight of the members of our U.S. securities exchanges is generally conducted by FINRA. NYSE Regulation oversees FINRA's performance of these services, enforces listed company compliance with applicable standards, oversees regulatory policy determinations, regulation related rule development and interpretation, and conducts limited real-time monitoring of trading activity on the facilities of our U.S. securities exchanges. It also monitors our markets for compliance with their rules. In October 2014, NYSE Regulation announced its intent to repatriate certain of the market surveillance, investigation and enforcement functions relating to our U.S. securities exchanges. NYSE Regulation further plans to negotiate a new agreement with FINRA for effectiveness in January 2016 under which FINRA will continue to perform certain regulatory functions on behalf of our securities exchanges, including the registration, testing, and examinations of broker-dealer members of NYSE's exchanges.

In addition, our U.S. securities exchanges that maintain options trading markets have entered into a joint agreement with the other U.S. options exchanges for conducting options insider trading surveillances. Our U.S. securities exchanges continue to have regulatory responsibility for these functions, which are monitored by NYSE Regulation. Our U.S. securities exchanges have also entered into several agreements with FINRA and other U.S. securities exchanges pursuant to Rule 17d-2 under the Exchange Act, which have been approved by the SEC and pursuant to which our U.S. securities exchanges are relieved of regulatory responsibility with respect to enforcement of common rules relating to common members.

NYSE Regulation is a separately incorporated, not-for-profit entity. Each director of NYSE Regulation (other than its chief executive officer) must be independent under our independence policy and a majority of the members of the NYSE Regulation board of directors and its compensation committee and nominating and governance committee must be persons who are not directors of ICE. NYSE Regulation is responsible for all listing compliance decisions with respect to ICE’s listing on the NYSE.

We have an agreement with NYSE Regulation to provide it adequate funding to allow it to perform the regulatory functions of our U.S. securities exchanges. NYSE Regulation can levy fines on members on behalf of our U.S. securities exchanges as part of disciplinary action. Income from fines is used only to fund non-compensation expenses of NYSE Regulation. The use of fine income by NYSE Regulation is subject to specific review and approval by the NYSE Regulation board of directors. No regulatory fees, fines or penalties collected by NYSE Regulation may be distributed to any entity other than NYSE Regulation.

Regulatory and Market Structure Changes

In November 2014, the SEC issued final Regulation SCI, which will require the systems used to operate our securities exchanges, SEC-registered clearing agencies, and alternative trading systems, or ATS, to meet certain industry standards, conduct periodic stress tests, establish business continuity and disaster recovery plans, and provide certain notifications in the event of systems disruptions and other events. Our cash equity and options exchanges, SEC-registered clearing agencies and ATS will have to increase spending on technology and compliance infrastructure to comply with Regulation SCI, which is expected to be implemented by the end of 2015. In addition, the SEC is continuing on its path of developing data driven research and testing certain hypotheses through the use of pilot programs. For example, on June 24, 2014, the SEC ordered the exchanges and FINRA to develop a tick size pilot program. SEC Chair Mary Jo White has also announced initiatives to provide better pre-trade transparency in the fixed income markets.

In January 2015, the SEC announced the formation of the Equity Market Structure Advisory Committee, which will focus on the structure and operations of the U.S. equities markets. The Committee will discuss the review of SEC Regulation NMS (national market system), the role of exchanges in the current market structure, and possible conflicts in the routing and execution of equity orders. One announced topic is the role of the exchanges in the current marketplace.

Trade Reporting

A subsidiary of NYSE operates the Securities Information Processor, or SIP, for the Consolidated Quotation System and Consolidated Tape Association, which consolidates and disseminates real-time quote and trade information from New York Stock Exchange LLC (Tape A), NYSE Arca, NYSE MKT and other regional exchange (Tape B) listed securities. We also operate the SIP for consolidation and dissemination of quote and trade information from all U.S. equity options exchanges. We recently entered into a new agreement with the options exchanges to continue to operate the SIP. The SEC has formed a task force which includes representatives from each of the SROs to develop a plan to enhance the controls of the SIPs. These discussions are ongoing and a timeframe for action is still uncertain. In addition, NYSE operates the FINRA/NYSE Trade Reporting Facility, or TRF, to serve our customers reporting off-exchange trades in all listed national market system stocks.

Corporate Responsibility

We strive to create long-term value for our shareholders and maintain high ethical and business standards. We are active in the communities where we operate and support charitable organizations through a combination of financial resources and through employee participation. We also operate the ICE NYSE Foundation that has a commitment to supporting financial literacy and veterans' programs and we routinely host workshops and programs for our issuers on topics to provide a forum for advancing their efforts on environmental, social and governance matters.

In addition, in 2010, we acquired the Climate Exchange PLC and are today the leading operator of global emissions markets, which enabled us to expand and support the development of emissions markets. We have also listed many other environmental products on our exchanges, including various renewable energy certificate contracts, California carbon allowance contracts and biofuel products related to renewable identification numbers.

Available Information

Our principal executive offices are located at 5660 New Northside Drive NW, 3rd Floor, Atlanta, Georgia 30328. Our main telephone number is (770) 857-4700.

We are required to file reports and other information with the SEC. A copy of this Annual Report on Form 10-K, as well as any future Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to such reports are, or will be, available free of charge, on the Internet at our website (http://www.theice.com) as soon as reasonably practicable after we file such reports with, or furnish such reports to, the SEC. A copy of these filings is also available at the SEC’s website (www.sec.gov). The reference to our website address and to the SEC's website address do not constitute incorporation by reference of the information contained on the website and should not be considered part of this report. Our reports, excluding exhibits, are also available free of charge by mail upon written request to our Secretary at the address listed above. You may read and copy any documents filed by us at the SEC’s

Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room.

In addition, we have posted on our website the charters for our (i) Audit Committee, (ii) Compensation Committee, (iii) Nominating and Corporate Governance Committee and (iv) Risk Committee, as well as our Code of Business Conduct and

Ethics, which includes information regarding our whistleblower hotline information, Board of Directors Governance Principles and Board Communication Policy. We will provide a copy of these documents without charge to stockholders upon request.

ITEM 1(A). RISK FACTORS

You should carefully consider the following risk factors, as well as other information contained in or incorporated by reference in this Annual Report on Form 10-K. The risks and uncertainties described below are those that we currently believe may materially affect us. Other risks and uncertainties that we do not presently consider to be material or of which we are not presently aware may become important factors that affect our company in the future. If any of the risks discussed below actually occur, our business, financial condition, operating results or cash flows could be materially adversely affected.

Our business and operating results depend in large part on volatility in financial markets, including the prices and interest rates underlying our derivative products, and may be adversely impacted by domestic and international economic and market conditions.

Participants in the markets for our products, including energy and agricultural commodities, financial and equity derivatives and other securities, trade pursuant to a range of trading strategies. Trading volume is driven primarily by the degree of volatility - the magnitude and frequency of fluctuations - in prices and interest rates of the underlying commodities, indices, benchmarks or other measures. Volatility increases the need to hedge contractual price risk and creates opportunities for speculative or arbitrage trading. Were there to be a sustained period of stability in the prices of the underlying commodities, indices, benchmarks or other measures of our derivative products, we could experience lower trading volumes, slower growth or declines in revenues.

Factors that are particularly likely to affect price and interest rate levels and volatility, and thus trading volumes and our operating results, include:

- global and domestic economic, political and market conditions;
- concerns over inflation, deflation, legislative and regulatory changes, government fiscal and monetary policy - including actions by Central Banks, and investor and consumer confidence levels;
- weather conditions, including hurricanes, natural disasters and other significant weather events, and unnatural disasters like large oil spills that impact the production of commodities, and, in the case of energy commodities, production, refining and distribution facilities for oil and natural gas;
- real and perceived changes in the supply and demand of commodities underlying our products, particularly energy and agricultural products, including changes as a result of technological improvements;
- war, acts of terrorism and any unforeseen market closures or disruptions in trading;
- credit quality of market participants, the availability of capital and the levels of assets under management; and
- broad trends in industry and finance, including consolidation in our industry, and the level and volatility of interest rates, fluctuating exchange rates, our hedging actions, and currency values.

Any one or more of these factors may reduce trading activity, which could make our markets less attractive to market participants as a source of liquidity, which in turn could further discourage existing and potential market participants and thus accelerate a decline in the level of trading activity in these markets. Further, most of these factors are beyond our control. A significant decline in our trading volumes could have a material adverse effect on our transaction-based revenues and the demand for our market data. Moreover, if these unfavorable conditions were to persist over a lengthy period of time and trading volumes were to decline substantially and for a long enough period, the critical mass of transaction volume necessary to support viable markets could be jeopardized. Because our cost structure is largely fixed, if demand for our current products and services decline for any reason, we may not be able to adjust our cost structure to counteract the associated decline in revenues, and our net income will decline.

The conditions in global financial markets and new laws and regulations as a result of such conditions may adversely affect our trading volumes, market liquidity and revenue.

A significant portion of our consolidated revenues, less transaction-based expenses, are derived from fees for transactions executed and cleared in our markets. We derived 61%, 79% and 87% of our consolidated revenues, less transaction-based expenses, from our transaction-based business for the years ended December 31, 2014, 2013 and

2012, respectively. In particular, we derive a significant percentage of the consolidated revenues from our transaction-based business from trading in ICE Brent Crude futures and options contracts, North American natural gas futures and options contracts, equity transactions and short term interest rates contracts, including the Euribor and Short Sterling futures and options contracts. Consequently, declines in trading volumes and market liquidity generally, or in our ICE Brent Crude, North American natural gas or short term interest rates futures and options contracts in particular, would adversely affect our business and profitability. In addition, revenues from our security exchanges are primarily derived from listing fees, trading activity and demand for related market data. Adverse economic conditions and regulatory changes could result in decreased trading volume, discourage market participants from listing on our equity exchanges or cause market participants to reduce the size of new offerings listed on our security exchanges.

The trading volumes in our markets could decline substantially if our market participants reduce their level of trading activity for any reason, including the factors referenced above that impact volatility, or other factors, many of which we do not control, such as:

- a reduction in the number of market participants that use our platform;
- a reduction in trading demand by customers or a decision to curtail or cease hedging or speculative trading;
- regulatory or legislative changes;
- heightened capital maintenance requirements resulting from new regulation or mandated reductions in existing leverage;
- defaults by clearing members that have deposits in our clearing houses;
- changes to our contract specifications that are not viewed favorably by our market participants; or
- reduced access to capital required to fund trading activities.

A reduction in our overall trading volume could also render our markets less attractive to market participants as a source of liquidity, which could result in further loss of trading volume and associated transaction-based revenues. A reduction in trading volumes would also likely result in a corresponding decrease in the demand for our market data that would reduce our overall revenue.

Our businesses and those of many of our clients have been and continue to be subject to increased legislation and regulatory scrutiny, and we face the risk of changes to this regulatory environment and business in the future, which may reduce our trading and clearing volumes or increase our cost of doing business.

As an owner and operator of regulated exchanges and clearing houses for the global financial and commodity markets, we are and will continue to be subject to extensive regulation in jurisdictions around the world, and in particular in the United States and United Kingdom where the largest portions of our operations are conducted. We face the risk of significant intervention by regulatory and taxing authorities in all jurisdictions in which we conduct our businesses and hold investments. Among other things, as a result of regulators enforcing existing laws and regulations, we could be censured, fined, prohibited from engaging in some of our business activities, subjected to limitations or conditions on our business activities or subjected to new or substantially higher taxes or other governmental charges in connection with the conduct of our business or with respect to our employees. In many cases, our activities may be subject to overlapping and divergent regulation across jurisdictions.

There is also the risk that new laws or regulations or changes in enforcement of existing laws or regulations applicable to our businesses or those of our clients, including access to our markets and capital, liquidity and margin requirements, could be imposed, which may adversely affect our ability to compete effectively with other institutions that are not affected in the same way or which may impact our clients' overall trading volume through our exchanges and demand for our market data and other services. Regulations imposed on financial institutions or market participants generally could adversely impact levels of market activity and price volatility more broadly, and thus impact our businesses.

U.S. and European legal and regulatory developments in response to the global financial crisis, in particular the U.S. Dodd-Frank Act, EMIR and MiFID II have significantly altered or may alter the regulatory framework within which we operate and may adversely affect our competitive position and profitability. Among the aspects of these recently enacted and proposed legal and regulatory changes most related our business are: MiFID II's open access and netting requirements, MiFID II's benchmark access requirements, the CFTC's proposed rules limiting aggregate positions for energy and agricultural products across exchanges in the spot month and across all months; commodity position limit rules in Europe, Basel III supplemental leverage ratio rules, and EMIR's rule requiring clearing houses use a two-day margin period and anti-pro-cyclicality charges in the calculation of initial margin. In addition, as the operator of a global business, the lack of harmonization in international financial reform efforts could impact our business as our clearing houses and exchanges are subject to regulation in different jurisdictions. Other enacted and proposed legal and regulatory changes not discussed above may also adversely affect our competitive position and profitability. These developments could impact our profitability in the affected jurisdictions, or even make it uneconomical for us to continue to conduct all or certain of our businesses in such jurisdictions. These developments could cause us to incur significant costs associated with changing our business practices, restructuring our businesses, or moving all or certain of our products and businesses to other jurisdictions. There are operational, regulatory and competition risks associated with making changes to our business to address these developments and if we are not successful in adapting to these developments, we could lose a significant portion of our business.

Please see “Item 1 - Business - Regulation” above for additional information regarding the current and proposed laws and regulations that impact our business, including risks to our business associated with these laws and regulations.

Systems failures elsewhere in the securities trading industry could also negatively impact us.

High-profile system failures in the securities trading industry have renewed concerns among regulators and investors about the safety and resiliency of trading platforms. It is possible that regulators could impose new requirements for trading platforms that would be costly for us to implement, or that could result in a decrease in demand for some of our services. In particular, in November 2014, the SEC issued the final Regulation Systems Compliance and Integrity, or Regulation SCI, which will require the systems used to operate our securities exchanges, SEC-registered clearing houses and alternative trading systems to meet certain industry standards, conduct periodic stress tests, establish business continuity and disaster recovery plans and provide certain notifications in the event of system disruptions and other events. Ensuring our compliance with the requirements of Regulation SCI could require significant implementation costs as well as increased ongoing administrative expenses and burdens. If systems failures in the industry continue to occur, it is also possible that investor confidence in the trading industry could diminish, leading to decreased trading volume and revenue. Whether or not any of our own systems experience material failures, any of these developments could adversely affect our business, financial condition and operating results.

Our compliance and risk management methods, as well as our fulfillment of our regulatory obligations, might not be effective and may result in outcomes that could adversely affect our reputation, financial condition and operating results.

Our ability to comply with applicable complex and changing laws and rules is largely dependent on our establishment and maintenance of compliance, audit and reporting systems, as well as our ability to attract and retain qualified compliance and other risk management personnel. While we have policies and procedures to identify, monitor and manage our risks and regulatory obligations, including ICE's Risk Committee that assists the Board of Directors with oversight of risk management, we cannot assure you that our policies and procedures will always be effective or that we will always be successful in monitoring or evaluating the risks to which we are or may be exposed. Regulators periodically review our exchanges’ ability to self-regulate and our compliance with a variety of laws and self-regulatory standards. In particular, certain of our businesses acquired in the NYSE acquisition are subject to public notice procedures prior to making changes in operations, policies and procedures. If we fail to comply with any of these obligations, regulators could take a variety of actions that could impair our ability to conduct our business.

Our exchanges operate as for-profit businesses but under applicable law have certain regulatory responsibilities that must be fulfilled. FINRA performs market surveillance and related enforcement activities with respect to our SEC-regulated U.S. exchanges (duties which NYSE Regulation, our wholly owned not-for-profit indirect subsidiary, will assume from FINRA beginning January 1, 2016). NYSE Regulation currently oversees FINRA’s performance of cross-market surveillance and related enforcement activities with respect to our SEC-regulated U.S. exchanges, enforces listed company compliance with applicable standards, oversees regulatory policy determinations, rule interpretation and regulation-related rule development, and conducts limited real-time trading reviews. Any failure by one of our exchanges with self-regulatory responsibility to diligently and fairly regulate its member organizations, ensure market compliance or to otherwise fulfill its regulatory obligations, including any failure by NYSE Regulation resulting from the transition of market surveillance and enforcement activities from FINRA, could significantly harm our reputation, prompt regulatory scrutiny and adversely affect our business, financial condition and operating results. We must allocate significant resources to fulfill our self-regulatory responsibilities, including the engagement of certain technology vendors by NYSE Regulation for the development and implementation of an enhanced surveillance system. The for-profit entity's goal of maximizing stockholder value might contradict the exchange’s responsibilities as a regulator of its members, users and listed companies.

In addition, our regulators have broad enforcement powers to censure, fine, issue cease-and-desist orders or prohibit us from engaging in some of our businesses. We face the risk of significant intervention by regulatory authorities, including extensive examination and surveillance activity. In the case of non-compliance or alleged non-compliance with applicable laws or regulations, we could be subject to investigations, proceedings and Wells' notices that may result in substantial penalties, settlements or civil lawsuits, including by customers, for damages which can be significant. Any of these outcomes would adversely affect our reputation, financial condition and operating results. In extreme cases, these outcomes could adversely affect our ability to continue to conduct our business.

The ability of our exchanges to comply with all applicable laws and rules as a self-regulatory organization is largely dependent on our maintenance of compliance, surveillance, audit and reporting systems. We cannot assure you that these systems and procedures are fully effective. Failure to comply with current or future regulatory requirements could subject us to significant penalties, including termination of our ability to conduct our regulated businesses. Further, the implementation of new legislation or regulations, or changes in or unfavorable interpretations of existing regulations by courts or regulatory bodies, could require us to incur significant compliance costs and impede our ability to operate, expand and enhance our electronic platform as necessary to remain competitive and grow our business, which could materially and adversely affect our business, financial condition and results of operations.

We face intense competition that could materially and adversely affect our business.

We face intense competition in all aspects of our business. We believe competition in our businesses is based on a number of important factors including, but not limited to, market liquidity, transparency, technology advancements, platform speed and reliability, regulatory differences, new and existing product offerings, reputation, transaction costs. pricing and risk management capabilities. Our competitors, both domestic and international, are numerous. We currently compete with:

- regulated, diversified futures exchanges globally that offer trading in a variety of asset classes similar to those offered by us, such as energy, agriculture, equity and equity index, credit, and interest rate derivatives markets and foreign exchange;
- exchanges offering listing and trading of cash equities, exchange-traded funds, closed-end funds and other structured products similar to those offered by us;
- voice brokers active in the energy commodities and credit markets;
- existing and newly formed electronic trading platforms, dark pools, alternative trading systems, service providers and other exchanges;
- other clearing houses;
- consortiums of our customers, members or market participants that may pool their trading activity to establish new exchanges, trading platforms or clearing facilities;
- inter-dealer brokers; and
- market data and information vendors.

Trends towards the globalization of capital markets have resulted in greater mobility of capital, greater international participation in markets and increased competition among markets in different geographical areas. Competition in the market for derivatives trading and clearing and in the market for cash equity listings, trading and execution have intensified as a result of consolidation, as the markets become more global in connection with the increase in electronic trading platforms and the desire by existing exchanges to diversify their product offerings. A regional exchange in an emerging market country, such as Brazil, India or China, or a producer country, could attract enough trading activity to compete with certain of our benchmark commodity derivative products. In our equities business, the merger of BATS Global Markets, Inc. and Direct Edge, LLC in 2014 may increase competitive pressures. Finally, many of our competitors are our largest customers or are owned by our customers and may prioritize their internalization and alternative trading system businesses ahead of their exchange-based market making business.

A decline in our fees due to competitive pressure, the inability to successfully launch new products or the loss of customers due to competition could lower our revenues, which would adversely affect our profitability. We cannot assure you that we will be able to continue to expand our product offerings, or that we will be able to retain our current customers or attract new customers. If we are not able to compete successfully our business could be materially impacted, including our ability to sustain as an operating entity.

In our equity listings business, the legal and regulatory environment in the United States, and the market perceptions about that environment, may make it difficult for our U.S. equity exchanges to compete with non-U.S. equity exchanges for listings. For example, negative perceptions regarding compliance costs associated with adherence to corporate governance requirements have and may continue to discourage future listings on U.S. equity exchanges by both U.S. and foreign private issuers. Any failure by our equity exchanges to successfully compete for any reason could adversely impact our revenue derived from listing fees and the associated trading, execution and market data fees.

We may fail to realize the anticipated cost savings, growth opportunities and synergies and other benefits anticipated from our acquisition of NYSE.

The success of our acquisition of NYSE will depend, in part, on our ability to realize anticipated cost savings, revenue synergies and growth opportunities. We expect to benefit from operational synergies resulting from the consolidation of capabilities and elimination of redundancies. Specifically, we expect to achieve cost savings of approximately $550 million entering 2017. We have set an aggressive timeline for realizing these cost savings resulting from the acquisition with nearly 75% synergy achievement by the end of 2015. We expect to realize at least $450 million of the synergies entering 2016, which assumes we successfully undertake a variety of actions (including, but not limited to, integrating technology, eliminating redundancies and effecting an organizational restructuring) that are themselves subject to a variety of risks and may be subject to regulatory approvals that we do not control.

There is a risk, however, that we may not integrate NYSE in a manner that permits these costs savings and revenue synergies to be realized in the time we originally anticipated, or at all. In addition, a variety of factors, including but not limited to regulatory conditions or delay, currency fluctuations, and difficulty integrating technology platforms, may adversely affect our anticipated cost savings and synergies. Also, we must achieve the anticipated cost savings without adversely affecting our revenues. If we are not able to successfully achieve these objectives, the anticipated benefits of the acquisition may not be realized fully, or at all, or may take longer to realize than expected.

We may fail to realize the anticipated cost savings, growth opportunities and synergies and other benefits anticipated from mergers and acquisitions, strategic joint ventures or investments, which could adversely affect the value of our common stock.

The success of our mergers and acquisitions will depend, in part, on our ability to realize the anticipated expense synergies, integration success and growth opportunities, as well as capitalize on revenue growth opportunities. In general, we expect to benefit from operational synergies resulting from the consolidation of capabilities and elimination of redundancies. However, the process of integration may disrupt each company's ongoing businesses, produce unforeseen regulatory and operating difficulties and delays (including inconsistencies in standards, controls, procedures and policies that adversely affect relationships with market participants, regulators and others), require substantial resources and expenditures, and divert the attention of management from the ongoing operation of our business. As a result, we may not successfully achieve the integration objectives from any particular merger or acquisition, and we may not realize the anticipated cost savings, revenue growth and synergies in full or at all, or it may take longer to realize them than expected.

We may also not realize anticipated growth opportunities and other benefits from strategic investments or strategic joint ventures that we have entered into or may enter into in the future for a number of reasons, including regulatory or government approvals or changes, global market changes, contractual obligations, competing products and, in some instances, our lack of or limited control over the management of the business. Further, strategic initiatives that have historically been successful may not continue to be successful due to competitive threats, changing market conditions or the inability for the parties to extend the relationship into the future.

We intend to continue offering new products and to explore acquisition opportunities and strategic alliances relating to other businesses, products or technologies, which will involve risks. We may not be successful in offering new products or identifying opportunities.

We intend to launch new products and continue to explore and pursue acquisition and other opportunities to strengthen our business and grow our company. We may spend substantial time and money developing new product offerings or improving current product offerings. If these product offerings are not successful, we may miss a potential market opportunity and not be able to offset the costs of such initiatives. Obtaining any required regulatory approval associated with these product offerings may also result in delays that cause us to miss potential market opportunities or result in conditions that prevent us from offsetting the costs associated with these product offerings. We may also enter into business combination transactions, make acquisitions or enter into strategic partnerships, joint ventures or alliances, any of which may be material and will involve risks. Further, we may enter into or increase our presence in markets that already possess established competitors who may enjoy the protection of high barriers to entry. Attracting customers in certain countries may also be subject to a number of risks, including currency exchange rate risk, difficulties in enforcing agreements or collecting receivables, longer payment cycles, compliance with the laws or regulations of these countries, and political and regulatory uncertainties.

In addition, in light of consolidation in the exchange and clearing sector and competition for opportunities, we may be unable to identify strategic opportunities or we may be unable to negotiate or finance any future acquisition successfully. Our competitors could merge, making it more difficult for us to find appropriate entities to acquire or merge with and making it more difficult to compete in our industry due to the increased resources of our merged competitors. Also, offering new products and pursuing acquisitions requires substantial time and attention of our management team, which could prevent them from successfully overseeing other initiatives that are necessary for our success.

As a result of any future acquisition, we may issue additional shares of our common stock that dilute shareholders' ownership interest in us, expend cash, incur debt, assume contingent liabilities, inherit existing or pending litigation or regulatory investigations, or create additional expenses related to amortizing intangible assets with estimable useful lives, any of which could harm our business, financial condition or results of operations and negatively impact our stock price. Further, we cannot assure you that any such financing will be available or that the terms of such financing or equity offering will be favorable to us.

As a result of our acquisition of SuperDerivatives, we now have operations in Israel, and conditions in Israel could affect our operations and ability to efficiently and effectively integrate SuperDerivatives business.

Political, economic and military conditions in Israel may affect our SuperDerivatives operations. A number of armed conflicts have occurred between Israel and its Arab neighbors, and there continues to be unrest and terrorist activity in Israel. The conflicts and terrorist activities have continued with varying levels of severity through the recent period of time and have led to ongoing hostilities between Israel and the Palestinian Authority and other groups in the West Bank and Gaza Strip. The future effects of these hostilities on our Israeli operations are unclear, but could range from delays in product development to a cessation of our operations in Israel for a period of time. Further, if emergency circumstances or an escalation in these hostilities occurs, some of our Israeli employees may be called for active duty, which could result in our operations in Israel not functioning at full capacity. Our business, results of operations and financial condition could be adversely affected as a result.

Owning clearing houses exposes us to risks, including the risk of defaults by clearing members clearing trades through our clearing houses, risks regarding investing the funds in the guaranty fund and held as security for original margin, and risks related to the cost of operating the clearing houses.

Operating clearing houses requires material ongoing expenditures and exposes us to various risks. There are risks inherent in operating a clearing house, including exposure to the market and counterparty risk of clearing members, defaults by clearing members and risks associated with holding and investing collateral provided by clearing members to our clearing houses, which could subject our business to substantial losses. For example, clearing members have placed an aggregate amount of cash in ICE Clear Europe relating to margin requirements and funding the guaranty funds of $26.3 billion as of December 31, 2014 and a total of $47.5 billion for all of our clearing houses as of December 31, 2014. ICE Clear Europe and ICE Clear U.S. use external investment managers for investment activity of their clearing members cash deposits and may add or change the external investment managers from time to time. ICE Clear Credit currently self-manages the cash that its clearing members leave on deposit to satisfy their respective original margin and guaranty fund requirements.

Our clearing houses have an obligation to return margin payments and guaranty fund contributions to clearing members once the relevant clearing member's exposure to the clearing house no longer exists. If the number of large, well-capitalized banks that are clearing members decreases, the concentration of risks within our clearing houses will be spread among a smaller pool of clearing members, which makes it more difficult to absorb and manage risk in the event of a clearing member's default.

Although our clearing houses have policies and procedures to help ensure that clearing members can satisfy their obligations, such policies and procedures may not succeed in preventing losses after a clearing member's default. In addition, the process for deriving margins and financial safeguards for trading activity is complex and although we believe that we have carefully analyzed the process for setting margins and establishing financial safeguards, there is no guarantee that our procedures will adequately protect us from the risks of clearing certain products. We cannot assure you that these measures and safeguards will be sufficient to protect us from a default or that we will not be materially and adversely affected in the event of a significant default. We have contributed our own capital to the default resources of the clearing houses, which could be used in the event of a default where the defaulting clearing participant's margins and the defaulting clearing participant's guaranty fund contributions are not sufficient to cover the default. We anticipate that we will increase the amount of our own capital contributed to the clearing houses' default resources in response to commercial pressures and regulatory requirements. Furthermore, the default of any one of the clearing members could subject our business to substantial losses and cause our customers to lose confidence in our clearing houses.

Our clearing houses hold substantial amounts of funds and sovereign and government guaranteed agency debt securities as collateral for original margin and guaranty fund deposits. A decline in the value of these securities or default by a sovereign government could subject our clearing houses to additional risks of default by their clearing members.

Our clearing houses hold a substantial amount of client assets as collateral, which comprise U.S. and other sovereign treasury securities. As of December 31, 2014, our clearing houses held $29.5 billion of non-cash collateral: $22.4 billion of this amount was comprised of U.S. Treasury securities, $1.2 billion was comprised of French Treasury securities, $955 million was comprised of Italian Treasury securities, $931 million was comprised of U.K. Treasury securities, $629 million was comprised of German Treasury securities, and $3.4 billion was comprised of other European, Japanese and Tri-Party Treasury securities. Sovereign treasury securities have historically been viewed as one of the safest securities for clearing houses to hold due to the perceived credit worthiness of major governments, but the markets for such treasury securities have experienced significant volatility recently. Our clearing houses apply a discount or "haircut" to the market values for all sovereign securities held as collateral. The markets for such treasury securities have experienced significant volatility recently related to on-going financial challenges in some major European countries and negotiations regarding raising the debt ceiling in the U.S. government's negotiations regarding tax increases, spending cuts and raising the debt ceiling, which is the maximum amount of debt that the U.S. government can legally incur. In addition, a collapse of the euro could cause a credit contraction and major swings in asset prices and exchange rates.

Notwithstanding the current intraday margin and valuation checks conducted by our clearing houses, our clearing houses will need to continue to monitor the volatility and value of U.S. and other sovereign treasury securities because if the value of these treasury securities declines significantly, our clearing houses will need to collect additional collateral from their clearing members, which may be difficult for the clearing members to supply in the event of a time of financial stress affected by an actual or threatened default by a sovereign government. In addition, our clearing houses may be required to impose a more significant discount on the value of sovereign treasury securities posted as collateral if there is uncertainty regarding the future value of these securities, which would trigger the need for additional collateral contributions by the clearing members.

Further, our clearing houses invest large sums of money through reverse repo transactions in connection with their clearing operations and may hold sovereign securities as security in connection with such investment transactions. Our clearing houses may make time deposits with banks that are secured only to the value of FDIC insurance and therefore, our deposits may in significant part be lost in the event one of these banks becomes insolvent. Our clearing houses that utilize time deposits currently manage such exposure by limiting the counterparties with which time deposits are made and the value of such loans. However, such limits may not be feasible in the event of a significant shortfall in available security for loans. In such event our clearing houses may make time deposits with less creditworthy counterparties or increase the loan size limit for existing counterparties, which leads to more risks with respect to the funds held by the clearing houses and could lead to substantial losses.

Our systems and those of our third party service providers may be vulnerable to security risks, hacking and cyber-attacks, especially in light of our role in the global financial markets, which could result in interruption of our business, wrongful use of our information, or make our participants reluctant to use our electronic platform.

The ability to reliably transact on our electronic platforms and the secure transmission of confidential information are critical elements of our operations. Our networks and those of our participants, third party service providers and external market infrastructures may, however, be vulnerable to compromise, security technology failure, denial of service attacks, or other security failures resulting in lack of availability, loss of data integrity, information disclosure, fraud or other outcomes harmful to our business. Recently, the financial services industry has been targeted for purposes of political protest, activism and fraud. In addition, the financial services industry has been targeted by foreign state actors and terrorist organizations seeking to disrupt our business and the financial systems of the countries in which we operate. Further, former employees of certain companies in the financial sector have misappropriated trade secrets or stolen source code in the past, and we could be a target for such illegal acts in the future. There also may be system or network disruptions if new or upgraded systems are defective or not tested and installed properly.

Although we have not been the victim of cyber-attacks or other cyber incidents that have resulted in a material impact on our operations or financial condition, we have from time to time experienced cyber security events including distributed denial of service attacks, malware infections, phishing, web attacks and other information technology incidents that are typical for a financial services company of our size. We operate what we believe to be an effective Information Security program that is designed to prevent, detect, track, and mitigate cyber incidents, and although we intend to implement additional industry standard security measures in the future to maintain the effectiveness of our Information Security program, we cannot assure you that these measures will be sufficient to protect our business against attacks, losses or reduced trading volume in our markets as a result of any security breach, hacking or cyber-attack. Any such attacks could cause system failures or delays that could cause us to lose business or incur significant liabilities, result in reputational damage, and have a negative impact on our competitive position. Additionally, current and future security measures are likely to be expensive to purchase and maintain, which could adversely impact our net income or require additional capital expenditures.

If we are unable to keep pace with rapid changes in technology and market participant preferences, we may not be able to compete effectively.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality, accessibility and reliability of our electronic platforms and our proprietary technology. The financial services industry is characterized by rapid technological change, change in use patterns, change in client preferences, frequent product and service introductions and the emergence of new industry standards and practices. These changes could render our existing proprietary technology uncompetitive or obsolete. Our ability to pursue our strategic objectives, including increasing trading volumes on our trading platforms, as well as our ability to continue to grow our business, will depend, in part, on our ability to:

- enhance our existing services and maintain and improve the functionality, speed and reliability of our electronic platform, in particular, reducing network downtime or disruptions;
- develop or license new technologies that address the increasingly sophisticated and varied needs of our participants;
- increase trading and clearing system functionality to support future growth;
- continue to build on technology provided to customers and maintain or grow the use of WebICE by our customers;
- anticipate and respond to technological advances, customer demands and emerging industry practices on a cost-effective and timely basis; and
- continue to attract and retain highly skilled technology staff to maintain and develop our existing technology and to adapt to and manage emerging technologies while attempting to keep our employee headcount low.

We cannot assure you that we will successfully implement new technologies or adapt our proprietary technology to our participants' requirements or emerging industry standards in a timely and cost-effective manner. Any failure to remain abreast of industry standards in technology and to be responsive to participant preferences could cause our market share to decline and negatively impact our revenues.

Our business may be harmed by computer and communications systems failures and delays or the inability to access key physical locations, including trading floors.

We support and maintain many of the systems that comprise our electronic platforms. Our failure to monitor or maintain these systems, or to find replacements for defective components within a system in a timely and cost-effective manner when necessary, could have a material adverse effect on our ability to conduct our business. Although we fully replicate our primary data center, our redundant systems or disaster recovery plans may prove to be inadequate in the event of systems failure, cyber-security breach or trading floor closure. Our systems, or those of our third party providers, may fail or be shut down or, due to capacity constraints, may operate slowly, causing one or more of the following:

- unanticipated disruption in service to our participants;
- slower response time and delays in our participants' trade execution and processing;
- failed settlement by participants to whom we provide trade confirmation or clearing services;
- incomplete or inaccurate accounting, recording or processing of trades;
- failure to complete the clearing house margin settlement process resulting in significant financial risk;
- our distribution of inaccurate or untimely market data to participants who rely on this data in their trading activity; and
- financial loss.

We could experience system failures or a floor closure due to natural disasters, fire, sabotage, power or telecommunications failures, human error on our part or on the part of our vendors or participants, hardware or software malfunctions or defects, computer viruses, cyber-attacks, intentional acts of vandalism or terrorism and similar events. If any one or more of these situations were to arise, they could result in damage to our business reputation and participant dissatisfaction, which could prompt participants to trade elsewhere or expose us to litigation or regulatory sanctions. As a consequence, our business, financial condition and results of operations could suffer materially.

Our regulated business operations generally require that our trade execution and communications systems be able to handle anticipated present and future peak trading volume. Heavy use of computer systems during peak trading times or at times of unusual market volatility could cause those systems to operate slowly or even to fail for periods of time. However, we cannot assure you that our estimates of future trading volume will be accurate or that our systems will always be able to accommodate actual trading volume without failure or degradation of performance.

Although many of our systems are designed to accommodate additional volume and products and services without redesign or replacement, we will need to continue to make significant investments in additional hardware and software and telecommunications infrastructure to accommodate the increases in volume of order and trading transaction traffic and to provide processing and clearing services to third parties. If we cannot increase the capacity and capabilities of our systems to accommodate an increasing volume of transactions and to execute our business strategy, our ability to maintain or expand our businesses would be adversely affected.

We rely on third party providers and other suppliers for a number of services that are important to our business. An interruption or cessation of an important service or supply by any third party could have a material adverse effect on our business.

We depend on a number of suppliers, such as online service providers, hosting service and software providers, data processors, software and hardware vendors, banks, local and regional utility providers, and telecommunications companies, for elements of our trading, clearing and other systems. We rely on access to certain data used in our business through licenses with third parties, and we rely on a large international telecommunications company for the provision of hosting services. The general trend toward industry consolidation may increase the risk that these services may not be available to us in the future. If these companies were to discontinue providing services to us for any reason or fail to provide the type of service agreed to, we would likely experience significant disruption to our business and may be subject to litigation by our clients or increased regulatory scrutiny or regulatory fines.

Many of our clients also rely on third parties, such as online service providers, software providers, software and hardware vendors, local and regional utility providers, and telecommunications companies, to provide them with systems necessary to access our trading platform. If these companies were to discontinue providing services to our clients for any reason, we may experience a loss of revenue associated with our clients' inability to transact with our businesses.

Damage to our reputation resulting from our administration of LIBOR and other benchmarks could adversely affect our business.

Our subsidiary, IBA, is the administrator for various benchmarks, including LIBOR, among others. IBA's administration of LIBOR resulted from steps taken by government authorities to address underlying flaws in the computation of LIBOR, including fraudulent actions taken by banks to falsely inflate or deflate reported rates in order to profit from interest rate trades, or to give the impression that the banks were more creditworthy than they in fact were. Any failures or negative publicity resulting from our administration of LIBOR or other benchmarks could result in a loss of confidence in the administration of these benchmarks and could harm our reputation. Damage to our reputation could cause some market participants to reduce their trading volume on our exchanges or to cease using some or all of our other services. Any of these events could adversely affect our business, financial condition and operating results.

Fluctuations in foreign currency exchange rates may adversely affect our financial results.

Since we conduct operations in several different countries, including the United States, European countries and Canada, substantial portions of our revenues, expenses, assets and liabilities are denominated in U.S. dollars, pounds sterling, euros and Canadian dollars. Because our consolidated financial statements are presented in U.S. dollars, we must translate non-U.S. dollar denominated revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against the other currencies may affect our net operating revenues, operating income and the value of balance sheet items denominated in foreign currencies.

Although we have entered into hedging transactions and may enter into additional hedging transactions in the future to help mitigate our foreign exchange risk exposure, these hedging arrangements may not be effective, particularly in the event of imprecise forecasts of the levels of our non-U.S. denominated assets and liabilities. Accordingly, if there are adverse movements in exchange rates, we may suffer significant losses, which would adversely affect our operating results and financial condition.

Our investment in, or acquisition of, businesses outside of the United States, and developing markets in particular, could subject us to a variety of investment risks.

We have investments outside of the United States, including in countries with developing financial and commodity derivatives markets. In particular, we own 12% of the common stock of Cetip, completed the acquisition of the ICE Futures Singapore, a Singapore exchange operator for commodity trading in Asia, in February 2014, and completed the acquisition of SuperDerivatives, a market data, trading technology and analytics company with operations in Israel, in October 2014. In December 2014, we completed the transaction to acquire a majority stake in Holland Clearing House, a derivatives clearing house based in Amsterdam that provides clearing for The Order Machine, a European multi-lateral trading facility. The ability of companies we invest in or acquire to maintain or expand their businesses may be subject to many risks to which we are not otherwise subject, including market risks related to sufficient demand to support the expansion of their business, local legal and regulatory risks and political risks such as nationalization, expropriation and outbreak of hostilities or war. This is particularly true for any investments we make in companies operating in developing markets, which may be subject to greater fluctuations in trading volumes and other revenue sources as the markets for their products are not sufficiently established. There is no guarantee that our investments will be successful or that we will be able to sell our investments or acquisitions at prices and terms favorable to us. Further, a decrease in value of the currencies where we have investments or acquired businesses would decrease the value of our investments or acquired businesses in these foreign jurisdictions and would have a negative impact on our financial statements.

Loss of our exclusive or non-exclusive licenses to list certain products could adversely affect our business.

We hold exclusive and non-exclusive licenses to list various index futures and contracts, including Russell, MSCI and FTSE Indexes, as well as the DTCC GCF Repo Index® futures. The owners of these indices may not renew the licenses with us on an exclusive basis or at all, and the terms of some of these licenses, including our licensing agreement with Russell, require that we achieve certain volume levels to maintain exclusivity. Additionally, litigation or regulatory action may limit the right of owners to grant exclusive licenses for index futures and contracts trading to a single exchange, and our competitors may succeed in providing economically similar products in a manner or jurisdiction not otherwise covered by our exclusive license. As previously discussed, MiFID II introduced a harmonized approach to the licensing of services relating to commodity derivatives across Europe and the legislation requires open access to any benchmarks (a benchmark is an index or other measure used to determine the value of a financial instrument, for example, LIBOR or the S&P 500) used in Europe. The final scope of the requirement is expected to be decided over the next year. If unlicensed trading of any index product where we hold an exclusive license were permitted, we could lose trading volume for these products which would adversely affect our revenues associated with the license and the related index products. In addition, we hold a non-exclusive license to various energy futures contracts settling on assessments published by McGraw-Hill subsidiary, Platts. We have worked with Platts on multiple long-term initiatives within our energy trading and market data businesses and if these licenses became unavailable to us, we could lose trading volume and associated revenues.

We may be required to recognize impairments of our goodwill, other intangible assets or investments, which could adversely affect our results of operations or financial condition.

Under accounting principles generally accepted in the United States, the determination of the value of goodwill and other intangible assets with respect to our acquisitions and other investments requires management to make estimates and assumptions that affect our consolidated financial statements. As of December 31, 2014, we had goodwill of $8.5 billion and net other intangible assets of $7.8 billion relating to our acquisitions, our purchase of trademarks and Internet domain names from various third parties, and the Russell licensing agreement. We also have $379 million in long-term investments relating to our equity security investment in Cetip. We recorded a $190 million impairment loss on our investment in Cetip during the year ended December 31, 2013 primarily due to the devaluation of the Brazilian real. For additional information on the Cetip impairment, refer to note 5 to our consolidated financial statements and related notes which are included elsewhere in this Annual Report on Form 10-K. We assess goodwill, other intangible assets and other investments and assets for impairment by applying a fair-value based test looking at historical performance, capital requirements and projected cash flows on an annual basis or more frequently if indicators of impairment arise.

We cannot assure you that we will not experience future events that may result in asset impairments. An impairment of the value of our existing goodwill, other intangible assets and other investments and assets could have a significant negative impact on our future operating results. For additional information on our goodwill, other intangible assets and investments, refer to notes 5 and 7 to our consolidated financial statements and related notes and “Critical Accounting Policies - Goodwill and Other Identifiable Intangible Assets” in Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this Annual Report on Form 10-K.

Owning and operating voice broker businesses exposes us to additional risk, and these businesses are largely dependent on their broker-dealer clients.

Our voice broker business is primarily transaction-based, and it provides brokerage services to clients primarily in the form of agency transactions, although it also engages in a limited number of matched principal transactions. In agency transactions, customers pay transaction fees for trade execution services in which we connect buyers and sellers who settle their transactions directly. In matched principal transactions (also known as “risk-less principal” transactions), we agree to buy instruments from one customer and sell them to another customer. The amount of the fee generally depends on the spread between the buy and sell price of the security that is brokered. The majority of transactions by Creditex and Creditex Brokerage, which are the subsidiaries that engage in our voice broker business, are agency transactions, and the matched principal transactions accounted for 5% of the total transactions for Creditex and Creditex Brokerage for the year ended December 31, 2014. With respect to matched principal transactions, a counterparty to a matched principal transaction may fail to fulfill its obligations, or Creditex or Creditex Brokerage may face liability for an unmatched trade. Declines in trading volumes in credit derivatives would adversely affect the revenues we derive from Creditex. We also face the risk of not being able to collect transaction or processing fees charged to customers for brokerage services and processing services we provide.

A failure to protect our intellectual property rights, or allegations that we have infringed the intellectual property rights of others, could adversely affect our business.

Our business is dependent on proprietary technology and other intellectual property that we own or license from third parties, including trademarks, service marks, trade names, trade secrets, copyrights and patents. We cannot assure you that the steps that we have taken or will take in the future will prevent misappropriation of our proprietary technology or intellectual property. Additionally, we may be unable to detect the misappropriation or unauthorized use of our proprietary technology and intellectual property. Our failure to protect our proprietary technology and intellectual property adequately could harm our reputation and affect our ability to compete effectively. Further, we may need to resort to litigation to enforce our intellectual property rights, which may require significant financial and managerial resources. As a result, we may choose not to enforce our infringed intellectual property rights, depending on our strategic evaluation and judgment regarding the best use of our resources, the relative strength of our intellectual property portfolio and the recourse available to us.

In addition, our competitors, as well as other companies and individuals, may have obtained, and may be expected to obtain in the future, patent rights related to the types of products and services we offer or plan to offer. We cannot assure you that we are or will be aware of all patents that may pose a risk of infringement by our products and services. As a result, we may face allegations that we have infringed the intellectual property rights of third parties which may be costly for us to defend against. If one or more of our products or services is found to infringe patents held by others, we may be required to stop developing or marketing the products or services, obtain licenses to develop and market the products or services from the holders of the patents or redesign the products or services in such a way as to avoid infringing the patents. We also could be required to pay damages if we were found to infringe patents held by others, which could materially adversely affect our business, financial condition and operating results. We cannot assess the extent to which we may be required in the future to obtain licenses with respect to patents held by others, whether such licenses would be available or, if available, whether we would be able to obtain such licenses on commercially reasonable terms. If we were unable to obtain such licenses, we may not be able to redesign our products or services at a reasonable cost to avoid infringement, which could materially adversely affect our business, financial condition and operating results.

We are subject to significant litigation and liability risks.

Many aspects of our business, including trading, clearing, market data services, benchmark services and listings, and the businesses of our participants, involve substantial risks of liability. These risks include, among others, potential liability from disputes over terms of a trade and the claim that a system failure or delay caused monetary loss to a participant or that an unauthorized trade occurred. For example, dissatisfied market participants that have traded on our electronic platform or those on whose behalf such participants have traded, may make claims regarding the quality of trade execution, or allege improperly confirmed or settled trades, abusive trading practices, security and confidentiality breaches, mismanagement or even fraud against us or our participants. In addition, because of the ease and speed with which sizable trades can be executed on our electronic platform, participants can lose substantial amounts by inadvertently entering trade orders or by entering them inaccurately. A large number of significant error trades could result in participant dissatisfaction and a decline in participant willingness to trade in our electronic markets.

In addition, we are subject to various legal disputes, some of which we are involved in due to acquisition activity. Although in certain aspects of our operations, we are immune from private suits arising from conduct within our regulatory authority and from acts and forbearances incident to the exercise of our regulatory authority, we could be exposed to substantial liability under federal and state laws and court decisions, as well as rules and regulations of, and/or direct actions brought by, the SEC, the CFTC and other government regulators. We could incur significant expenses defending lawsuits and other claims, even those without merit, which could adversely affect our financing condition and operating results. An adverse resolution of any lawsuit or claim against us may require us to pay substantial damages or impose restrictions on how we conduct business, either of which could adversely affect our business, financial condition and operating results. Please see note 13 to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for a summary of our legal proceedings and claims.

We may be at greater risk from terrorism than other companies.

Given our prominence in the global financial markets and the location of many of our properties and personnel in U.S. and European financial centers, we may be a direct target of, or an indirect casualty of, attacks by terrorists or terrorist organizations, or other extremist organizations that employ threatening or harassing means to achieve their social or political objectives.

It is impossible to predict the likelihood or impact of any terrorist attack on the securities industry generally or on our business. In the event of an attack or a threat of an attack, our security measures and contingency plans may be inadequate to prevent significant disruptions in our business, technology or access to the infrastructure necessary to maintain our business.

Damage to our facilities due to terrorist attacks may be significantly in excess of insurance coverage, and we may not be able to insure against some damage at a reasonable price or at all. The threat of terrorist attacks may also negatively affect our ability to attract and retain employees. In addition, terrorist attacks may cause instability or decreased trading in the securities markets, including trading on exchanges. Any of these events could adversely affect our business, financial condition and operating results.

We currently have substantial outstanding indebtedness on a consolidated basis that could restrict our ability to engage in additional transactions or incur additional indebtedness.

Following our acquisition of NYSE, we have significant outstanding indebtedness on a consolidated basis. As of December 31, 2014, we had $4.3 billion of outstanding debt. This level of indebtedness could have important consequences to our business and could make it difficult to satisfy our debt obligations, increase our vulnerability to general adverse economic and industry conditions, limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and restrict us from pursuing certain business opportunities. As we use our available resources to reduce and refinance our consolidated debt, our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and our ability to pursue future business opportunities may be further constrained. In addition, the terms of our debt facilities contain affirmative and negative covenants, including a leverage ratio test and certain limitations on the incurrence of additional debt or the creation of liens and other matters. We have elected to hold $1.2 billion of the proceeds we received from the Euronext IPO to repay $1.2 billion of legacy NYSE debt and interest that matures in June 2015.

Our long-term debt is currently rated by Moody’s Investor Services and Standard & Poor’s. These ratings agencies regularly evaluate us and our credit ratings based on a number of quantitative and qualitative factors, including our financial strength and conditions affecting the financial services industry generally. Our credit ratings remain subject to change at any time, and it is possible that a ratings agency may take action to downgrade us in the future. In particular, our inability to sustain reduced debt on a consolidated basis may result in a downgrade of our credit ratings. In addition, a significant decrease in our credit rating could impact the regulatory status of our clearing houses and make parties less willing to do business with our clearing houses and our exchanges that clear products through our clearing houses. Any downgrade in our credit ratings could negatively impact our ability to access the capital markets and increase the cost of any future debt funding we may obtain.

We are a holding company and depend on our subsidiaries for dividends, distributions and other payments.

We are a legal entity separate and distinct from our operating subsidiaries. Our principal source of cash flow, including cash flow to pay dividends to our stockholders and principal and interest on our outstanding debt, is dividends from our subsidiaries. There are statutory and regulatory limitations on the payment of dividends by certain of our subsidiaries to us. If our subsidiaries are unable to make dividend payments to us and sufficient cash or liquidity is not otherwise available, we may not be able to make dividend payments to our stockholders, principal and interest payments on our outstanding debt or repurchase shares of our common stock. Further, we have guaranteed the payment of certain debt obligations by our subsidiary, NYSE Holdings, LLC. This guarantee may require us to provide substantial funds or assets to creditors of our subsidiaries at a time when we are in need of liquidity to fund our own obligations and may affect our ability to make dividend payments to our stockholders, principal and interest payments on our outstanding debt or repurchase shares of our common stock.

Provisions of our organizational documents and Delaware law may delay or deter a change of control of ICE.

Our organizational documents contain provisions that may have the effect of discouraging, delaying or preventing a change of control of, or unsolicited acquisition proposals for, ICE. These provisions make a change of control less likely, which may be contrary to the desires of certain of our stockholders. Many of these provisions are required by relevant regulators in connection with our ownership and operation of U.S. and European equity exchanges. For example, our organizational documents include provisions that require our Board of Directors to consider the impact on our security exchanges to discharge their responsibilities and duties prior to taking certain actions and generally restrict any person (either alone or together with its related persons) from (i) voting or causing the voting of shares of stock representing more than 10% of our outstanding voting capital stock (including as a result of any agreement by any other persons not to vote shares of stock) or (ii) beneficially owning shares of stock representing more than 20% of the outstanding shares of any class or series of our capital stock. Further, our organizational documents generally limit the ability of stockholders to call special stockholders’ meetings or act by written consent, and generally authorize our board of directors, without stockholder approval, to issue and fix the rights and preferences of one or more series of preferred stock. In addition, provisions of Delaware law may have a similar effect, such as provisions limiting the ability of certain interested stockholders, as defined under Delaware law, from causing the merger or acquisition of a corporation against the wishes of the board of directors.

ITEM 1 (B). UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The net book value of our property was $874 million as of December 31, 2014. Our intellectual property is described under the heading "Technology" in Item 1 - Business. In addition to our intellectual property, our other primary assets include buildings, computer equipment, corporate aircraft, software, and internally developed software. We own an array of computers and related equipment.

Our principal executive offices are located in Atlanta, Georgia and New York, New York. We currently occupy 270,000 square feet of office space in Atlanta in a building that we own that serves as our Atlanta headquarters. Our New York headquarters are located at 11 Wall Street, where we occupy 370,000 square feet of office space in a building we own. In total, we maintain 2.2 million square feet in offices primarily throughout the United States, Europe, Asia and Canada. Our principal offices consist of the properties described below.

Location	Owned/Leased	Lease Expiration	Approximate Size
5660 New Northside Drive Atlanta, Georgia	Owned	N/A	270,000 sq. ft.
11 Wall Street New York, New York	Owned	N/A	370,000 sq. ft.
Basildon, United Kingdom	Owned	N/A	315,000 sq. ft.
Mahwah, New Jersey	Leased	2029	395,000 sq. ft.
20 Broad Street New York, New York	Leased	2016	381,000 sq. ft.
55 East 52nd Street New York, New York	Leased	2028	93,000 sq. ft.
353 North Clark Street Chicago, Illinois	Leased	2027	57,000 sq. ft.
Milton Gate London, United Kingdom	Leased	2024	45,000 sq. ft.

In addition to the above, we currently lease an aggregate of 274,000 square feet of administrative, sales and disaster preparedness facilities in various cities around the word. We believe that our facilities are adequate for our current operations and that we will be able to obtain additional space as and when it is needed.

ITEM 3. LEGAL PROCEEDINGS

We are subject to legal proceedings and claims that arise in the ordinary course of business. Typically, we do not believe that the resolution of these ordinary course matters will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially and adversely affected by any developments relating to the legal proceedings and claims. See note 13 to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for a summary of our legal proceedings and claims.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Approximate Number of Holders of Common Stock

As of February 3, 2015, there were approximately 528 holders of record of our common stock.

Dividends

The declaration of dividends is subject to the discretion of our board of directors, and may be affected by various factors, including our future earnings, financial condition, capital requirements, levels of indebtedness, credit ratings and other considerations our board of directors deem relevant. Our board of directors has adopted a quarterly dividend declaration policy providing that the declaration of any dividends will be determined quarterly by the board or audit committee of the board of directors taking into account such factors as our evolving business model, prevailing business conditions and our financial results and capital requirements, without a predetermined annual net income payout ratio. During the year ended December 31, 2014, we paid dividends of $2.60 per share of our common stock in the aggregate through four quarterly dividends of $0.65 per share, for an aggregate payout of $299 million in 2014, which includes the payment of dividend equivalents.

As a holding company, we have no operations and rely upon dividends from our subsidiaries in order to provide liquidity necessary to service our debt obligations and make dividend payments to our shareholders. We and our subsidiaries are all required to comply with legal and regulatory restrictions, including restrictions contained in applicable general corporate laws, regarding the declaration and payment of dividends. These laws may limit our or our subsidiaries' ability to declare and pay dividends from time to time.

None of the indentures governing our and our subsidiaries' outstanding indebtedness contain specific covenants restricting our ability, or the ability of our subsidiaries, to pay dividends absent a default on such indebtedness. Our senior unsecured revolving credit facility in the aggregate amount of $3.0 billion, or the 2014 Credit Facility, however, limits our ability to declare and make dividend payments, and other distributions of our cash, property or assets, if a default under the applicable facility has occurred and is continuing, or would occur as a result of our declaration and payment of any dividend or other distribution. Our 2014 Credit Facility contains customary financial and operating covenants that place restrictions on our operations, including our maintenance of specified total leverage and interest coverage ratios, which could indirectly affect our ability to pay dividends. Refer to note 9 to our consolidated financial statements and related notes, which are included elsewhere in this Annual Report on Form 10-K, for more information on our debt facilities.

Price Range of Common Stock

Our common stock trades on the New York Stock Exchange under the ticker symbol "ICE". On February 3, 2015, our common stock traded at a high of $211.57 per share and a low of $208.59 per share. The following table sets forth the quarterly high and low sale prices for the periods indicated for our common stock on the New York Stock Exchange.

	Common Stock Market Price	
	High	Low
Year Ended December 31, 2013		
First Quarter	$163.81	$124.03
Second Quarter	$184.12	$150.12
Third Quarter	$188.78	$173.54
Fourth Quarter	$227.07	$179.10
Year Ended December 31, 2014		
First Quarter	$229.50	$195.34
Second Quarter	$207.00	$185.70
Third Quarter	$205.13	$182.40
Fourth Quarter	$228.79	$193.42

Equity Compensation Plan Information

The following table provides information about our common stock that has been or may be issued under our equity compensation plans as of December 31, 2014:

- Intercontinental Exchange Holdings, Inc. 2013 Omnibus Employee Incentive Plan
- Intercontinental Exchange Holdings, Inc. 2013 Omnibus Non-Employee Director Incentive Plan
- Intercontinental Exchange Holdings, Inc. 2009 Omnibus Incentive Plan
- Intercontinental Exchange Holdings, Inc. 2003 Restricted Stock Deferral Plan for Outside Directors

- Intercontinental Exchange Holdings, Inc. 2000 Stock Option Plan
- Creditex Amended and Restated 1999 Stock Option/Stock Issuance Plan
- NYSE Amended and Restated Omnibus Incentive Plan
- NYSE 2006 Stock Incentive Plan

The 2000 Stock Option Plan and the Creditex Amended and Restated 1999 Stock Option/Stock Issuance Plan were retired on May 14, 2009 when our shareholders approved the 2009 Omnibus Incentive Plan. The 2009 Omnibus Incentive Plan was retired on May 17, 2013 when our shareholders approved the Intercontinental Exchange Holdings, Inc. 2013 Omnibus Employee Incentive Plan. No future grants will be made from the retired ICE or Creditex plans. Certain grants continue to be made to legacy NYSE employees under the NYSE Amended and Restated Omnibus Incentive Plan. Other than the grants to legacy NYSE employees under the NYSE Amended and Restated Omnibus Incentive Plan, all future grants to employees will be made under the Intercontinental Exchange Holdings, Inc. 2013 Omnibus Employee Incentive Plan and all future grants to directors will be made under the Intercontinental Exchange Holdings, Inc. 2013 Omnibus Non-Employee Director Incentive Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options and rights (a)	Weighted average exercise price of outstanding options (b)	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	2,111,142 (1)	$ 136.54 (1)	4,388,170
Equity compensation plans not approved by security holders(2)	40,204 (2)	$ 59.74 (2)	—
TOTAL	2,151,346	$ 135.53	4,388,170

(1) The 2000 Stock Option Plan was approved by our stockholders in June 2000. The 2009 Omnibus Incentive Plan was approved by our stockholders on May 14, 2009. The Intercontinental Exchange Holdings, Inc. 2013 Omnibus Employee Incentive Plan and the Intercontinental Exchange Holdings, Inc. 2013 Omnibus Non-Employee Director Incentive Plan were approved by our stockholders in May 2013. The shareholders of NYSE approved the NYSE Amended and Restated Omnibus Incentive Plan on April 25, 2013. Of the 2,111,142 securities to be issued upon exercise of outstanding options and rights, 756,299 are options with a weighted average exercise price of $136.54 and the remaining 1,354,843 securities are restricted stock shares that do not have an exercise price. Of the 1,354,843 restricted stock shares to be issued, 360,210 shares were originally granted under the NYSE Amended and Restated Omnibus Incentive Plan.

(2) This category includes the 2003 Restricted Stock Deferral Plan for Outside Directors and the Creditex Amended and Restated 1999 Stock Options/Stock Issuance Plan. It also includes the NYSE 2006 Stock Incentive Plan, subsequent to our acquisition of NYSE. Of the 40,204 securities to be issued upon exercise of outstanding options and rights, 10,130 are options with a weighted average exercise price of $59.74 and the remaining 30,074 securities are restricted stock shares that do not have an exercise price. Of the 10,130 options to be issued, 688 were originally granted under the 2006 NYSE Stock Incentive Plan. For more information concerning these plans, see note 10 to our consolidated financial statements and related notes, which are included elsewhere in this Annual Report on Form 10-K.

Stock Repurchases

The table below sets forth the information with respect to purchases made by or on behalf of Intercontinental Exchange, Inc. or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the three months ended December 31, 2014.

Period (2014)	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs(1)	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions)(1)
October 1 - October 31	319,500	$201.69	2,636,184	$537
November 1 - November 30	279,600	$219.94	2,915,784	$475
December 1 - December 31	315,700	$223.23	3,231,484	$405
Total	914,800	$215.14	3,231,484	$405

(1) In September 2014, we entered into a Rule 10b5-1 trading plan under the Exchange Act permitting open market repurchases of our common stock based on certain parameters described in the trading plan. During the three months ended December 31, 2014, we repurchased 914,800 shares of our outstanding common stock at a cost of $196 million. These repurchases were completed under a stock repurchase plan authorized by our board of directors. The shares repurchased are held in treasury stock. As of December 31, 2014, the remaining board authorization permits repurchases of up to $405 million of our common stock with no fixed expiration date. We expect to fund any remaining share repurchases with a combination of cash on hand, future cash flows and by borrowing under our credit facilities and in connection with our commercial paper program. The timing and extent of any future repurchases that are not made pursuant to the trading plan under Rule 10b5-1 are at our discretion and will depend upon market conditions, amount authorized by our board of directors, our stock price, our target debt ratio and corporate debt rating, and our strategic growth initiatives at that time. We may discontinue the stock repurchases at any time or may enter into a new Rule 10b5-1 trading plan in the future. In addition, our board of directors may increase or decrease the amount of capacity we have for repurchases from time to time.

ITEM 6. SELECTED FINANCIAL DATA

The following tables present our selected consolidated financial data as of and for the dates and periods indicated. We derived the selected consolidated financial data set forth below for the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013 from our audited consolidated financial statements, which are included elsewhere in this Annual Report on Form 10-K. We derived the selected consolidated financial data set forth below for the years ended December 31, 2011 and 2010 and as of December 31, 2012, 2011 and 2010 from our audited consolidated financial statements, which are not included in this Annual Report on Form 10-K. Our consolidated financial statements include NYSE's results of operations for the periods subsequent to November 13, 2013. The selected consolidated financial data presented below is not indicative of our future results for any period. The selected consolidated financial data set forth below should be read in conjunction with our consolidated financial statements and related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(In millions, except for per share data)				
Consolidated Statement of Income Data(1)					
Revenues:					
Transaction and clearing fees, net(2)	$ 3,013	$ 1,379	$ 1,185	$ 1,176	$ 1,024
Data services fees(3)	631	229	147	125	109
Listing fees(3)	367	33	—	—	—
Other revenues(3)	210	75	31	26	17
Total revenues	4,221	1,716	1,363	1,327	1,150
Transaction-based expenses(2)	1,129	118	—	—	—
Total revenues, less transaction-based expenses	3,092	1,598	1,363	1,327	1,150
Operating expenses:					
Compensation and benefits	592	302	251	250	237
Technology and communication	188	63	46	48	44
Professional services	181	54	33	35	33
Rent and occupancy	78	39	19	19	17
Acquisition-related transaction and integration costs(4)	129	143	19	16	10
Selling, general and administrative	143	51	37	34	36
Depreciation and amortization	333	156	131	132	121
Total operating expenses	1,644	808	536	534	498
Operating income	1,448	790	827	793	652
Other expense, net(5)	41	286	37	33	43
Income from continuing operations before income tax expense	1,407	504	790	760	609
Income tax expense	402	184	228	238	202
Income from continuing operations	In October 2014, we issued to the holder of the remaining of these notes and the same 10% convertible notes issued in April 2010 consisting of an aggregate of 36,716 shares of common stock and				

unit warrants to acquire up to an aggregate of 18,358 shares of common stock at an exercise price of $7.70 per share. The units were issued to the note holder upon the conversion of an aggregate of $189,087 of unpaid principal and accrued interest due under the two promissory notes referenced in this paragraph. The amounts converted represented the entire principal and interest outstanding under the notes and the notes held by that holder were retired.

APRIL 2010 10% CONVERTIBLE NOTE

In April 2010, we raised $75,000 from the sale to an accredited investor of a 10% convertible note. The convertible note was originally scheduled to mature in October 2011 and was convertible into our common stock at a fixed conversion price of $0.25 per share prior to maturity. The investor also received three year warrants to purchase 300,000 unregistered shares of our common stock at a price of $0.25 per share.

This note was extended on March 31, 2012 and September 2013 and converted into common stock and warrants in October 2014 as described above under "October & November 2009 10% Convertible Notes".

SEPTEMBER 2010 12% CONVERTIBLE NOTES

On September 3, 2010, we entered into a subscription agreement with three accredited investors providing for the issuance and sale of convertible promissory notes and corresponding warrants in the aggregate principal amount of $1,430,000. The initial closing resulted in the issuance and sale of (i) convertible promissory notes in the aggregate principal amount of $743,600, (ii) five-year warrants to purchase an aggregate of 74,360 shares of our common stock at an exercise price of $15.56 per share, and (iii) five-year warrants to purchase an aggregate of 74,360 shares of our common stock at an exercise price of $21.79 per share. The convertible promissory notes bear interest compounded monthly at the annual rate of ten percent (10%) and mature on April 1, 2016 (see below). The aggregate gross cash proceeds were $650,000, the balance of the principal amount representing a due diligence fee and an original issuance discount. The convertible promissory notes are convertible at the option of the holders into shares of our common stock at a price per share equal to eighty percent (80%) of the average of the three lowest closing bid prices of the common stock as reported by Bloomberg L.P. for the principal market on which the common stock trades or is quoted for the ten (10) trading days preceding the proposed conversion date. Subject to adjustment as described in the notes, the conversion price may not be more than $15.00 nor less than $10.00. There are no registration requirements with respect to the shares of common stock underlying the notes or the warrants.

On March 31, 2014, we entered into separate amendments to these notes with three accredited investors and warrants previously issued by us on various dates between December 5, 2007 and September 23, 2011.

Prior to the Amendments, the notes were past maturity and were in default, resulting in the accrual of interest at the applicable default interest rate. The amendments extended the maturity date of each of the notes to April 1, 2016. As a result of the amendments, the notes are no longer in default and the non-default interest rate for all of the notes was set at 12% per annum, which represents a reduction from the default interest rates of fifteen percent at which interest had been accruing. By entering into the amendments, we also agreed to increase the currently outstanding principal amount of the Notes by 12% from a total of $693,260 to a total of $776,451.

During the period from October 2011 to February 2014, the investors had converted, at conversion prices between $2.73 and $3.50 per share, portions of principal and interest outstanding under the notes and certain other convertible promissory notes previously issued to them by us. Certain antidilution provisions applicable to such notes should have resulted in such conversions being effected at a conversion price of $2.10 per share. Accordingly, we issued to the investors an aggregate of 90,142 shares of our common stock, which represents the additional shares of common stock that would have been issued to these investors had such conversions been effected at $2.10 per share.

The amendments also set the conversion price of the notes, as well as the exercise price at which shares of our common stock can be purchased under the warrants, at $2.10 per share, and the expiration dates of the warrants also were extended from dates between September 3, 2015 and September 23, 2016 to January 1, 2017.

The following table shows the activity in the September 12% Convertible notes by fiscal year:

Activity in the September 2010 10% Convertible Notes	
Initial principal balance	$743,600
Conversions during the fiscal year ended March 31, 2012	(405,500)
Conversions during the fiscal year ended March 31, 2013	(30,000)
Conversions during the fiscal year ended March 31, 2014	(25,000)
Increase in principal balance due to 12%	33,972

extension fee	
Conversions during the fiscal year ended March 31, 2015	(317,072)
Balance as of March 31, 2015	$–

As noted in the above table, the balance of the notes was converted into equity during the fiscal year ended March 31, 2015 and there is no remaining balance.

JULY & AUGUST 2011 10% CONVERTIBLE NOTES

During the three months ended September 30, 2011, we raised $357,656 in five separate

10% convertible notes. Those notes had a fixed conversion price of $4.50 per share and carried an interest rate of 10%. The convertible notes matured in July and August 2012. We also issued those investors five year warrants to purchase 79,479 shares of common stock at $6.25 per share.

Effective March 31, 2014, the holders of three of the five notes totaling $100,000 converted all of their principal and accrued interest into 28,774 shares of our common stock at the contractual conversion price of $4.50 per share.

In September 2014, we entered into a forbearance agreement with the holder of the remaining two notes in which we agreed to repay his notes by October 31, 2014 and in which we also agreed to extend his warrants by two years.

In October 2014, we paid off in full the remaining outstanding principal balance and interest balances on the two remaining notes with cash payments of $382,748.

APRIL 2011 12% CONVERTIBLE NOTES

In April 2011, we entered into a subscription agreement with two accredited investors providing for the issuance and sale of convertible promissory notes and corresponding warrants in the aggregate principal amount of $385,000. The closing under the subscription agreement resulted in the issuance and sale by us of (i) convertible promissory notes in the aggregate principal amount of $385,000, (ii) five-year warrants to purchase an aggregate of 80,080 shares of our common stock at an exercise price of $6.25 per share, and (iii) five-year warrants to purchase an aggregate of 80,080 shares of our common stock at an exercise price of $8.75 per share. The convertible promissory notes bear interest compounded monthly at the annual rate of 10% and mature on April 1, 2016 (see below). The aggregate gross cash proceeds to us were $350,000, the balance of the principal amount representing a due diligence fee and an original issuance discount. The convertible promissory notes are convertible at the option of the holders into shares of our common stock at a price per share equal to eighty percent (80%) of the average of the three lowest closing bid prices of the common stock as reported by Bloomberg L.P. for the principal market on which the common stock trades or is quoted for the ten (10) trading days preceding the proposed conversion date. Subject to adjustment as described in the notes, the conversion price may not be more than $10.00 nor less than $5.00. There are no registration requirements with respect to the shares of common stock underlying the notes or the warrants.

In addition, we issued (i) five-year warrants to purchase an aggregate of 16,250 shares of our common stock at an exercise price of $6.25 per share, and (ii) five-year warrants to purchase an aggregate of 16,250 shares of our common stock at an exercise price of $8.75 per share to the purchasers. These warrants were issued as an antidilution adjustment under certain common stock purchase warrants held by the purchasers that were acquired from us in September 2010.

On March 31, 2014, we entered into separate amendments to these convertible notes and the warrants with three accredited investors who own certain convertible promissory notes and warrants previously issued by us on various dates between December 5, 2007 and

September 23, 2011.

Prior to these amendments, the notes were past maturity and were in default, resulting in the accrual of interest at the applicable default interest rate. The amendments extended the maturity date of each of the notes to April 1, 2016. As a result of these amendments, the notes are no longer in default and the non-default interest rate for all of the notes was set at 12% per annum, which represents a reduction from the default interest rates of 15% at which interest had been accruing. By entering into the amendments, we also agreed to increase the currently outstanding principal amount of the notes by 12% from a total of $693,260 to a total of $776,451.

During the period from October 2011 to February 2014, these investors had converted, at conversion prices between $2.73 and $3.50 per share, portions of principal and interest outstanding under these notes and certain other convertible promissory notes previously issued to them by us. Certain antidilution provisions applicable to such notes should have resulted in such conversions being effected at a conversion price of $2.10 per share. Accordingly, pursuant to the amendments, we issued to the investors an aggregate of 90,142 shares of our common stock, which represents the additional shares of common stock that would have been issued to the investors had such conversions been effected at $2.10 per share.

The amendments also set the conversion price of these notes, as well as the exercise price at which shares of our common stock can be purchased under the warrants, at $2.10 per share, and the expiration dates of the warrants also were extended from dates between September 3, 2015 and September 23, 2016 to January

1, 2017.

The following table shows the conversions into principal of the April 2011 12% Convertible notes by fiscal year:

Activity in the April 2011 12% Convertible Notes	
Initial principal balance	$400,400
Increase in principal balance due to extension fee	48,048
Conversions during the fiscal year ended March 31, 2015	(448,448)
Balance as of March 31, 2015	$–

As noted in the above table, the balance of these convertible notes was converted into equity during the fiscal year ended March 31, 2015 and there is no remaining balance.

SEPTEMBER 2011 CONVERTIBLE NOTES

In September 2011, we issued $253,760 principal amount of convertible notes, convertible at $3.50 per share. Such notes originally matured in September 2012. Together with these notes, we issued warrants to purchase 72,503 shares of common stock with a five year term. The original exercise price of the warrants was $5.00 per share.

On March 31, 2014, we entered into separate amendments to these convertible notes and warrants issued in conjunction therewith with three accredited who owned certain of these convertible promissory notes and warrants (previously issued by us to those investors on various dates between December 5, 2007 and September 23, 2011.

These amendments extended the maturity date of each of the notes to April 1, 2016 and as a result the notes are no longer in default and the non-default interest rate for all of these notes was set at 12% per annum, which represents a reduction from the default interest rates of 15% at which interest had been accruing. By entering into the Amendments, we also agreed to increase the currently outstanding principal amount of the notes by 12%, which in the case of the September 2011 notes, increased from

$9,760 to $10,931.

During the period from October 2011 to February 2014, the investors had converted, at conversion prices between $2.73 and $3.50 per share, portions of principal and interest outstanding under these notes and certain other convertible promissory notes previously issued to them by us. Certain antidilution provisions applicable to such notes should have resulted in such conversions being effected at a conversion price of $2.10 per share. Accordingly, pursuant to these amendments, we issued to the investors an aggregate of 90,142 shares of our common stock, which represents the additional shares of common stock that would have been issued to these investors had such conversions been effected at $2.10 per share.

The amendments to these notes also set the conversion price, as well as the exercise price at which shares of our common stock can be purchased under the warrants issued with these notes, at $2.10 per share. By virtue of the amendments, the expiration dates of the warrants also were extended to January 1, 2017.

The following table shows the conversions into principal of the September 2011 Convertible notes by fiscal year:

Activity in the September 2011 Convertible Notes	
Initial principal balance	$253,760
Conversions during the	(15,000)

fiscal year ended March 31, 2012	
Conversions during the fiscal year ended March 31, 2013	(60,000)
Conversions during the fiscal year ended March 31, 2014	(169,000)
Increase in principal balance due to extension fee	1,171
Conversions during the fiscal year ended March 31, 2015	(10,931)
Balance as of March 31, 2015	$–

As noted in the above table, the balance of the convertible notes issued in September 2011 was converted into equity during the fiscal year ended March 31, 2015 and there is no remaining balance.

LAW FIRM NOTE

On March 22, 2012, we entered into a promissory note with our corporate law firm for the amount of $75,000, which represented the majority of the amount we owed to that firm at that time. The note originally had a maturity date of December 31, 2012 and bore interest at 5% per annum. The note was convertible at the option of the holder into shares of our common stock at a 10% discount to the market price of the common stock on the date prior to conversion with a floor price on such conversions of $4.00 per share. The holder subsequently agreed to extend the maturity date of the note first to October 1, 2013, then to September 30, 2013, and then the expiration date of this note was again extended to October 1, 2014.

In November 2014, we paid off in full the note with a cash payment of $50,000 and an issuance of 3,400 common shares.

Securities Issued for Services

We have issued securities in payment of services to reduce our obligations and to avoid using our cash resources. In the fiscal year ended March 31, 2015 we issued 27,654 common shares for services of which 8,587 were restricted and were for investor relations services and corporate communications services. Included in the 27,654 common shares issued for services are 19,068 shares, registered under Form S-8 registration statements, which were issued as follows: 693 for financial consulting, 6,425 for scientific consulting and 11,950 for legal services. The average price (premium) discount of common shares issued for these services, weighted by the number of shares issued for services in this period, was approximately (6.6)%.

Securities Issued for Debt

We have also issued securities for debt to reduce our obligations to avoid using our cash resources. In the fiscal year ended March 31, 2015 we issued 948,728 restricted common shares for repayment in full of notes, including accrued interest, in the aggregate amount of $2,273,032. The average price discount of the common stock issued for debt was approximately 75.6%.

Subsequent Events

Reverse Split

On April 14, 2015, we completed a 1-for-50 reverse stock split. Accordingly, authorized common stock was reduced from 500,000,000 shares to 10,000,000 shares, and each 50 shares of outstanding common stock held by stockholders were combined into one share of common stock. The accompanying consolidated financial statements and accompanying notes have been retroactively revised to reflect such reverse stock split as if it had occurred on April 1, 2013. All share and per share amounts have been revised accordingly.

Government Contracts

Subsequent to March 31, 2015, we billed $186,164 under our DARPA contract and billed $6,344 under the Battelle subcontract and we collected $384,882 under both contracts.

Common Stock Issuances

Subsequent to March 31, 2015, we issued 951 shares of common stock as the result of rounding up of fractional shares that arose due to our reverse stock split.

June 2015 Financing

In June 2015, we sold $6,000,000 of units, comprised of common stock and warrants, at a price of $6.30 per unit. Each unit consisted of one share of common stock and .75 of a five-year warrant to purchase one share of common stock at an exercise price of $6.30 per share. Accordingly, we issued a total of 952,383 shares of restricted common stock and warrants to purchase 714,286 shares of common stock. We raised $5,591,988 in net proceeds from the financing, which coupled with previously existing funds on hand and expected revenues from our government contracts, should finance our operations for the fiscal year ending March 31, 2016 and the cost of our current clinical trials.

The June 2015 financing consumed substantially all of our available authorized shares. In order to complete that financing, two of our officers and one of our directors agreed to waive their rights to exercise certain stock options and warrants held by them representing the right to acquire 402,318 shares of common stock in the aggregate. Those waivers were required in order to make a sufficient number of shares of common stock available for completion of that financing. The waivers will expire when we amend our

Articles of Incorporation to increase sufficiently the number of authorized shares of common stock available for issuance.

DIRECTORS AND EXECUTIVE OFFICERS

The names, ages and positions of our directors and executive officers as of July 10, 2015 are listed below:

NAMES	TITLE OR POSITION (5)	AGE
James A. Joyce (1)	Chairman, Chief Executive Officer and Secretary	53
Richard H. Tullis, PhD (2)	Vice President and Chief Science Officer	70
Rodney S. Kenley (3)	President and Director	65
James B. Frakes (4)	Chief Financial Officer and Senior Vice President – Finance	58

Franklyn S. Barry, Jr.	Director	75
Edward G. Broenniman	Director	79
Chetan S. Shah, MD	Director	46

(1) Effective June 1, 2001, Mr. Joyce was appointed our President and Chief Executive Officer, replacing Mr. Barry, who continues as a member of the Board of Directors. Mr. Joyce resigned from the position of President upon the appointment of Mr. Kenley to such position on October 27, 2010.

(2) Effective June 1, 2001, Dr.

Tullis was appointed as our Chief Science Officer. Dr. Tullis resigned from the Board of Directors effective June 5, 2015.

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

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

(5) The Board has determined that Messrs. Barry, Broenniman

and Shah meet the requirements to be determined as “independent directors” for all purposes, including compensation committee and audit committee purposes, under the NASDAQ rules and for federal securities law purposes. Messrs. Joyce and Kenley are not independent as they also function as our executive officers.

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

James A. Joyce, Chairman, CEO and Secretary.

Mr. Joyce is the founder of Aethlon Medical, Inc. and has been the Chairman of the Board and Secretary since March 1999. On June 1, 2001, our Board of Directors appointed Mr. Joyce to the additional role of CEO. Mr. Joyce also serves as the Executive Chairman of Exosome Sciences, Inc. In 1992, Mr. Joyce founded and was the sole stockholder of James Joyce & Associates, an organization that provided management consulting and corporate finance advisory services to CEOs and CFOs of publicly traded companies. Previously, from 1989 to 1991, Mr. Joyce was Chairman and Chief Executive Officer of Mission Labs, Inc. Prior to that Mr. Joyce was a principal in charge of U.S. operations for London Zurich Securities, Inc. Mr. Joyce is a graduate of the University of

Maryland. We believe that Mr. Joyce is qualified to serve as our director because of his role in founding our company and his prior experience, including his experience in the extracorporeal industry and in the financial markets.

Richard H. Tullis, Ph.D., Vice President and Chief Science Officer

Dr. Tullis has been Vice President of our company since January 2000 and Chief Science Officer since June 2001. Dr. Tullis was a director of our company from January 2000 until June 2015. Dr. Tullis has extensive biotechnology management and research experience, and is the founder of Syngen Research, formerly a wholly owned subsidiary of Aethlon Medical, Inc. Previously, Dr. Tullis co-founded Molecular Biosystems, Inc., a former NYSE company. At Molecular Biosystems, Dr. Tullis was Director of Oligonucleotide Hybridization, Senior Research Scientist and Member of the Board of Directors. In research, Dr. Tullis developed and patented the first application of oligonucleotides to antisense antibiotics and developed new methods for the chemical synthesis of DNA via methoxy-hosphorochloridites. Dr. Tullis also co-developed the first applications of covalently coupled DNA-enzyme conjugates using synthetic oligonucleotides during his tenure at Molecular Biosystems. In 1985, Dr. Tullis founded, and served as President and CEO of Synthetic Genetics, Inc., a pioneer in custom DNA synthesis, which was sold to Molecular Biology Resources in 1991. Dr. Tullis also served as interim-CEO of Genetic Vectors, Inc., which completed its IPO under his management, and was co-founder of DNA Sciences, Inc., a company that was eventually acquired by Genetic Vectors. Dr. Tullis received his Ph.D. in Biochemistry and Cell Biology from the University of California at San Diego, and has done extensive post-doctoral work at UCSD, USC, and the University of Hawaii.

Rodney S. Kenley, President and Director

Mr. Kenley has been President and a Director since October

2010. He has 38 years of experience in healthcare, most of which have been spent in the extracorporeal blood purification arena. Mr. Kenley held several positions at Baxter Healthcare (Travenol) from 1977 through 1990 including International Marketing Manager, Business Unit Manager for Peritoneal and Hemodialysis products, Manager of New Business Development, Director of Worldwide Product Planning, Director of Advanced Product Development, and VP of Electronic

Drug Infusion. Mr. Kenley founded Aksys Ltd. in January 1991 to develop and commercialize his concept of a daily home hemodialysis system which was commercially launched in 2002 as the PHD system. In 2004, Mr. Kenley initiated the development of a second-generation home hemodialysis system in partnership with DEKA Research & Development Corporation in Manchester, New Hampshire. In 2007, the assets of Aksys Ltd. were acquired by DEKA, where Mr.

Kenley was employed prior to joining Aethlon Medical, Inc. Mr. Kenley received his Bachelor of Arts degree in Biology and Chemistry from Wabash College, a Master’s of Science degree in Molecular Biology from Northwestern University and a Masters of Management from the Kellogg School of Management, also at Northwestern University. We believe that Mr. Kenley is qualified to serve as our director as a result of his experience in developing extracorporeal blood purification products.

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

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

Franklyn S. Barry, Jr., Director

Mr. Barry was President and Chief Executive Officer of Hemex, Inc. from April 1997 through May 31, 2001 and our President and CEO from March 10, 1999 to May 31, 2001, when he returned to consulting until he retired in 2013. He became a director of Aethlon Medical, Inc. on March 10, 1999. From 1994 to April 1997, Mr. Barry was a private consultant. Included among his prior experiences are tenures as President of Fisher-Price and as co-founder and CEO of Software Distribution Services, which today operates as Ingram Micro-D, an international distributor of personal computer products. Mr. Barry serves on the Board of Directors of Merchants Mutual Insurance Company. We believe that Mr. Barry is qualified to serve as our director because of his extensive management experience.

Edward G. Broenniman, Director

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

Chetan S. Shah, MD, Director

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

Board of Directors

Our Board of Directors has the responsibility for establishing broad corporate policies and for overseeing our overall performance. Members of the Board of Directors are kept informed of our business activities through discussions with the CEO, President and other officers, by reviewing analyses and reports sent to them, and by participating in Board and committee meetings. We believe that having the offices of Chairman of the Board and Chief Executive Officer consolidated with one person is appropriate for a company of our size and stage of development in order to maximize efficiencies of our limited available personnel resources. The Board of

Directors may reevaluate this consolidation in the future if we grow to a size where they determine that such reevaluation is appropriate. Our bylaws provide that each of the directors serves for a term that extends to our next annual meeting of stockholders. Our Board of Directors presently has an Audit Committee and a Compensation Committee, on each of which Messrs. Barry and Broenniman and Dr. Shah serve as independent directors. Mr. Barry is Chairman of the Audit Committee, and Dr. Shah is Chairman of the Compensation Committee.

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

Our Board of Directors has adopted a Code of Business Conduct and Ethics, which has been distributed to all directors, officers, and employees. The Code of Business Conduct and Ethics contains a number of provisions that apply principally to our Chief Executive Officer, Chief Financial Officer and other key personnel. A copy of our Code of Business Conduct and Ethics can be found under the “Investor Relations – Corporate Governance” section of our website at www.aethlonmedical.com. We intend to disclose future amendments to certain provisions of our Code of Business Conduct and Ethics, or waivers of such provisions, applicable to our directors and executive officers, at the same location on our web site identified above. The inclusion of our web site address in this prospectus does not include or incorporate by reference the information on our web site into this prospectus.

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

The Board of Directors currently has three standing committees: the audit committee, the compensation committee, and the nominating committee. These committees are responsible to the full board.

Audit Committee

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

The audit committee

charter can be found on our website under "Investor Relations – Corporate Governance." The inclusion of our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus.

Compensation Committee

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

The compensation committee charter can

be found on our website at “Investor Relations – Corporate Governance.” The inclusion of our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus.

Directors Compensation Program

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

In the fiscal year ended March 31, 2013, our Board of Directors granted ten-year options to acquire an aggregate of 33,342 shares of our common stock, all with an exercise price of $3.80 per share, to our four outside directors under the 2012 program.

In the fiscal year ended March 31, 2014, our Board of Directors granted ten-year options to acquire an aggregate of 31,911 shares of our common stock, all with an exercise price of $4.10 per share, to our five outside directors under the 2012 program.

In the fiscal year ended March 31, 2015, our Board of Directors granted ten-year options to acquire an aggregate of 11,053 shares of our common stock, all with an exercise price of

$9.50 per share, to our three outside directors under the 2012 program.

At March 31, 2015 we had issued 26,757 options under the old 2005 program to outside directors and 79,309 options to employee-directors, 21,756 outside directors' options had been forfeited, 5,000 outside directors' options had been exercised, 79,309 employee-directors' options had been forfeited and no options under the old 2005 program remained outstanding.

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

Family Relationships

There are no family relationships

between or among the directors, executive officers or persons nominated or chosen by us to become directors or executive officers.

There are no arrangements or understandings between any two or more of our directors or executive officers or between any of our directors or executive officers and any other person pursuant to which any director or officer was or is to be selected as a director or officer, and there is no arrangement, plan or understanding as to whether non-management stockholders will exercise their voting rights to continue to elect the current Board of Directors. There are also no arrangements, agreements or understandings between non-management stockholders that may directly or indirectly participate in or influence the management of our affairs.

Involvement in Legal Proceedings

To the best of our knowledge, during the past ten years, none of the following occurred with respect to a present or former director or executive officer of our company: (1) any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of any competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; (4) being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodities Futures Trading Commission to have violated a

federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated; and (5) being the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any federal or state securities or commodities law or regulation, law or regulation respecting financial institutions or insurance companies or law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or (6) being the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Securities Exchange Act of 1934, as amended), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act, as amended), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or associated persons.

EXECUTIVE COMPENSATION

The following executive compensation disclosure reflects all compensation awarded to, earned by or paid to the executive officers below for the fiscal years ended March 31, 2015 and March 31, 2014. The following table summarizes all compensation for fiscal years 2015 and 2014 received by our Chief Executive Officer, and our three most highly compensated executive officers who earned more than

$100,000 in fiscal year 2015.

SUMMARY COMPENSATION TABLE FOR 2015 AND 2014 FISCAL YEARS

NAMED EXECUTIVE OFFICER AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	STOCK AWARDS ($)	OPTION AWARDS ($)(5)	NON-EQUITY INCENTIVE PLAN COMPEN-SATION ($)	NON-QUALIFIED DEFERRED COMPEN-SATION EARNINGS ($)	A O C ($
James A. Joyce (1)	2015	$347,500	$95,000	$–	$246,000	$–	$–	$-
CHIEF EXECUTIVE OFFICER	2014	$330,000	$70,000	$ –	$180,000	$ –	$ –	$
Richard H. Tullis, PhD (2)	2015	$195,000	$5,000	$–	$8,200	$–	$–	$-
VICE PRESIDENT AND CHIEF SCIENCE OFFICER	2014	$195,000	$–	$–	$45,000	$–	$–	$-
James B. Frakes (3)	2015	$206,250	$31,500	$–	$41,000	$–	$–	$-
CHIEF FINANCIAL OFFICER AND SVP-FINANCE	2014	$180,000	$3,000	$–	$45,000	$–	$–	$-
Rodney S. Kenley (4)	2015	$257,500	$15,000	$–	$41,000	$–	$–	$-
PRESIDENT	2014	$240,000	$–	$–	$45,000	$–	$–	$-

(1) The aggregate number of stock awards and stock option awards issued to Mr. Joyce and outstanding as of March 31, 2015 is 68,000 (see share restricted stock grant below) and 217,143, respectively. Mr. Joyce received a $5,000 salary increase from $325,000 to $330,000 effective July 1, 2013. In June 2014, Mr. Joyce received a $20,000 salary increase from $330,000 to $350,000. Mr. Joyce was granted 80,000 shares of restricted common

stock, at a price per share of $12.00, which vested in equal installments over a thirty-six month period that commenced on June 30, 2010. Mr. Joyce has accepted all 80,000 shares of the grant and all such shares have vested. Of these shares, Mr. Joyce currently owns 68,000 shares.

(2) The aggregate number of stock awards and stock option awards issued to Dr. Tullis and outstanding as of March 31, 2015 is

zero and 46,000, respectively. On November 7, 2014, we paid Dr. Tullis $5,000 for accrued expenses reimbursable to him. In January 2015, we paid Dr. Tullis $93,377 in payment of accrued salary.

(3) Mr. Frakes was appointed as Chief Financial Officer on September 27, 2010 after previously serving as Senior Vice President-Finance on a part-time basis. The aggregate number of stock awards and stock option awards issued to Mr. Frakes and

outstanding as of March 31, 2015 is zero and 25,000, respectively. In June 2014, Mr. Frakes received a $30,000 salary increase from $180,000 to $210,000.

(4) Mr. Kenley was appointed President on October 27, 2011. The aggregate number of stock awards and stock option awards issued to Mr. Kenley and outstanding as of March 31, 2015 is zero and 35,000, respectively. In June, 2014, Mr. Kenley received a

$20,000 salary increase from $240,000 to $260,000.

(5) As noted in note 6 to our financial statements for the years ended March 31, 2015 and March 31, 2014, the following outlines the significant weighted average assumptions used to estimate the fair value with respect to stock options utilizing the Binomial Lattice option pricing model for the years ended March 31, 2015 and March 31, 2014:

	Year Ended March 31,	
	2015	2014
Risk free interest	2.60%	0.38% to 2.65%

rate		
Average expected life	10 years	3 to 10 years
Expected volatility	90.23%	91.05% to 102.67%
Expected dividends	None	None

Employment Agreements

We entered into an employment agreement with Mr. Joyce effective April 1, 1999. Effective June 1, 2001, Mr. Joyce was appointed President and Chief Executive Officer and his base annual salary was increased from $120,000 to $180,000. Effective January 1, 2005, Mr. Joyce's salary was increased from

$180,000 to $205,000 per year. Under the terms of the agreement, his employment continues at a salary of $205,000 per year for successive one-year periods, unless given notice of termination 60 days prior to the anniversary of his employment agreement. Effective April 1, 2006. Mr. Joyce's salary was increased from $205,000 to $240,000. His salary was subsequently increased to $265,000 per year and effective May 1, 2008, his salary was increased from $265,000 to $290,000 per year. Effective April 1, 2010, his salary was increased from $290,000 to $325,000 per year. Effective July 2013, his salary was increased from $325,000 to $330,000 per year. In June 2014, his salary was increased from $330,000 to $350,000 per year.

During the fiscal year ended March 31, 2015, Mr. Joyce earned bonuses totaling $50,000 from us and bonuses totaling $45,000 from Exosome Sciences, Inc. All of those bonuses were based upon targets established by our compensation committee.

We entered into an employment agreement with Dr. Tullis effective January 10, 2000. Effective June 1, 2001, Dr. Tullis was appointed our Chief Science Officer. His compensation under the agreement was modified in June 2001 from $80,000 to $150,000 per year. Effective January 1, 2005, Dr. Tullis' salary was increased from $150,000 to $165,000 per year. Under the terms of the agreement, his employment continues at a salary of $165,000 per year for successive one-year periods, unless given notice of termination 60 days prior to the anniversary of his employment agreement. Dr. Tullis was granted 5,000 stock options to purchase our common stock in connection the completing certain milestones, such as the initiation and completion of certain clinical trials, the submission of proposals to the FDA and the filing of a patent application. Effective April 1, 2006, Dr. Tullis' salary was increased to $180,000 per year. Effective April 1, 2010, his salary was increased from $180,000 to $195,000 per year.

During the fiscal year ended March 31, 2015, Dr. Tullis earned a bonus of $5,000 from us. The bonus was based upon targets established by our compensation committee.

Both Mr. Joyce's and Dr. Tullis' agreements provide for medical insurance and disability benefits, and one year of severance pay if their employment is terminated by us without cause or due to change in our control before the expiration of their agreements, and allow for bonus compensation and stock option grants as determined by our Board of Directors. Both agreements also contain restrictive covenants preventing competition with us and the use of confidential business information, except in connection with the performance of their duties for us, for a period of two years following the termination of their employment with us.

On September 27, 2010, Mr. Frakes was appointed our Chief Financial Officer. We have not entered into a written employment agreement with Mr. Frakes. As Chief Financial Officer, Mr. Frakes receives an annual salary initially set at $180,000 and medical insurance benefits. In June 2014, his salary was increased from $180,000 to $210,000 per year. During the fiscal year ended March 31, 2015, Mr. Frakes earned bonuses totaling $30,000 from us and a bonus of $1,500 from Exosome Sciences, Inc. All of those bonuses were based upon targets established by our compensation committee.

Mr. Kenley was appointed our President on October 27, 2010. Pursuant to a written offer of employment executed by us and Mr. Kenley, he receives an annual salary initially set at $240,000 and medical insurance benefits. In June 2014, his salary was increased from $240,000 to $260,000 per year. During the fiscal year ended March 31, 2015, Mr. Kenley earned bonuses totaling $15,000 from us. All of those bonuses were based upon targets established by our compensation committee.

Outstanding Equity Awards at 2015 Fiscal Year-End

The following table sets forth certain information concerning stock option awards granted to our named executive officers.

OUTSTANDING EQUITY AWARDS AT 2015 FISCAL YEAR END

	OPTIONS AWARDS			
NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS EXERCISABLE (#)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS UNEXERCISABLE (#)	EQUITY INCENTIVE PLAN AWARDS NUMBER OF SECURITIES UNDERLYING UNEXERCISED UNEARNED OPTIONS UNEXERCISABLE (#)	OPTION EXERCISE PRICE ($)

James A. Joyce	57,143(1)	–	–	$10.50
	50,000(2)	–	–	$18.00
	40,000(3)	–	–	$12.50
	50,000(4)	–	–	$12.50
	10,000(5)	30,000	–	$5.00
	10,000(10)	30,000		$9.50
Richard H. Tullis	15,000(6)	–	–	$20.50
	20,000(7)	–	–	$12.50
	2,500(5)	7,500	–	$5.00
	333(10)	667		$9.50
James B. Frakes	10,000(8)	–	–	$12.50
	2,500(5)	7,500	–	$5.00
	1,667(10)	3,333		$9.50
Rodney S. Kenley	17,083(9)	2,917	–	$12.50
	2,500(5)	7,500	–	$5.00
	1,667(10)	3,333		$9.50

Note: We have omitted the stock awards columns of the above table because we have no disclosure applicable to those columns.

The above table excludes the impact

of the waiver of the right to exercise certain stock options and warrants held by Mr. James Joyce, our Chief Executive Officer, Mr. James Frakes, our Chief Financial Officer and Dr. Chetan Shah, a director of our company. Messrs. Joyce and Frakes and Dr. Shah agreed to waive their rights to acquire an aggregate of 402,318 shares of common stock. Of that total, 299,663 shares of common stock underlie stock options set forth in the table above. Those waivers were required in order to make a sufficient number of shares of common stock available for issuance upon the exercise of the warrants issued in our June 2015 financing. Those waivers will expire when we amend our Articles of Incorporation to increase sufficiently the number of authorized shares of common stock available for issuance.

(1) This option was fully vested as of March 31, 2010 and as a result of an Option

Suspension Agreement with us, the expiration date was extended by 100 days. Subsequent to March 31, 2010, the expiration date of this option was extended to December 18, 2015 (see Item 13 to the Financial Statements).

(2) The option vested 20,000 shares at grant, with 10,000 shares vesting each annual anniversary date through June 13, 2010 and as a result of an Option Suspension Agreement with us, the expiration

date was extended by 100 days.

(3) The option vested 20,000 at grant, with 10,000 shares vesting on December 31, 2009 and December 31, 2010 and as a result of an Option Suspension Agreement with us, the expiration date was extended by 100 days.

(4) The option vested 20,000 at grant, with 10,000 vesting on each anniversary date through September 27, 2013.

(5) This option vests ratably on July 1, 2014, July 1, 2015 and July 1, 2016.

(6) This option was fully vested as of December 15, 2011.

(7) The option was fully vested as of September 27, 2011.

(8) The option was fully vested as of September 27, 2011.

(9) The option vested 5,000 on October 27, 2011 and the remaining 15,000

vested over the 36 months following that date.

(10) This option vests ratably on June 6, 2014, June 6, 2015 and June 6, 2016.

Director Compensation for 2015 Fiscal Year

The following director compensation disclosure reflects all compensation awarded to, earned by or paid to the directors below for the fiscal year ended March 31, 2015.

	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
James A. Joyce (1)	$–	–	$–	–	–	–	$–
Richard H. Tullis (2)	$–	–	$–	–	–	–	$–
Rodney S. Kenley (3)	$–	–	$–	–	–	–	$–
Edward G. Broenniman (4)	$38,000	–	$30,211	–	–	–	$68,211
Franklyn S. Barry, Jr. (5)	$39,000	–	$30,211	–	–	–	$69,211
Chetan S. Shah, MD (6)	$39,000	–	$30,211	–	–	–	$69,211

(1) All compensation received by Mr. Joyce in fiscal year 2015 is disclosed in the Summary Compensation Table above. Mr. Joyce received no compensation as a director in fiscal year 2015.

(2) All compensation received by Dr. Tullis in fiscal year 2015 is disclosed in the Summary Compensation Table above. Dr. Tullis received no compensation as a director in fiscal year 2015. Dr. Tullis resigned from the Board of Directors effective

June 5, 2015.

(3) All compensation received by Mr. Kenley in fiscal year 2015 is disclosed in the Summary Compensation Table above. Mr. Kenley received no compensation as a director in fiscal year 2015.

(4) The aggregate number of stock awards and options awards issued and outstanding as of March 31, 2015 are 0 and 43,431. Mr. Broenniman received stock option grants of 3,684

shares on June 6, 2014, 8,537 shares on March 14, 2014, and 9,211 shares on July 24, 2012 for his service as an outside director. The June 2014 option vested 3,684 shares on March 31, 2015, the March 2014 option vested all 8,537 shares at grant and the 2012 option vested 3,961 at grant, with 5,250 vesting in the June 2013 quarter. On October 21, 2014 and November 7, 2014, we paid Mr. Broenniman an aggregate of $10,063 for accrued Board of Directors fees and expenses reimbursable to him. In January 2015, we paid $84,500 to Mr. Broenniman in payment of accrued Board of Directors fees and amounts accrued for services rendered to us by him prior to the 1999 reorganization among Aethlon, Inc., Hemex, Inc. and us.

(5) The aggregate number of stock awards and options awards issued and outstanding as of March 31,

2015 are 0 and 41,431. Mr. Barry received stock option grants of 3,684 shares on June 6, 2014, 8,537 shares on March 14, 2014 and 9,211 shares on July 24, 2012 for his service as an outside director. The June 2014 option vested 3,684 shares on March 31, 2015, the March 2014 option vested all 8,537 shares at grant and the 2012 option vested 3,961 at grant, with 5,250 vesting in the June 2013 quarter. On October

21, 2014 and November 7, 2014, we paid Mr. Barry an aggregate of $10,944 for accrued Board of Directors fees and expenses reimbursable to him. In January 2015, we paid $271,810 to Mr. Barry in payment of accrued director fees and amounts accrued for services rendered to us by him prior to the 1999 reorganization among Aethlon, Inc., Hemex, Inc. and us.

(6) The aggregate number of stock awards

and options awards issued and outstanding as of March 31, 2015 are 0 and 11,205. Dr. Shah received stock option grants of 3,684 on June 6, 2014 and 7,520 shares on July 24, 2012 for his service as an outside director. The June 2014 option vested 3,684 shares on March 31, 2015, and the 2014 option vested all 7,520 shares at grant. In January 2015, we paid $14,500 to Dr. Shah in payment of accrued director fees.

Directors Compensation Program

We maintain a board compensation program, in which only non-employee directors may participate. Please see the “Equity Compensation Plans – 2012 Directors Compensation Program” section of this prospectus for more information on the program.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of July 10, 2015, with respect to the ownership of our common stock, by (i) each person known by us to be the beneficial owner of more than five percent (5%) of the outstanding shares of each class of our capital stock, (ii) each of our directors and director nominees (if any), (iii) each of our named executive officers and (iv) all of our executive officers and directors as a group. The term "executive officer" is defined as the President/Chief Executive Officer, Secretary, Chief Financial Officer/Treasurer, any vice-president in charge of a principal business function (such as administration or finance), or any other person who performs similar policy making functions for us. We believe that each individual or entity named has sole investment and voting power with respect to shares of common stock indicated as beneficially owned by them, subject to community property laws where applicable, excepted where otherwise noted:

TITLE OF CLASS	NAME AND ADDRESS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (1)(2)	PERCENT OF BENEFICIAL OWNERSHIP
Common Stock	James A. Joyce, Chief Executive Officer and Director 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	76,000 shares (3)	1%
Common Stock	Richard H. Tullis, PhD, Chief Scientific Officer 9635 Granite Ridge Drive,	48,208 shares (4)	*

	Suite 100 San Diego, CA 92123		
Common Stock	Rodney S. Kenley, President and Director 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	24,567 shares (5)	*
Common Stock	James B. Frakes, Chief Financial Officer 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	200 shares (6)	*
Common Stock	Franklyn S. Barry, Jr., Director 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	43,553 shares (7)	*
Common Stock	Edward G. Broenniman, Director 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	49,075 shares (8)	*
Common Stock	Chetan Shah, MD, Director (11) 9635 Granite Ridge Drive, Suite 100 San Diego, CA 92123	277,651 shares (9)	3.6%
Common Stock	Ellen R Weiner Family Revocable Trust (11) 10645 N.	809,405 shares (10)	11.6%

	Tatum Blvd., Suite 200-166 Phoenix, AZ 85028		
Common Stock	Estate of Allen S. Bird 9960 West Cheyenne Avenue, Suite 110 Las Vegas, NV 89129	294,612 shares (10)	4.4%
Common Stock	All Current Directors and Executive Officers as a Group (7 members)	519,254 shares	6.7%

* Less than 1%

(1) Based on 7,610,344 shares of common stock outstanding on our transfer records as of July 10, 2015.

(2) Calculated pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, as amended.

Under Rule 13d-3(d)(1), shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable by a person within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. Except where otherwise noted, we believe that each individual or entity named has sole investment and voting power with respect to the shares of common stock indicated as beneficially owned by such person, subject to community property laws, where applicable.

(3) Mr. Joyce agreed to waive his right to exercise 267,143 stock options held by him in order to make a sufficient number of shares of common stock available for issuance upon the exercise of the warrants issued in our June 2015 financing. Accordingly, none of those stock options are included in the above table. The waiver will expire when we amend our Articles of Incorporation to increase sufficiently the number of authorized shares of

our common stock available for issuance.

(4) Includes 15,000 stock options exercisable at $20.50 per share, 20,000 stock options exercisable at $12.50 per share 2,500 stock options exercisable at $5.00 per share and 333 stock options exercisable at $9.50 per share.

(5) Includes 20,000 stock options exercisable at $12.50 per share, 2,500 stock options exercisable at $5.00 per share and 1,667

stock options exercisable at $9.50 per share.

(6) Mr. Frakes agreed to waive his right to exercise 25,000 stock options held by him in order to make a sufficient number of shares of common stock available for issuance upon the exercise of the warrants issued in our June 2015 financing. Accordingly, none of those stock options are included in the above table. The waiver will expire when we amend our Articles of Incorporation to increase

sufficiently the number of authorized shares of our common stock available for issuance.

(7) Includes 10,000 stock options exercisable at $20.50 per share, 10,000 stock options exercisable at $12.50 per share, 9,211 stock options exercisable at $3.80 per share, 8,537 stock options exercisable at $4.10 per share and 3,684 stock options exercisable at $9.50 per share.

(8) Includes 10,000 stock

options exercisable at $20.50 per share, 12,000 stock options exercisable at $12.50 per share, 9,211 stock options exercisable at $3.80 per share, 8,537 stock options exercisable at $4.10 per share and 3,684 stock options exercisable at $9.50 per share.

(9) Includes warrants to purchase 6,665 shares of common stock at exercise prices ranging from $4.65 per share to $6.60 per share, and 3,684 stock options exercisable at $9.50 per share.

Dr. Shah agreed to waive his right to exercise 7,520 stock options and 102,655 warrants held by him in order to make a sufficient number of shares of common stock available for issuance upon the exercise of the warrants issued in our June 2015 financing. Accordingly, none of those stock options and warrants are included in the above table. The waiver will expire when we amend our Articles of Incorporation to increase sufficiently the number of authorized shares of our common stock available for issuance.

(10) Includes common stock issuable upon exercise of warrants held by the Ellen R. Weiner Family Revocable Trust and common stock issuable upon exercise of warrants held by the Estate of Allan S. Bird. The trust owns 319,533 warrants to purchase common shares at prices ranging from $2.10 to $5.40 per share. The estate owns 103,098 warrants to purchase common

shares at prices ranging from $2.10 to $5.40 per share. Mr. Bird was Ms. Weiner's father-in-law. The Ellen R. Weiner Family Trust disclaims any beneficial ownership of the estate's warrants and underlying common stock. The Estate of Mr. Bird disclaims any beneficial ownership of the trust's warrants and underlying common stock.

(11) More-than-5% stockholder.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The following describes all transactions since April 1, 2013, and all proposed transactions, in which we were or are to be a participant and the amount involved exceeds the lesser of $120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest.

Between March 2012 and June 2013, Dr. Chetan Shah, one of our directors, participated in several private equity placements with us under which he invested an aggregate amount of $625,556 and in return received 170,000 restricted shares of our common stock and seven year warrants to purchase 85,000 shares of our common stock.

In June 2013, we

borrowed $80,000 at a 10% interest rate from Mr. Phillip Ward, one of our former directors. We repaid that loan and paid accrued interest of $133 to Mr. Ward in June 2013.

In July 2013, we borrowed $400,000 from Mr. Ward and Dr. Shah under 90-day notes bearing 10% interest. If we did not pay back those loans by October 9, 2013, then the notes would bear interest at a penalty rate of 12% and the noteholders would have the right at their discretion (i) to convert their principal and accrued interest into shares of common stock at $4.40 per share and (ii) to receive warrants to purchase common stock equal to 50% of the principal converted under the notes, with an exercise price of $6.60 per share. We subsequently repaid Mr. Ward’s note in cash. That repayment extinguished all potential common stock and warrant issuance provisions of Mr. Ward’s note. On July 24, 2014, we issued to Dr. Shah an aggregate of 50,079 shares of restricted common stock and a seven-year warrant to purchase up to 25,040 shares of common stock at an exercise price of $6.60 per share upon the conversion of an aggregate of $220,349 of unpaid principal and accrued interest due under his note. The amount converted represented the entire amount outstanding under Dr. Shah’s note.

On March 14, 2014, our Board

of Directors granted to our three outside directors ten-year options to acquire an aggregate of 31,911 shares of our common stock at an exercise price of $4.10 per share.

On June 6, 2014, our Board of Directors granted to our directors and our Chief Financial Officer ten-year options to acquire an aggregate of 52,053 shares of our common stock at an exercise price of $9.50 per share.

In July 2014,

Exosome Sciences, Inc. paid a bonus of $15,000 to Mr. Joyce.

In October 2014, Exosome Sciences, Inc. paid bonuses of $15,000 to Mr. Joyce and $1,500 to Mr. Frakes.

On October 20, 2014, we issued to Dr. Shah 42,222 shares of common stock and three-year warrants to acquire up to 42,222 shares of common stock with exercise prices ranging from $4.65 to $5.50 per share. The common stock and warrants were issued to Dr. Shah upon his cash exercise, for an aggregate of $214,000, of previously issued warrants for 42,222 shares held by him.

On October 21, 2014 and November 7, 2014, we paid Mr. Franklyn Barry and Mr. Edward Broenniman, two of our outside directors, an aggregate of $10,944 and $10,063, respectively, for accrued Board of Directors fees and expenses reimbursable to them. On November

7, 2014, we paid Dr. Tullis $5,000 for accrued expenses reimbursable to him.

In December 2014, we paid bonuses of $25,000 to Mr. Joyce, $15,000 to Mr. Kenley, $15,000 to Mr. Frakes and $5,000 to Dr. Tullis.

In December 2014, Exosome Sciences, Inc. paid Mr. Joyce a bonus of $15,000.

In January 2015, we made the following payments to certain of our officers and directors:

- bonuses of $25,000 to Mr. Joyce and $15,000 to Mr. Frakes;
- $93,377 to Dr. Tullis in payment of accrued salary;
- $14,500 to Dr. Shah in payment of accrued director fees;
- $84,500 to Mr. Broenniman in payment of accrued director fees and amounts accrued for services rendered to us prior to the 1999 reorganization among Aethlon, Inc., Hemex, Inc. and us; and
- $271,810 to Mr. Barry in payment of accrued director fees and amounts accrued for services rendered to us prior to the 1999 reorganization among Aethlon, Inc., Hemex, Inc. and us.

In June 2015, Mr. James Joyce, our Chief Executive Officer, Mr. James Frakes, our Chief Financial Officer and Dr. Chetan Shah, a director of our company, agreed to waive their rights to acquire an aggregate of 402,318 shares of common stock underlying certain stock options and warrants held by them. Those waivers were required in order to make a sufficient number of shares of common stock available for issuance upon the exercise of the warrants issued in our June 2015 financing. Those waivers will expire when we amend our Articles of Incorporation to increase sufficiently the number of authorized shares of common stock available for issuance.

Director Independence

Please see the “Directors and Executive Officers – Board of Directors” section of this prospectus for information regarding director independence.

DESCRIPTION OF SECURITIES

General

Our authorized capital consists of 10,000,000 shares of common stock, par value $0.001 per share. As of July 10, 2015, there were issued and outstanding 7,610,344 shares of common stock. On April 14, 2015, we completed a 1-for-50 reverse stock split. Accordingly, authorized common stock was reduced from 500,000,000 shares to 10,000,000 shares, and each 50 shares of outstanding common stock held by stockholders were combined into one share of common stock. All shares and per share amounts have been revised accordingly.

Common Shares

The holders of our common stock are entitled to one vote (or consent) per share on all matters to be voted on by the stockholders. Holders of common stock are entitled to receive ratably such dividends as may be declared by the Board of

Directors out of funds legally available therefor. If we liquidate, dissolve or wind up, holders of common stock are entitled to share ratably in all assets remaining after payment of all debts and other liabilities. Holders of common stock have no preemptive, conversion or subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are, and all shares of common stock to be outstanding upon completion of this offering will be, validly issued, fully paid and nonassessable.

Except as otherwise required by Nevada law, all stockholder action is taken by the vote of a majority of common stock voting as a single class present at a meeting of stockholders at which a quorum is present in person or by proxy. Stockholders representing a majority of the stock issued and outstanding, either in person or by proxy, shall constitute a quorum at a meeting of stockholders; *provided*, *however*, that at any time during which shares of our capital stock are listed for trading on The NASDAQ Stock Market LLC, stockholders representing not less than thirty-three and one-third percent (33 1/3%) of the common voting stock issued and outstanding, either in person or by proxy, shall constitute a quorum at a meeting of the holders of common stock.

Options and

Warrants Convertible into Common Shares

As of July 10, 2015, there were outstanding common share purchase options and warrants entitling the holders to purchase 2,771,127 common shares at a weighted average exercise price of $7.44 per share. This includes 26,105 warrants that are conditional upon the exercise of other warrants and includes 402,318 purchase options and warrants the exercise of which was suspended by certain of our officers and directors in June 2015.

LEGAL MATTERS

Raines Feldman LLP has passed upon the validity of the shares of common stock offered by this prospectus. Jennifer A. Post, Esq., a partner of the firm, owns approximately 16,000 shares of our common stock.

EXPERTS

The consolidated financial statements appearing in this prospectus and registration statement have been audited by Squar, Milner, Peterson, Miranda & Williamson, LLP, an independent registered public accounting firm, as stated in their report appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We are a reporting company under the Securities Exchange Act of 1934, as amended, and we file annual, quarterly and current reports and other information with the Securities and Exchange Commission. The public may read and copy any materials that we file with the Securities and Exchange Commission at its Public Reference Room at 100 F

Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains an Internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Securities and Exchange Commission.

Our website address is www.aethlonmedical.com. Our website and the information contained on our website are not incorporated into this prospectus or the registration statement of which it forms a part.

AETHLON MEDICAL, INC. AND SUBSIDIARY

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Aethlon Medical, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheets of Aethlon Medical, Inc. and Subsidiary (the "Company") as of March 31, 2015 and 2014 and the related consolidated statements of operations, equity (deficit) and cash flows for each of the years in the two-year period ended March 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aethlon Medical, Inc. and Subsidiary as of March 31, 2015 and 2014 and the consolidated results of their operations and their cash flows for each of the years in the two-year period ended March 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 1, the Company effected a 1-for-50 reverse stock split on April 14, 2015. All share and per share amounts in the accompanying consolidated financial statements and related notes have been retroactively revised to reflect such split as if it occurred on April 1, 2013.

During June 2015, as more fully discussed in Note 16, the Company raised approximately $5,592,000 of cash in exchange for units, comprised of common stock and warrants. Due to the significance of such subsequent event, the Company has included an unaudited pro forma balance sheet as of March 31, 2015 in its consolidated balance sheets to present the effect of the subsequent event as if it had occurred on March 31, 2015.

/s/ SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

NEWPORT
BEACH,
CALIFORNIA

JUNE 25,
2015

AETHLON MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 31, 2015	March 31, 2014	Pro Forma March 31, 2015 (Note 16) (unaudited)
ASSETS			
CURRENT ASSETS			
Cash	$855,596	$1,250,279	$6,447,584
Accounts receivable	193,341	95,177	193,341
Deferred financing costs	82,324	83,191	82,324
Prepaid expenses	73,135	50,699	73,135
TOTAL CURRENT ASSETS	1,204,396	1,479,346	6,796,384
NON-CURRENT ASSETS			
Property and equipment, net	56,091	84,279	56,091
Patents, net	103,325	112,489	103,325
Deposits	16,776	18,988	16,776
TOTAL NON-CURRENT ASSETS	176,192	215,756	176,192
TOTAL ASSETS	$1,380,588	$1,695,102	$6,972,576
LIABILITIES AND EQUITY (DEFICIT)			
CURRENT LIABILITIES			
Accounts payable	$342,133	$517,651	$342,133
Due to related parties	146,112	839,070	146,112
Notes payable	–	390,000	–
	–	1,367,655	–

Convertible notes payable, current portion			
Derivative liabilities	–	10,679,067	–
Other current liabilities	85,731	1,855,374	85,731
TOTAL CURRENT LIABILITIES	573,976	15,648,817	573,976
NONCURRENT LIABILITIES			
Convertible notes payable, noncurrent portion	155,229	776,451	155,229
TOTAL NONCURRENT LIABILITIES	155,229	776,451	155,229
TOTAL LIABILITIES	729,205	16,425,268	729,205
COMMITMENTS AND CONTINGENCIES (Note 13)			
STOCKHOLDERS' EQUITY (DEFICIT)			
Common stock, $0.001 par value, 10,000,000 shares authorized at March 31, 2015 and 2014; 6,657,046 and 4,499,480 issued and outstanding at March 31, 2015 and 2014, respectively	6,657	4,497	7,609
Additional paid-in capital	82,238,507	59,879,624	87,829,543
Accumulated deficit	(81,629,714)	(74,832,557)	(81,629,714)
TOTAL AETHLON MEDICAL, INC STOCKHOLDERS' EQUITY (DEFICIT)	615,450	(14,948,436)	6,207,438
NONCONTROLLING INTERESTS	35,933	218,270	35,933
	651,383	(14,730,166)	6,243,371

TOTAL EQUITY (DEFICIT)			
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$1,380,588	$1,695,102	$6,972,576

See accompanying notes to the consolidated financial statements.

AETHLON MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	Years Ended March 31,	
	2015	2014
REVENUES:		
Government contract revenue	$762,417	$1,623,769
Total revenues	762,417	1,623,769
OPERATING EXPENSES		
Professional fees	1,572,196	1,521,397
Payroll and related	2,275,959	2,227,194
General and administrative	907,115	931,106
	4,755,270	4,679,697
OPERATING LOSS	(3,992,853)	(3,055,928)
OTHER (INCOME) EXPENSE		
Loss on debt conversion	2,753,989	40,256
Change in fair value of derivative liabilities	–	8,547,015
Loss on litigation settlement	–	583,601
Other income	(219,624)	(75,059)
Interest and other debt expenses	452,276	1,287,221
	2,986,641	10,383,034

NET LOSS BEFORE NONCONTROLLING INTERESTS	(6,979,494)	(13,438,962)
LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(182,337)	(81,730)
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$(6,797,157)	$(13,357,232)
Basic and diluted net loss per share available to common stockholders (Note 1)	$(1.22)	$(3.44)
Weighted average number of common shares outstanding - basic and diluted (Note 1)	5,594,447	3,881,179

See accompanying notes to the consolidated financial statements.

AETHLON MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	ATTRIBUTABLE TO AETHLON MEDICAL, INC.					
	COMMON STOCK		ADDITIONAL PAID IN	ACCUMULATED	NON-CONTROLLING	TOT EQU
	SHARES	AMOUNT	CAPITAL	DEFICIT	INTERESTS	(DEF
BALANCE - MARCH 31, 2013	3,473,484	$3,473	$52,327,408	$(61,475,325)	$–	$(9,1
Issuances of common stock upon conversions of notes payable	211,480	211	726,565	–	–	726
Issuance of common stock for cash - Aethlon	337,455	337	1,676,695	–	–	1,67
Issuance of common stock for cash - ESI	–	–	1,200,000		300,000	1,50
Issuance of common stock for services	61,423	61	392,032	–	–	392

Issuance of common stock under convertible debt restructuring	90,142	90	856,259	–	–	856
Issuance of common stock under stock option exercises for accrued expenses	3,171	3	12,997	–	–	13,(
Reclassification of derivative liability into equity	–	–	1,456,187	–	–	1,45
Issuance of common stock under cashless warrant exercises	254,325	254	(254)	–	–	–
Shares issued under restricted stock grant	68,000	68	(68)	–	–	–
Issuance of common stock on litigation settlement	–	–	583,601	–	–	583
Loss on debt conversion	–	–	40,256	–	–	40,2
Stock-based compensation expense	–	–	607,946	–	–	607
Net loss	–	–	–	(13,357,232)	(81,730)	(13,
BALANCE - MARCH 31, 2014	4,499,480	$4,497	$59,879,624	$(74,832,557)	$218,270	$(14,

See accompanying notes to the consolidated financial statements.

AETHLON MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	ATTRIBUTABLE TO AETHLON MEDICAL, INC.					
	COMMON STOCK		ADDITIONAL PAID IN	ACCUMULATED	NON-CONTROLLIN	TO EQ
	SHARES	AMOUNT	CAPITAL	DEFICIT	INTERESTS	(DE
BALANCE - MARCH 31, 2014	4,499,480	$4,497	$59,879,624	$(74,832,557)	$218,270	$(1
Issuances of common stock upon conversions of notes payable and convertible notes payable and related accrued interest	948,728	949	2,272,083	–	–	2,
Issuance of common stock for cash - Aethlon	541,361	542	4,762,611	–	–	4,
Issuance of common stock for services	27,654	28	225,130	–	–	22

Extension of warrants	–	–	143,363	–	–	14
Reclassification of derivative liability into equity	–	–	10,679,067	–	–	10
Issuance of common stock under cashless warrant exercises	433,907	434	(434)	–	–	–
Debt discount recorded in connection with beneficial conversion feature	–	–	527,780	–	–	52
Issuance of common stock for deferred financing costs	500	1	4,499	–	–	4,
Issuance of common stock and warrants related to extinguishment of debt	205,416	206	3,328,303	–	–	3,
Stock-based compensation expense	–	–	416,481	–	–	41
Net loss	–	–	–	(6,797,157)	(182,337)	(6
BALANCE - MARCH 31, 2015	6,657,046	$6,657	$82,238,507	$(81,629,714)	$35,933	$65

See accompanying notes to the consolidated financial statements.

AETHLON MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Net loss	$(6,979,494)	$(13,438,962)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	37,352	21,087
Debt restructuring cost	–	856,349
Loss on extension of warrants	143,363	–
Loss on litigation settlement	–	583,601
Change in estimated fair value of derivative liabilities	–	8,547,015

Loss on debt conversion	2,753,989	40,256
Fair market value of equity instruments issued for services	225,158	392,093
Stock based compensation	416,481	607,946
Amortization of debt discount and deferred financing costs	273,377	5,147
Changes in operating assets and liabilities:		
Accounts receivable	(98,164)	113,604
Prepaid expenses	(22,436)	(21,097)
Other assets	2,212	(8,612)
Accounts payable and other current liabilities	(1,108,294)	46,602
Due to related parties	(692,958)	116,000
Net cash used in operating activities	(5,049,414)	(2,138,971)
Cash flows from investing activities:		
Purchases of property and equipment	–	(96,056)
Net cash used in investing activities	–	(96,056)

See accompanying

notes to the consolidated financial statements.

AETHLON MEDICAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
Cash flows from financing activities:		
Principal repayments of notes payable	(523,422)	(217,000)
Proceeds from the issuance of notes payable	415,000	400,000
Net proceeds from the issuance of common stock	4,763,153	3,177,032
Net cash provided by financing activities	4,654,731	3,360,032
Net (decrease) increase in cash	(394,683)	1,125,005
Cash at beginning of year	1,250,279	125,274
Cash at end of year	$855,596	$1,250,279

Supplemental disclosure of cash flow information - Cash paid during the year for:		
Interest	$480,701	$13,950
Income taxes	$–	$–
Supplemental information of non-cash investing and financing activities:		
Conversion of debt, accrued liabilities and accrued interest to common stock	$2,273,032	$726,776
Reclassification of accounts payable to convertible notes payable	$–	$47,000
Reclassification of accrued interest to convertible notes payable	$25,766	$20,027
Recording deferred financing costs associated with notes payable and convertible notes payable	$117,280	$83,191
Reclassification of warrant derivative liability into equity	$10,679,067	$1,456,187
Issuance of shares under cashless warrant exercises	$434	$12,717

Exercise of stock option for accrued expenses	$–	$13,000
Creation of debt discount on convertible notes payable	$527,780	$–
Stock issued under restricted stock grant	$–	$3,400

See accompanying notes to the consolidated financial statements.

Aethlon Medical, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Aethlon Medical, Inc. and subsidiary ("Aethlon", the "Company", "we" or "us") is a medical device company focused on creating innovative devices that address unmet medical needs in cancer, infectious disease and other life-threatening conditions. At the core of our developments is the Aethlon ADAPT™ (Adaptive Dialysis-Like Affinity Platform Technology) system, a medical device platform that converges single or multiple affinity drug agents with advanced plasma membrane technology to create therapeutic filtration devices that selectively remove harmful particles from the entire circulatory system without loss of essential blood components.

On June 25, 2013, the United States Food and Drug Administration (FDA) approved an Investigational Device Exemption (IDE) that allows us to initiate human feasibility studies of the Aethlon Hemopurifier® in the U.S. Under the feasibility study protocol, we will enroll ten end-stage renal disease patients who are infected with the Hepatitis C virus (HCV) to demonstrate the safety of Hemopurifier therapy. Successful completion of this study will allow us the opportunity to initiate pivotal studies that are required for market clearance to treat HCV and other disease conditions in the U.S.

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

In October 2013, our subsidiary, Exosome Sciences, Inc. (“ESI”), commenced operations with a focus on advancing exosome-based strategies to diagnose and monitor the progression of cancer, infectious disease and other life-threatening conditions.

Our common stock is quoted on the OTCQB marketplace administered by the OTC Markets Group under the symbol "AEMD."

REVERSE STOCK SPLIT

On April 14, 2015, the Company completed a 1-for-50 reverse stock split. Accordingly, authorized common stock was reduced from 500,000,000 shares to 10,000,000 shares, and each 50 shares of outstanding common stock held by stockholders were combined into one share of common stock. The accompanying consolidated financial statements and accompanying notes have been retroactively revised to reflect such reverse stock split as if it had occurred on April 1, 2013. All shares and per share amounts have been revised accordingly.

UNAUDITED PRO FORMA BALANCE SHEET INFORMATION

During June 2015, as more fully discussed in Note 16, the Company raised approximately $5,592,000 of cash in exchange for units, comprised of common stock and warrants. Due to the significance of such subsequent event, the Company has included an unaudited pro forma balance sheet as of March 31, 2015 in its consolidated balance sheets to present the effect of the subsequent event as if it had occurred on March 31, 2015.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Aethlon Medical, Inc. and its majority-owned and controlled subsidiary, ESI. All significant intercompany balances and transactions have been eliminated in consolidation. The Company classifies the noncontrolling interests in ESI as part of consolidated net loss in the fiscal years ended March 31, 2015 and 2014 and includes the accumulated amount of noncontrolling interests as part of stockholders’ equity.

The losses at ESI during the fiscal year ended March 31, 2015 reduced the noncontrolling interests on our consolidated balance sheet by $182,337 from $218,270 at March 31, 2014 to $35,933 at March 31, 2015.

RISKS AND UNCERTAINTIES

We operate in an industry that is subject to intense competition, government regulation and rapid technological change. Our operations are subject to significant risk and uncertainties including financial, operational, technological, regulatory, and including the potential risk of business failure.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of consolidated operations or equity.

USE OF ESTIMATES

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management include, among others, realization of long-lived assets, valuation of derivative liabilities, estimating fair value associated with debt and equity transactions and valuation of deferred tax assets. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Accounting standards define "cash and cash equivalents" as any short-term, highly liquid investment that is both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. For the purpose of financial statement presentation, we consider all highly liquid investment instruments with original maturities of three months or less when purchased, or any investment redeemable without penalty or loss of interest to be cash equivalents. As of March 31, 2015 and 2014, we had no assets that were classified as cash equivalents.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of our cash, accounts receivable, accounts payable, and other current liabilities approximates their estimated fair values due to the short-term maturities of those financial instruments. The carrying amount of the notes payable approximates their fair value due to the short maturity of the notes and since the interest rates approximate current market interest rates for similar instruments. Derivative liabilities recorded in connection with warrants and embedded conversion features of certain convertible notes payable are reported at their estimated fair value, with changes in fair value being reported in results of operations (see Note 10).

Management has concluded that it is not practical to determine the estimated fair value of amounts due to related parties because the transactions cannot be assumed to have been consummated at arm's length, the terms are not deemed to be market terms, there are no quoted values available for these instruments, and an independent valuation would not be practicable due to the lack of data regarding similar instruments, if any, and the associated potential costs.

Other than our derivative liabilities, we do not have any assets or liabilities that are measured at fair value on a recurring basis and, during the years ended March 31, 2015 and 2014, did not have any assets or liabilities that were measured at fair value on a nonrecurring basis.

CONCENTRATIONS OF CREDIT RISKS

Cash is maintained at two financial institutions in checking accounts and related cash management accounts. Accounts at these institutions are secured by the Federal Deposit Insurance Corporation up to $250,000. Our March 31, 2015 cash balances were approximately $471,000 over such insured amount. We do not believe that the Company is exposed to any significant risk with respect to its cash.

All of our accounts receivable at March 31, 2015 and 2014 and all of our revenue in the fiscal years ended March 31, 2015 and 2014 were directly from the U.S. Department of Defense or from a subcontract under Battelle, which is a prime contractor with the U.S. Department of Defense.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from two to five years. Repairs and maintenance are charged to expense as incurred while improvements are capitalized. Upon the sale or retirement of property and equipment, the accounts are relieved of the cost and the related accumulated depreciation with any gain or loss included in the consolidated statements of operations.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the difference between the consolidated financial statements and their respective tax basis. Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts reported for income tax purposes, and (b) tax credit carryforwards. We record a valuation allowance for deferred tax assets when, based on our best estimate of taxable income (if any) in the foreseeable future, it is more likely than not that some portion of the deferred tax assets may not be realized.

LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment loss is recognized. We believe no impairment charges were necessary during the fiscal years ended March 31, 2015 and 2014.

LOSS PER SHARE

Basic loss per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period of computation. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if potential common shares had been issued, if such additional common shares were dilutive. Since we had net losses for all periods presented, basic and diluted loss per share are the same, and additional potential common shares have been excluded as their effect would be antidilutive.

As of March 31, 2015 and 2014, a total of 2,030,448 and 2,861,492 potential common shares, consisting of shares underlying outstanding stock options, warrants and convertible notes payable were excluded as their inclusion would be antidilutive.

SEGMENTS

Historically, we operated in one segment that was based on our development of therapeutic devices. However in the December 2013 quarter, we initiated the operations of ESI to develop diagnostic tests. As a result, we now operate in two segments, Aethlon for therapeutic applications and ESI for diagnostic applications (See Note 14).

DEFERRED FINANCING COSTS

Costs related to

the issuance of debt are capitalized and amortized to interest expense over the life of the related debt using the effective interest method. We recorded amortization expense related to our deferred financing costs of $118,147 and $863 during the fiscal years ended March 31, 2015 and 2014, respectively.

REVENUE RECOGNITION

DARPA Contract -- With respect to revenue recognition, we entered into a government contract with DARPA and have recognized revenue of $630,887 and $1,466,482 under that contract during the fiscal years ended March 31, 2015 and 2014, respectively. We adopted the Milestone method of revenue recognition for the DARPA contract under ASC 605-28 “Revenue Recognition – Milestone Method” and we believe we meet the requirements under ASC 605-28 for reporting contract revenue under the Milestone Method for the fiscal years ended

March 31, 2015 and 2014.

In order to account for this contract, we identify the deliverables included within the contract and evaluate which deliverables represent separate units of accounting based on if certain criteria are met, including whether the delivered element has standalone value to the collaborator. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units.

A milestone is an event having all of the following characteristics:

(1) There is substantive uncertainty at the date the arrangement is entered into that the event will be achieved. A vendor's assessment that it expects to achieve a milestone does not necessarily mean that there is not substantive uncertainty associated with achieving the milestone.

(2) The event can only be achieved based in whole or in part on either: (a) the vendor's performance; or (b) a specific outcome resulting from the vendor's performance.

(3) If achieved, the event would result in additional payments being due to the vendor.

A milestone is an event having all of the following characteristics:

(1) There is substantive uncertainty at the date the arrangement is entered into that the event will be achieved. A vendor's assessment that it expects to achieve a milestone does not necessarily mean that there is not substantive uncertainty associated with achieving the milestone.

(2) The event can only be achieved based in whole or

in part on either: (a) the vendor's performance; or (b) a specific outcome resulting from the vendor's performance.

(3) If achieved, the event would result in additional payments being due to the vendor.

A milestone does not include events for which the occurrence is either: (a) contingent solely upon the passage of time; or (b) the result of a counterparty's performance.

The policy for

recognizing deliverable consideration contingent upon achievement of a milestone must be applied consistently to similar deliverables.

The assessment of whether a milestone is substantive is performed at the inception of the arrangement. The consideration earned from the achievement of a milestone must meet all of the following for the milestone to be considered substantive:

(1) The consideration is commensurate

with either: (a) the vendor's performance to achieve the milestone; or (b) the enhancement of the value of the delivered item or items as a result of a specific outcome resulting from the vendor's performance to achieve the milestone;

(2) The consideration relates solely to past performance; and

(3) The consideration is reasonable relative to all of the deliverables and payment terms (including other

potential milestone consideration) within the arrangement.

A milestone is not considered substantive if any portion of the associated milestone consideration relates to the remaining deliverables in the unit of accounting (i.e., it does not relate solely to past performance). To recognize the milestone consideration in its entirety as revenue in the period in which the milestone is achieved, the milestone must be substantive in its entirety. Milestone consideration cannot be bifurcated into substantive and nonsubstantive components. In addition, if a portion of the consideration earned from achieving a milestone may be refunded or adjusted based on future performance, the related milestone is not considered substantive.

See Note 11 for the additional disclosure information required under ASC 605-28.

Battelle Subcontract -- We entered into a subcontract agreement with Battelle Memorial Institute (“Battelle”) in March 2013. Battelle was chosen by DARPA to be the prime contractor on the systems integration portion of the original DARPA contract and we are one of several subcontractors on that systems integration project. The Battelle subcontract is cost-reimbursable under a time and materials basis. We began generating revenues under the subcontract during the three months ended September 30, 2013 and for the fiscal years ended March 31, 2015 and 2014, we recorded revenue of $131,530 and $157,287, respectively, under the Battelle subcontract.

Our revenue under this contract is a function of cost reimbursement plus an overhead mark-up for hours devoted to the project by specific employees (with specific hourly rates for those employees). Battelle engages us as needed. Each payment requires approval by the program manager at Battelle.

STOCK-BASED COMPENSATION

Employee stock options and rights to purchase shares under stock participation plans are accounted for under the fair value method. Accordingly, share-based compensation is measured when all granting activities have been completed, generally the grant date, based on the fair value of the award. The exercise price of options is generally equal to the market price of the Company's common stock (defined as the closing price as quoted on the OTCBB on the date of grant). Compensation cost recognized by the Company includes (a) compensation cost for all equity incentive awards granted prior to April 1, 2006, but not yet vested, based on the grant-date fair value estimated in accordance with the original provisions of the then current accounting standards, and (b) compensation cost for all equity incentive awards granted subsequent to April 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of subsequent accounting standards. We use a Binomial Lattice option pricing model for estimating fair value of options granted (see Note 6).

The following table summarizes share-based compensation expenses relating to shares and options granted and the effect on loss per common share during the years ended March 31, 2015 and 2014:

	March 31, 2015	March 31, 2014
Vesting of Stock Options	$416,481	$541,588
Incremental fair value of option Modifications	–	1,914
Vesting Expense Associated with CEO Restricted Stock Grant	–	64,444
Total Stock-Based Compensation Expense	$416,481	$607,946
Weighted average number of common	5,594,447	3,881,179

shares outstanding – basic and diluted		
Basic and diluted loss per common share	$(0.07)	$(0.16)

We account for transactions involving services provided by third parties where we issue equity instruments as part of the total consideration using the fair value of the consideration received (i.e. the value of the goods or services) or the fair value of the equity instruments issued, whichever is more reliably measurable. In transactions, when the value of the goods and/or services are not readily determinable and (1) the fair value of the equity instruments is more reliably measurable and (2) the counterparty receives equity instruments in full or partial settlement of the transactions, we use the following methodology:

a) For transactions where goods have already been delivered or services rendered, the equity instruments are issued on or about the date the performance is complete (and valued on the date of issuance).

b) For transactions where the instruments are issued on a fully vested, non-forfeitable basis, the equity instruments are valued on or about the date of the contract.

c) For any transactions not meeting the criteria in (a) or (b) above, we re-measure the consideration at each reporting date based on its then current stock value.

We review share-based compensation on a quarterly basis for changes to the estimate of expected award forfeitures based on actual forfeiture experience. The effect of adjusting the forfeiture rate for all expense amortization after March 31, 2006 is recognized in the period the forfeiture estimate is changed. The effect of forfeiture adjustments for the fiscal year ended March 31, 2015 was insignificant.

PATENTS

Patents include both foreign and domestic patents. There were several patents pending at March 31, 2015. We capitalize the cost of patents and patents pending, some of which were acquired, and amortize such costs over the shorter of the remaining legal life or their estimated economic life, upon issuance of the patent. The unamortized costs of patents and patents pending are subject to our review for impairment under our long-lived asset policy above.

STOCK PURCHASE WARRANTS

We grant warrants in connection with the issuance of convertible notes payable and the issuance of common stock for cash. When such warrants are classified as equity and issued in connection with debt, we measure the relative estimated fair value of such warrants and record it as a discount from the face amount of the convertible notes payable. Such discounts are amortized to interest expense over the term of the notes using the effective interest method. Warrants issued in connection with common stock for cash, if classified as equity, are considered issued in connection with equity transactions and the warrant fair value is recorded to additional paid-in-capital. Lastly, warrants not meeting equity classification are recorded as derivative instruments.

DERIVATIVE INSTRUMENTS

We evaluate free-standing derivative instruments (or embedded derivatives) to properly classify such instruments within equity or as liabilities in our financial statements. Our policy is to settle instruments indexed to our common shares on a first-in-first-out basis.

The classification of a derivative instrument is reassessed at each reporting date. If the classification changes as a result of events during a reporting period, the instrument is reclassified as of the date of the event that caused the reclassification. There is no limit on the number of times a contract may be reclassified.

Instruments classified as derivative liabilities are remeasured each reporting period (or upon reclassification) and the change in fair value is recorded on our consolidated statement of operations in other (income) expense.

BENEFICIAL CONVERSION FEATURE OF CONVERTIBLE NOTES PAYABLE

The convertible feature of certain notes payable provides for a rate of conversion that is below market value. Such feature is normally characterized as a "Beneficial Conversion Feature" ("BCF"). We measure the estimated fair value of the BCF in circumstances in which the conversion feature is not required to be separated from the host instrument and accounted for separately, and record that value in the consolidated financial statements as a discount from the face amount of the notes. Such discounts are amortized to interest expense over the term of the notes.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development costs are expensed as incurred. We incurred approximately $1,028,000 and $1,509,000 of research and development expenses for the years ended March 31, 2015 and 2014, respectively, which are included in various operating expenses in the accompanying consolidated statements of operations.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our consolidated financial statements.

SIGNIFICANT RECENT ACCOUNTING PRONOUNCEMENTS

Management is evaluating significant recent accounting pronouncements that are not yet effective for us, including the new accounting standard on revenue recognition, ASU 2014-09 (Topic 606), the new accounting standard related to presentation of financial statements - going concern qualifications, ASU 2014-15, the new accounting standard on consolidation, ASU

2015-02, the new accounting standard on extraordinary and unusual items on income statements, ASU 2015-01, and the new accounting standard on imputation of interest, simplifying the presentation of debt issuance costs, ASU 2015-03 and have not yet concluded whether any such pronouncements will have a significant effect on our future consolidated financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment, net, consist of the following:

	March 31, 2015	March 31, 2014
Furniture and office equipment, at cost	$385,088	$385,088
Accumulated depreciation	(328,997)	(300,809)
	$56,091	$84,279

Depreciation expense for the years ended March 31, 2015 and 2014 approximated $28,000 and $12,000, respectively.

3. PATENTS

Patents consist of the following:

March 31, 2015	March 31, 2014

Patents	$157,442	$157,442
Patents pending and trademarks	54,203	54,203
Accumulated amortization	(108,320)	(99,156)
	$103,325	$112,489

Amortization expense for patents for the years ended March 31, 2015 and 2014 approximated $9,000. Future amortization expense on patents is estimated to be approximately $9,000 per year based on the estimated life of the patents. The weighted average remaining life of our patents is approximately 5.5 years.

4. NOTES PAYABLE

Notes payable consist of the following:

	March 31, 2015		March 31, 2014	
	Principal Balance	Accrued Interest	Principal Balance	Accrued Interest
12% Notes payable, past due	$ –	$ –	$185,000	$353,813
10% Note payable, past due	–	–	5,000	6,375
Directors' Note(s)	–	–	200,000	14,516
Total	$–	$–	$390,000	$374,704

During the fiscal years ended March 31, 2015 and March 31, 2014, we recorded interest expense of $34,515 and $59,901, respectively, related to the contractual interest rates of our notes payable. That interest expense was included in interest and other debt expenses on our consolidated statements of operations.

12% NOTES

From August 1999 through May 2005, we entered into various borrowing arrangements for the issuance of notes payable from private placement offerings (the "12% Notes"). In December 2014 and January 2015, we paid off in full the remaining eight 12% Notes with aggregate payments of $559,626, representing $185,000 in principal and $374,626 of accrued interest.

10% NOTES

In December 2014, we paid off the remaining 10% Note with a payment of $11,750 representing principal of $5,000 and accrued interest of $6,750.

DIRECTORS' NOTES

In July 2013, we

borrowed $400,000 from two of our directors under two 90 day notes for $200,000 each bearing 10% interest (the “Notes”). At the discretion of the holders, if not paid off by October 9, 2013, the noteholders were entitled to (i) convert the principal and accrued interest under the Notes into shares of common stock at $4.40 per share (the “Conversion Price”) and (ii) receive warrants to purchase common stock equal to 50% of the principal converted under the

Notes, with an exercise price of $6.60 per share. Additionally, there was a provision for a penalty interest rate of 12%.

That potential conversion price and warrant exercise price were based on the same pricing mechanism that we have used in prior equity unit financings since March 2012 (see Note 6) which are based on 80% of the then current market price of our common stock and with the warrant exercise price based on 120% of the same then current market price. We initially reserved 138,636 shares of common stock to support the conversion of the Notes and accrued interest in full as well as the exercise of the warrants in full (should such conversion and/or issuance occur).

During the fiscal year ended March 31, 2014, the principal of $200,000 and accrued interest of $9,367 were paid on one of the Notes, which extinguished all potential common stock and warrant issuance provisions related to that Note.

During the fiscal year ended March 31, 2015, the holder of the second note converted the principal of $200,000 and accrued interest of $20,349 into 50,079 shares of our common stock per the conversion formula of the Note (see Note 6).

5. CONVERTIBLE NOTES PAYABLE

Convertible Notes Payable consisted of the following at March 31, 2015:

	Principal	Unamortized Discount	Net Amount	Accrued Interest
Convertible Notes Payable – Non-Current Portion:				
November 2014 10% Convertible Notes	527,780	(372,551)	155,229	21,258
Total – Convertible Notes Payable – Non-Current Portion	527,780	(372,551)	155,229	21,258
Total Convertible Notes Payable	$527,780	$(372,551)	$155,229	$21,258

During the fiscal year ended March 31, 2015, we recorded interest expense of $24,625 related to the contractual interest rates of our convertible notes, interest expense of $155,230 related to the amortization of debt discounts on the convertible notes and interest expense of $118,147 related to the amortization of deferred financing costs for a total of $298,002.

Convertible Notes Payable consisted of the following at March 31, 2014:

	Principal	Unamortized Discount	Net Amount	Accrued Interest
Convertible Notes Payable –				

Current Portion:				
Amended and Restated Series A 12% Convertible Notes, past due	$885,000	$ –	$885,000	$575,250
2008 10% Convertible Notes, past due	25,000	–	25,000	19,167
October & November 2009 10% Convertible Notes	50,000	–	50,000	26,097
April 2010 10% Convertible Note	75,000	–	75,000	31,438
July and August 2011 10% Convertible Notes, past due	257,655	–	257,655	90,256
Law Firm Note	75,000	–	75,000	7,604
Total – Convertible Notes Payable – Current Portion	1,367,655	–	1,367,655	749,812
Convertible Notes Payable – Non-Current Portion:				
September 2010 12% Convertible Notes	317,072	–	317,072	35,034
April 2011 12% Convertible Notes	448,448	–	448,448	12,117
	10,931	–	10,931	–

September 2011 12% Convertible Notes				
Total – Convertible Notes Payable – Non-Current Portion	776,451	–	776,451	47,151
Total Convertible Notes Payable	$2,144,106	$–	$2,144,106	$796,963

There were no discounts remaining on any of our Convertible Notes Payable as of March 31, 2014.

During the fiscal year ended March 31, 2014, we recorded interest expense of $354,949 related to the contractual interest rates of our convertible notes and interest expense of $4,284 related to the amortization of debt discounts on the convertible notes for a total of $359,233.

Maturities of Non-Current Portion of Convertible Notes Payable – the November 2014 10% Convertible Notes mature on April 1, 2016, which based on the amount outstanding as of March 31, 2015 would be $527,780.

NOVEMBER 2014 10% CONVERTIBLE NOTES

In November 2014, we entered into a

Subscription Agreement with two accredited investors providing for the issuance and sale of (i) convertible promissory notes (the “November 2014 10% Convertible Notes”) in the aggregate principal amount of $527,780 and (ii) five year warrants to purchase up to 47,123 shares of Common Stock at a fixed exercise price of $8.40 per share. The November 2014 10% Convertible Notes bear interest at the annual rate of 10% and mature on April 1, 2016.

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

The estimated relative fair value of warrants issued in connection with the November 2014 10% Convertible Notes is recorded as a debt discount and is amortized as additional interest expense over the term of the underlying debt. We recorded debt discount of $240,133 based on the relative fair value of these warrants. In addition, as the effective conversion price of the debt was less than market price of the underlying common stock on the date of issuance, we recorded an additional debt discount of $287,647 related to the beneficial conversion feature. As of March 31, 2015, the $527,780 principal amount outstanding under this agreement is presented net of unamortized debt discount of $372,551.

The November 2014 10% Convertible Notes are convertible at the option of the holders into shares of our common stock at a fixed price of $5.60 per share, for up to an aggregate of 94,246 shares of Common Stock. There are no registration requirements with respect to the shares of common stock underlying the notes or the warrants.

The pricing on both the conversion price and on the warrant exercise price reflected a negotiation that began in September 2014 and continued through funding in November 2014. During that period of time the price of our common stock rose significantly, which complicated the pricing negotiations. We ended up with pricing the notes and warrants at levels consistent with our prior equity unit issuances in October 2014 (see Note 6).

AMENDED AND RESTATED SERIES A 12% CONVERTIBLE NOTES

In June 2010, we entered into Amended and Restated Series A 12% Convertible Promissory Notes (the "Amended and Restated Notes") with the holders of certain promissory notes previously issued by us, extending the due date to December 31, 2010 on the aggregate principal balance of $900,000. During the fiscal year ended March 31, 2013, the holders of $15,000 of the Notes converted their principal and related accrued interest into common stock. During the fiscal year ended March 31, 2015, the holders of the remaining $885,000 of the Notes converted their principal and related accrued interest into common stock. There was no balance remaining at March 31, 2015.

Weiner Note Conversion

On June 24, 2014, we entered into an agreement with the Ellen R. Weiner Family Revocable Trust (the “Trust”), a holder of a Series A 12% Convertible Note (the “Note”), which previously was classified as being in default. As per the agreement, the Trust converted past due principal of $660,000 and accrued interest balance of

$343,200 into restricted common stock, representing all amounts outstanding to the Trust.

Additionally, the Trust agreed to waive anti-dilution price protection underlying warrants previously issued to the Trust. On June 26, 2014, three other parties who held similar warrants also agreed to waive their anti-dilution price protection.

Under its agreement, the Trust converted the entire $1,003,200 past due principal and interest balance on the Note, which previously was in default, into an aggregate of 466,365 restricted shares of our common stock and five-year warrants to acquire up to 136,190 shares of our common stock at an exercise price of $2.10 per share (which exercise price was the result of certain contractual price adjustments previously made during 2011) and up to 7,944 shares of our common stock at an exercise price of $5.40 per share (collectively, the

"Conversion Securities"). Based on the fair value of the warrants and shares issued to the Trust for the accrued interest, we recorded a loss on settlement of notes of $1,791,421 during the fiscal year ended March 31, 2015.

In exchange for the Trust's conversion in full of the Note and accrued interest and for the waivers of anti-dilution price protection in the previously issued warrants, in addition to the Conversion Securities, we issued to the Trust 1,500 restricted shares of common stock as a service fee, changed the exercise price of all of the previously issued warrants to $2.10 per share and extended the expiration date of all of the previously issued warrants to July 1, 2018. We valued the 1,500 share service fee at $12,000 based on our closing price on the date of the agreement and recorded that value as interest expense during the June 2014 period.

Bird Estate Extension

On July 8, 2014, we executed a written restructuring agreement (the “Agreement”) with the Estate of Allan Bird (the “Estate”), a holder of a Series A 12% Convertible Note (the “Note”), which previously was classified as being in default. Since the negotiations for the Agreement were completed in the month of June, we recorded the impact of the Agreement as of June 30, 2014. In the Agreement, the Estate agreed to extend the expiration date of the Note to April 1, 2016, to convert approximately $116,970 of accrued interest to equity, and to waive anti-dilution price protection underlying the Note and warrants previously issued to the Estate.

Under the Agreement, the Estate converted the entire $116,970 past due interest balance on the Note, which previously was in default, into an aggregate of 51,837 restricted shares of our common stock. The Estate received five-year warrants to acquire up to 46,429 shares of our common stock at an exercise price of $2.10 per share (which exercise price was the result of certain contractual price adjustments previously made during 2011). Based on our common stock prices during a period of negotiation with the Estate including during calendar year 2013, the Estate also received five-year warrants to acquire up to 2,708 shares of our common stock at an exercise price of $5.40 (collectively known as the "Conversion Securities"). Based on the fair value of the warrants and shares issued to the Estate for the accrued interest, we recorded a loss on settlement of notes of $663,209 during the fiscal year ended March 31, 2015.

In exchange for the Estate's extension of the Note, conversion of accrued interest and for the waivers of anti-dilution price protection in the previously issued warrants, in addition to the Conversion Securities, we also issued to the Estate 500 restricted shares of common stock as an extension fee and extended the expiration date of all of the previously issued warrants to July 1, 2018. We valued the 500 share extension fee at $4,500 based on our closing price and recorded that value as a deferred financing cost, which we will amortize over the extended two year life of the note.

Bird Estate Conversion

In November 18, 2014, we issued an aggregate of 112,500 shares of common stock to the Estate upon the conversion of an aggregate of $236,250 representing all $225,000 of unpaid principal and $11,250 of unpaid accrued interest due under the Note. The conversion price per share was $2.10.

2008 10% CONVERTIBLE NOTES

In September 2014, we issued to the holder of the remaining 2008 10% Convertible Note units consisting of an aggregate of 9,564 shares of restricted common stock and unit warrants to acquire up to an aggregate of 4,782 shares of common stock at an exercise price of $4.80 per share (see Note 6). The units were issued to the Note holder upon the conversion of an aggregate of $45,906 of unpaid principal and accrued interest due under the Note, which represented the entire amount outstanding under the Note and the Note was retired. We recorded a loss on debt conversion of $65,493 on this transaction.

OCTOBER & NOVEMBER 2009 10% CONVERTIBLE NOTES

In October and November 2009, we raised $430,000 from the sale to accredited investors of 10% convertible notes ("October & November 2009 10% Convertible Notes"). The October & November 2009 10% Convertible Notes matured at various dates between April 2011 and May 2011 and are convertible into our common stock at a fixed conversion price of $12.50 per share. The investors also received matching three year warrants to purchase unregistered shares of our common stock at an exercise price of $12.50 per share. We measured the fair value of the warrants and the beneficial conversion feature of the Notes and recorded a 100% discount against the principal of the notes. Such discount was fully amortized at March 31, 2014.

The following table shows the conversions into principal of the October and November 2009 10% Convertible Notes by fiscal year:

Activity in October & November 2009 10% Convertible Notes	
Initial principal	$450,250

balance	
Conversions during the fiscal year ended March 31, 2010	(70,000)
Conversions during the fiscal year ended March 31, 2011	(175,000)
Conversions during the fiscal year ended March 31, 2012	(130,250)
Conversions during the fiscal year ended March 31, 2013	(25,000)
Conversions during the fiscal year ended March 31, 2014	–
Conversions into equity unit structure during the fiscal year ended March 31, 2015	(50,000)
Balance as of March 31, 2015	$–

As noted in the above table, the remaining balance of the September 2011 Convertible Notes was converted into equity during the fiscal year ended March 31, 2015.

In October 2014, we issued to the holder of the remaining October & November 2009 10% Convertible Note and the April 2010 10% Convertible Note units consisting of an aggregate of 36,716 shares of common stock and unit warrants to acquire up to an aggregate of 18,358 shares of common stock at an exercise price of $7.70 per share. The units were issued to the note holder upon the conversion of an aggregate of $189,087 of unpaid principal and accrued interest due under two promissory notes (the remaining October & November 2009 10% Convertible Note and the April 2010 10% Convertible Note). The amounts converted represented the entire principal and interest outstanding under the notes and the notes held by that holder were retired. We recorded a loss on debt conversion of $92,811 during the fiscal year ended March 31, 2015 related to the conversion of the remaining October & November 2009 10% Convertible Note.

APRIL 2010 10% CONVERTIBLE NOTE

In April 2010, we raised $75,000 from the sale to an accredited investor of a 10% convertible note. The convertible note was originally scheduled to mature in October 2011 and is convertible into our common stock at a fixed conversion price of $0.25 per share prior to maturity. The investor also received three year warrants to purchase 300,000 unregistered shares of our common stock at a price of $0.25 per share.

We measured the fair value of the warrants and the beneficial conversion feature of the notes and recorded a 100% discount against the principal of the notes. We amortized this discount using the effective interest method over the term of the note.

In October 2014, we issued to the holder of the remaining October & November 2009 10% Convertible Note and the April 2010 10% Convertible Note units consisting of an aggregate of 36,716 shares of common stock and unit warrants to acquire up to an aggregate of 18,358 shares of common stock at an exercise price of $7.70 per share. The units were issued to the note holder upon the conversion of an aggregate of $189,087 of unpaid principal and accrued interest due under two promissory notes (the remaining October & November 2009 10% Convertible Note and the April 2010 10% Convertible Note). The amounts converted represented the entire principal and interest outstanding under the notes and the notes held by that holder were retired. We recorded a loss on debt conversion of $130,128 during the fiscal year ended March 31, 2015 related to the conversion of the April 2010 10% Convertible Note.

SEPTEMBER 2010 12% CONVERTIBLE NOTES

On September 3, 2010, we entered into a Subscription Agreement with three accredited investors (the "Purchasers") providing for the issuance and sale of convertible promissory notes and corresponding warrants in the aggregate principal amount of $1,430,000. The initial closing under the Subscription Agreement resulted in the issuance and sale of (i) convertible promissory notes in the aggregate principal amount of $743,600, (ii) five-year warrants to purchase an aggregate of 74,360 shares of our common stock at an exercise price of $15.56 per share, and (iii) five-year warrants to purchase an aggregate of 74,360 shares of our common stock at an exercise price of $21.79 per share. The convertible promissory notes bear interest compounded monthly at the annual rate of ten percent (10%) and mature on April 1, 2016 (see below). The aggregate gross cash proceeds were

$650,000, the balance of the principal amount representing a due diligence fee and an original issuance discount. The convertible promissory notes are convertible at the option of the holders into shares of our common stock at a price per share equal to eighty percent (80%) of the average of the three lowest closing bid prices of the common stock as reported by Bloomberg L.P. for the principal market on which the common stock trades or is quoted for the ten (10) trading days preceding the proposed conversion date. Subject to adjustment as described in the notes, the conversion price may not be more than $15.00 nor less than $10.00. There are no registration requirements with respect to the shares of common stock underlying the notes or the warrants.

On March 31, 2014, we entered into separate Amendments to Convertible Notes and Warrants (collectively, the "Amendments") with three accredited investors (collectively, the "Investors") who own certain convertible promissory notes (collectively, the "Notes") and warrants (collectively, the "Warrants") previously issued by us on various dates between December 5, 2007 and September 23, 2011, including the September 2010 Convertible Notes.

Prior to the Amendments, the Notes were past maturity and were in default, resulting in the accrual of interest at the applicable default interest rate. The Amendments extended the maturity date of each of the Notes to April 1, 2016, which permits us to classify them as long-term liabilities. As a result of the Amendments, the Notes are no longer in default and the non-default interest rate for all of the Notes was set at 12% per annum, which represents a reduction from the default interest rates of fifteen percent at which interest had been accruing. By entering into the Amendments, we also agreed to increase the currently outstanding principal amount of the Notes by 12% from a total of $693,260 to a total of $776,451.

During the period from October 2011 to February 2014, the Investors had converted, at conversion prices between $2.73 and $3.50 per share, portions of principal and interest outstanding under the Notes and certain other convertible promissory notes previously issued to them by us. Certain antidilution provisions applicable to such notes should have resulted in such conversions being effected at a conversion price of $2.10 per share. Accordingly, pursuant to the Amendments, we issued to the investors an aggregate of 90,142 shares of the Company's Common Stock, which represents the additional shares of Common Stock that would have been issued to the Investors had such conversions been effected at $2.10 per share.

The Amendments also set the conversion price of the Notes, as well as the exercise price at which shares of our common stock can be purchased under the Warrants, at $2.10 per share. By virtue of the Amendments, the expiration dates of the Warrants also were extended from dates between September 3, 2015 and September 23, 2016 to January 1, 2017.

The following

table shows the activity in the September 2010 12% Convertible Notes by fiscal year:

Activity in the September 2010 10% Convertible Notes	
Initial principal balance	$743,600
Conversions during the fiscal year ended March 31, 2012	(405,500)
Conversions during the fiscal year ended March 31, 2013	(30,000)
Conversions during the fiscal year ended March 31, 2014	(25,000)
Increase in principal balance due to 12% extension fee	33,972
Conversions during the fiscal year ended March 31, 2015	(317,072)
Balance as of March	$–

31, 2015

As noted in the above table, the remaining balance of the September 2011 Convertible Notes was converted into equity during the fiscal year ended March 31, 2015.

JULY & AUGUST 2011 10% CONVERTIBLE NOTES

During the three months ended September 30, 2011, we raised $357,656 in five separate 10% convertible notes. Those notes had a fixed conversion price of $4.50 per share and carried an interest rate of 10%. The convertible notes matured in July and August 2012. We also issued those investors five year warrants to purchase 79,479 shares of common stock at $6.25 per share.

We measured the fair value of the warrants and the beneficial conversion feature of the notes and recorded a $257,926 discount against the principal of the notes. We amortized this discount using the effective interest method over the term of the note.

Effective March 31, 2014, the holders of three of the five notes totaling $100,000 converted all of their principal and accrued interest into

28,774 shares of our common stock at the contractual conversion price of $4.50 per share.

In September 2014, we entered into a forbearance agreement with the holder of the remaining two notes in which we agreed to repay his notes by October 31, 2014 and in which we also agreed to extend his warrants by two years. We recorded a charge of $143,363 in the September 2014 period related to this warrant extension due to the change in the fair value of the warrants.

In October 2014, we paid off in full the remaining outstanding principal balance and interest balances on the two remaining notes with cash payments of $382,748.

APRIL 2011 12% CONVERTIBLE NOTES

In April 2011, we entered into a Subscription Agreement with two accredited investors (the “Purchasers”) providing for the issuance and sale of convertible promissory notes and corresponding warrants in the aggregate principal amount of $385,000. The closing under the Subscription Agreement resulted in the issuance and sale by us of (i) convertible promissory notes in the aggregate principal amount of $385,000, (ii) five-year warrants to purchase an aggregate of 80,080 shares of our common stock at an exercise price of $6.25 per share, and (iii) five-year warrants to purchase an aggregate of 80,080 shares of our common stock at an exercise price of $8.75 per share. The convertible promissory notes bear interest compounded monthly at the annual rate of 10% and mature on April 1, 2016 (see below). The aggregate gross cash proceeds to us were $350,000, the balance of the principal amount representing a due diligence fee and an original issuance discount. The convertible promissory notes are convertible at the option of the holders into shares of our common stock at a price per share equal to eighty percent (80%) of the average of the three lowest closing bid prices of the common stock as reported by Bloomberg L.P. for the principal market on which the common stock trades or is quoted for the ten (10) trading days preceding the proposed conversion date. Subject to adjustment as described in the notes, the conversion price may not be more than $10.00 nor less than $5.00. There are no registration requirements with respect to the shares of common stock underlying the notes or the warrants.

In addition, we issued (i) five-year warrants to purchase an aggregate of 16,250 shares of our common stock at an exercise price of $6.25 per share, and (ii) five-year warrants to purchase an aggregate of 16,250 shares of our common stock at an exercise price of $8.75 per share to the Purchasers. These warrants were issued as an antidilution adjustment under certain common stock purchase warrants held by the Purchasers that were acquired from us in September 2010.

On March 31, 2014, we entered into separate Amendments to Convertible Notes and Warrants (collectively, the “Amendments”) with three accredited investors (collectively, the “Investors”) who own certain convertible promissory notes (collectively, the “Notes”) and warrants (collectively, the "Warrants") previously issued by us on various dates between December 5, 2007 and September 23, 2011, including the April 2011 Convertible Notes.

Prior to the Amendments, the Notes were past maturity and were in default, resulting in the accrual of interest at the applicable default interest rate. The Amendments extended the maturity date of each of the Notes to April 1, 2016, which permits us to classify them as long-term liabilities. As a result of the Amendments, the Notes are no longer in default and the non-default interest rate for all of the Notes was set at 12% per annum, which represents a reduction from the default interest rates of 15% at which interest had been accruing. By entering into the Amendments, we also agreed to increase the currently outstanding principal amount of the Notes by 12% from a total of $693,260 to a total of $776,451.

During the period from October 2011 to February 2014, the Investors had converted, at conversion prices between $2.73 and $3.50 per share, portions of principal and interest outstanding under the Notes and certain other convertible promissory notes previously issued to them by us. Certain antidilution provisions applicable to such notes should have resulted in such conversions being effected at a conversion price of $2.10 per share. Accordingly, pursuant to the Amendments, we issued to the investors an aggregate of 90,142 shares of the Company's Common Stock, which represents the additional shares of Common Stock that would have been issued to the Investors had such conversions been effected at $2.10 per share.

The Amendments also set the conversion price of the Notes, as well as the exercise price at which shares of our common stock can be purchased under the Warrants, at $2.10 per share. By virtue of the Amendments, the expiration dates of the Warrants also were extended from dates between September 3, 2015 and September 23, 2016 to January 1, 2017.

The following table shows the conversions into principal of the April 2011 12% Convertible Notes by fiscal year:

Activity in the April 2011 12% Convertible Notes	
Initial principal balance	$400,400

Increase in principal balance due to extension fee	48,048
Conversions during the fiscal year ended March 31, 2015	(448,448)
Balance as of March 31, 2015	$–

As noted in the above table, the remaining balance of the April 2011 Convertible Notes was converted into equity during the fiscal year ended March 31, 2015.

SEPTEMBER 2011 CONVERTIBLE NOTES

In September 2011, we issued $253,760 of convertible notes, convertible at $3.50 per share. Such notes originally matured in September 2012.

On March 31, 2014, we entered into separate Amendments to Convertible Notes and Warrants (collectively, the “Amendments”) with three accredited investors (collectively, the “Investors”) who own certain convertible promissory notes (collectively, the “Notes”) and warrants (collectively, the “Warrants”) previously issued by us on various dates between December 5, 2007 and September 23, 2011, including the September 2011 Convertible Notes.

Prior to the Amendments, the Notes were past maturity and were in default, resulting in the accrual of interest at the applicable default interest rate. The Amendments extended the maturity date of each of the Notes to April 1, 2016, which permits us to classify them as long-term liabilities. As a result of the Amendments, the Notes are no longer in default and the non-default interest rate for all of the Notes was set at 12% per annum, which represents a reduction from the default interest rates of 15% at which interest had been accruing. By entering into the Amendments, we also agreed to increase the currently outstanding principal amount of the Notes by 12%, which in the case of the September 2011 Notes, they increased from $9,760 to $10,931.

During the period from October 2011 to February 2014, the Investors had converted, at conversion prices between $2.73 and $3.50 per share, portions of principal and interest outstanding under the Notes and certain other convertible promissory notes previously issued to them by us. Certain antidilution provisions applicable to such notes should have resulted in such conversions being effected at a conversion price of $2.10 per share. Accordingly, pursuant to the Amendments, we issued to the investors an aggregate of 90,142 shares of the Company's Common Stock, which represents the additional shares of Common Stock that would have been issued to the Investors had such conversions been effected at $2.10 per share.

The Amendments also set the conversion price of the Notes, as well as the exercise price at which shares of our common stock can be purchased under the Warrants, at $2.10 per share. By virtue of the Amendments, the expiration dates of the Warrants also were extended to January 1, 2017.

The following table shows the conversions into principal of the September 2011 Convertible Notes by fiscal year:

Activity in the September 2011 Convertible Notes	
Initial principal balance	$253,760
Conversions during the fiscal year ended March 31, 2012	(15,000)
Conversions during the fiscal year ended March 31, 2013	(60,000)
Conversions during the fiscal year ended March 31, 2014	(169,000)
Increase in principal balance due to extension fee	1,171
Conversions during the fiscal year ended March 31, 2015	(10,931)
Balance as of March 31, 2015	$–

As noted in the above table, the remaining balance of the September 2011 Convertible Notes was converted into equity during the fiscal year ended March 31, 2015.

LAW FIRM NOTE

On March 22, 2012, we entered into a Promissory Note with our corporate law firm for the amount of $75,000, which represented the majority of the amount we owed to that firm at that time. The Promissory Note originally had a maturity date of December 31, 2012 and bore interest at 5% per annum. The note was convertible at the option of the holder into shares of our common stock at a 10% discount to the market price of the common stock on the date prior to conversion with a floor price on such conversions of $4.00 per share. The holder subsequently agreed to extend the Maturity Date of the Note first to October 1, 2013, then to September 30, 2013, and then the expiration date of this note was again extended to October 1, 2014.

In November 2014, we

paid off in full the Law Firm Note with a cash payment of $50,000 and an issuance of 3,400 common shares.

6. EQUITY TRANSACTIONS

COMMON STOCK AND WARRANTS

Aethlon Medical, Inc. Equity Transactions in the Fiscal Year Ended March 31, 2015.

Equity Unit Investments in the Fiscal Year Ended March 31, 2015

In the three months ended June 30, 2014, we completed unit subscription agreements with seven accredited investors pursuant to which we issued 43,849 shares of our common stock and 21,924 warrants to purchase our common stock for net cash proceeds of $320,800. Such warrants have exercise prices ranging from $9.65 to $11.80 per share.

During the three months ended September 30, 2014, we issued and sold to three accredited investors units consisting of (a) two thousand (2,000) restricted shares of our common stock, par value $.001 per share, at prices per share ranging from $4.55 to $4.70 and (b) a five-year warrant to purchase one thousand (1,000) shares of common stock at exercise prices ranging from $6.80 to $7.15 per share. In total, the investors purchased for cash an aggregate of $90,000 of units. The investors acquired an aggregate of 19,500 shares of common stock and warrants to acquire up to an aggregate of 9,750 shares of Common Stock.

During the three months ended December 31, 2014, we issued and sold to eight accredited investors units consisting of (a) 2,000 restricted shares of our common stock at prices per share ranging from $5.25 to $5.70 and (b) a five-year warrant to purchase 1,000 shares of common stock at exercise prices ranging from $7.70 to $8.35 per share. In total, the investors purchased for cash an aggregate of $502,700 of units. The investors acquired an aggregate of 90,125 shares of common stock and warrants to acquire up to an aggregate of 45,063 shares of common stock.

During the three months ended December 31, 2014, we sold $3,300,000 of units at a price of $15.00 per unit (the "December Financing"). Each unit consists of one share of common stock and a warrant to purchase 1.2 shares of common stock at an exercise price per share of $15.00. We sold a total of 220,000 units in the financing consisting of 220,000 shares of common stock and warrants to purchase 264,000 shares of common stock at an exercise price of $15.00 per share.

Roth Capital Partners, LLC served as sole placement agent for the December Financing and received a cash fee of $231,000, expense reimbursement of $25,000, and a five-year warrant to purchase 11,000 shares of common stock at an exercise price of $15.00 per share for its services in the financing. In addition, we paid $10,000 in legal expenses to the investors' counsel. We also paid $32,572 to our counsel related to this financing. The net proceeds to us after the placement fee and legal fees were $3,001,428.

Note Conversions in the Fiscal Year Ended March 31, 2015

As discussed above in Note 5, during the three months ended June 30, 2014, we issued 314,286 shares of restricted common stock to the holder of one of the Series A 12% Convertible Notes in exchange for the conversion in full of the $660,000 principal balance of that note, 152,079 shares of restricted common stock in exchange for conversion of $343,200 of accrued interest and 75,000 shares of restricted common stock as a restructuring fee. During that period, we also issued the other holder of the Series A 12% Convertible Notes 51,837 shares of restricted common stock in exchange for conversion of $116,970 of accrued interest and 500 shares of restricted common stock as a restructuring fee.

During the three months ended September

30, 2014, we issued 38,750 shares of restricted common stock to the holders of three convertible notes in exchange for the partial or full conversion of principal and interest in the aggregate amount of $81,375 at a conversion price of $2.10 per share.

On July 24, 2014, we issued an aggregate of 50,079 shares of restricted common stock and a seven-year warrant to issue up to 25,040 shares of common stock at an exercise price of $6.60 per share to Dr. Chetan Shah, a director. The common stock and warrant were issued to Dr. Shah upon the conversion of an aggregate of $220,349 of unpaid principal and accrued interest due under a 10% Convertible Note previously issued to Dr. Shah by us on July 9, 2013.

On September 17, 2014, we issued to the holder of the remaining 2008 10% Convertible Note units consisting of an aggregate of 9,564 shares of restricted common stock and unit warrants to acquire up to an aggregate of 4,782 shares of common stock at an exercise price of $4.80 per share (see Note 5). The units were issued to the note holder upon the conversion of an aggregate of $45,906 of unpaid principal and accrued interest due under the promissory note, which represented the entire amount outstanding under the note. We recorded a loss on debt conversion of $65,493 on this transaction.

During the three months ended December 31, 2014, we issued an aggregate of 284,745 shares of common stock to two accredited investors upon the conversion of an aggregate of $597,965 of unpaid principal and accrued interest due under promissory notes we previously issued to the investors. The conversion price per share was $2.10 (see Note 5).

During the three months ended

December 31, 2014, we issued an aggregate of 112,500 shares of common stock to convert in full the outstanding principal balance of $225,000 and interest balance of $11,250 on the remaining note from 2010 through the issuance of 112,500 shares of common stock. The conversion price per share was $2.10 (see Note 5).

During the three months ended December 31, 2014, we issued to an accredited investor units consisting of an aggregate of 36,716 shares of common stock and warrants to acquire up to an aggregate of 18,358 shares of common stock at an exercise price of $5.15 per share. The units were issued to the investor upon the conversion of an aggregate of $189,087 of unpaid principal and accrued interest due under two promissory notes we previously issued to the investor. The amounts converted represented the entire principal and interest outstanding under the notes and the notes held by that holder were retired (see Note 5).

During the three months ended March 31, 2015, we issued an aggregate of 98,688 shares of Common Stock to an accredited investor upon the conversion of an aggregate of $207,245 of unpaid principal due under a convertible promissory note previously issued to the investor. The conversion price per share was $2.10 (see Note 6).

Common Stock Issuances in the Fiscal Year Ended March 31, 2015

During the three months ended June 30, 2014, we issued 4,383 shares of common stock pursuant to our S-8 registration statement covering our Amended 2010 Stock Plan at an average price of $8.50 per share in payment for legal services, internal controls consulting services and regulatory consulting services collectively valued at $38,268 based on the value of the services provided.

During the three months ended September 30, 2014, we issued 7,199 shares of common stock pursuant to our S-8 registration statement covering our Amended 2010 Stock Plan at an average price of $7.00 per share in payment for legal and scientific consulting services valued at $49,090 based on the value of the services provided.

During the three months ended September 30, 2014, we issued 7,806 shares of restricted common stock at an average price of $9.50 per share in payment for investor relations consulting services valued at $75,000 based on the value of the services provided.

During the three months ended December 31, 2014, we issued 7,486 shares of common stock pursuant to our S-8 registration statement covering our Amended 2010

Stock Plan at an average price of $7.30 per share in payment for legal and scientific consulting services valued at $54,800 based on the value of the services provided.

During the three months ended December 31, 2014, we issued 780 shares of restricted common stock at an average price of $10.50 per share in payment for investor relations consulting services valued at $8,000 based on the value of the services provided.

Warrant Exercises and Issuance of New Warrants upon Exercise in the Fiscal Year Ended March 31, 2015

During the three months ended September 30, 2014, we issued to four investors 53,465 shares of restricted common stock through the cash exercise of eight warrants for $259,474 of cash at an average exercise price of approximately $5.00 per share. As an inducement to those investors, we issued them replacement warrants to acquire up to an aggregate of 53,465 shares of common stock on the same terms as the warrants they exercised.

During the three months ended December 31, 2014, we issued an aggregate of 113,422 shares of common stock and seven-year warrants to issue up to an aggregate of 113,422 shares of common stock at exercise prices ranging from $4.65 to $5.80 per share to eight accredited investors. One of the investors was Dr. Chetan Shah, one of our directors. We issued the common stock and warrants to the investors upon the cash exercise of previously issued warrants held by them. The investors paid an aggregate of $579,251 upon exercise of the previously outstanding warrants at exercise prices ranging from $4.65 to $5.80 per share.

Debt Reduction in the Fiscal Year Ended March 31, 2015

During the three months ended December 31, 2014, we paid off in full the outstanding principal balance and interest balance on the Law Firm Note with a cash payment of $50,000 and an issuance of 3,400 common shares (see Note 4).

Issuance of Convertible Notes in the Fiscal Year Ended March 31, 2015

During the three months ended December 31, 2014, we sold to two accredited investors (i) convertible promissory notes in the aggregate principal amount of $527,780 and (ii) five year warrants to purchase up to 47,123 shares of common stock at a fixed exercise price of $8.40 per share. The convertible promissory notes bear interest at the annual rate of 10% and mature on April 1, 2016. The aggregate gross cash proceeds to us were $415,000 after subtracting legal fees of $35,000; the balance of the principal amount of the notes represents a $27,780 due diligence fee and an original issuance discount. The convertible promissory notes are convertible at the option of the holders into shares of our common stock at a fixed price of $5.60 per share, for up to an aggregate of 94,246 shares of common stock (see Note 5).

Warrant Exercises in the Fiscal Year Ended March 31, 2015

During the three months ended December 31, 2014, we issued an aggregate of 430,333 shares of common stock to accredited investors upon the exercise of previously issued warrants. The warrants were exercised on a cashless or “net” basis. Accordingly, we did not receive any proceeds from such exercises. The cashless exercise of such warrants resulted in the cancellation of previously issued warrants to purchase an aggregate of 605,304 shares of common stock.

During the three

months ended March 31, 2015, we issued 3,574 shares of common stock to an accredited investor upon the exercise of a previously issued warrant. The warrant was exercised on a cashless or “net” basis. Accordingly, we did not receive any proceeds from such exercise. The cashless exercise of the warrant resulted in the cancellation of a portion of the previously issued warrant to purchase an aggregate of 1,602 shares of common stock.

Stock Option Exercises in the Fiscal Year Ended March 31, 2015

During the three months ended December 31, 2014, two former employees exercised stock options to purchase 1,000 common shares through a cash payment of $9,500 with an exercise price of $9.50 per share.

Aethlon Medical, Inc. Equity Transactions in the Fiscal Year Ended March 31, *2014*

Common Stock Issuances in the Fiscal Year Ended March 31, 2014:

In June 2013, we completed a unit subscription agreement with three accredited investors pursuant to which we issued 31,605 shares of our common stock and 15,802 warrants to purchase our common stock for net cash proceeds of $128,000. Such warrants have an exercise price of $6.05 per share.

In June 2013, we issued to our CEO the remaining 68,000 shares under his restricted share grant, all of which were vested.

During the three months ended June 30, 2013, we issued 73,506 shares of restricted common stock to the holders of three notes issued by the Company in exchange for the partial conversion of principal and interest in an aggregate amount of $246,500 at an average conversion price of $3.35 per share.

During the three months ended June 30, 2013, we issued 4,455 shares of common stock pursuant to our S-8 registration statement covering our Amended 2010 Stock Plan at an average price of $4.88 per share in payment for legal services valued at $21,750 based on the value of the services provided.

In August 2013, we completed a unit subscription agreement with four accredited investors (the “Purchasers”) pursuant to which we issued 18,018 shares of our common stock and 9,009 warrants to purchase our common stock in exchange for net cash proceeds of $100,000. Such warrants have an exercise price of $8.35 per share.

During the three months ended September 30, 2013, we issued 18,670 shares of common stock pursuant to our S-8 registration statement covering our Amended 2010 Stock Plan at an average price of $6.83 per share in payment for legal and scientific consulting services valued at $127,593 based on the value of the services provided.

During the three months ended September 30, 2013, we issued 23,367 shares of restricted common stock at an average price of $4.92 per share in payment for investor relations and public relations services valued at $115,000 based on the value of the services provided.

During the three months ended September 30, 2013, we issued 55,907 shares of restricted common stock to the holders of four notes issued by the Company in exchange for the partial or full conversion of principal and interest in an aggregate amount of $173,960 at an average conversion price of $3.11 per share.

During the three months

ended December 31, 2013, we entered into a unit purchase agreement and subscription agreements with 32 accredited investors pursuant to which we issued 287,344 shares of our common stock and warrants to purchase our common stock for gross cash proceeds of $1,795,900. Such warrants have an exercise price of $11.00 per share. A FINRA registered broker-dealer was engaged as placement agent in connection with the above Unit Purchase Agreement. We paid the placement agent an aggregate cash fee in the amount of $270,508 and will issue the placement agent or its designees warrants to purchase an aggregate of 43,102 shares of our common stock. We also paid $78,360 in other costs and fees, including legal fees, blue sky fees and escrow costs. The net proceeds that we received totaled $1,447,032.

During the three months ended December 31, 2013, we issued 29,304 shares of restricted common stock to the holders of two notes issued by us in exchange for the partial or full conversion of accrued interest in an aggregate amount of $80,000 at an average conversion price of $2.73 per share.

During the three months ended March 31, 2014, we issued 52,764 shares of restricted common stock to the holders of five notes issued by us in exchange for the partial or full conversion of accrued interest in an aggregate amount of $226,316 at an average conversion price of $4.29 per share.

During the three months ended March 31, 2014, we issued 6,935 shares of common stock pursuant to our S-8 registration statement covering our Amended 2010 Stock Plan at an average price of $9.41 per share in payment for legal services valued at $65,250 based on the value of the services provided.

During the three

months ended March 31, 2014, we issued 7,996 shares of restricted common stock at an average price of $7.82 per share in payment for investor relations and public relations services valued at $62,500 based on the value of the services provided.

On March 31, 2014, we entered into extension agreements with three noteholders (see Note 5). In conjunction with the extension agreements, we agreed to issue to the noteholders an aggregate

90,142 shares of restricted common stock as a result of the noteholders invoking the antidilution protection on their notes.

In March 2014, a former director exercised 3,659 in vested stock options through the contribution of $2,000 in cash and $13,000 in accrued expenses owed to him based on the exercise price of $4.10 per share.

During the fiscal year ended March 31, 2014, we issued 254,325 shares of restricted common stock in connection with cashless warrant exercises discussed elsewhere in this footnote.

Exosome Sciences, Inc. Equity Transactions in the Fiscal Year Ended March 31, 2014

On November 21, 2013, ESI, prior to the transaction described herein, a wholly owned diagnostic subsidiary of ours, entered into a stock purchase agreement with twelve accredited investors pursuant to which such investors purchased an aggregate of 220,000 shares of ESI’s common stock at a purchase price of

$5.00 per share, for an aggregate purchase price of $1,100,000 in cash.

On December 13, 2013, ESI entered into a second stock purchase agreement with three accredited investors, pursuant to which such investors purchased an aggregate of 80,000 shares of ESI’s common stock at a purchase price of $5.00 per share, for an aggregate purchase price of $400,000 in cash.

The aggregate

gross proceeds received by ESI under these two transactions above were $1,500,000. As a result of these transactions the Company's percentage ownership of the outstanding common stock of ESI was reduced from 100% to 80%.

One of the investors was Dr. Chetan Shah, a director of the Company. Dr. Shah purchased 70,000 ESI shares for an aggregate purchase price of $350,000.

WARRANTS:

A summary of the aggregate warrant activity for the years ended March 31, 2015 and 2014 is presented below:

	Year Ended March 31,			
	2015		2014	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	1,414,190	$5.00	1,512,946	$5.50
Granted	806,478	$8.46	290,610	$9.00
Exercised	(590,659)	$4.29	(254,324)	$4.00
Cancelled/Forfeited	(199,271)	$7.11	(135,042)	$5.50
Outstanding, end of year	1,430,738	$6.84	1,414,190	$5.00
Exercisable, end of year	1,430,738	$6.84	1,414,190	$5.00
Weighted average estimated fair value of warrants granted		$11.83		$4.50

The following outlines the significant weighted average assumptions used to estimate the fair value of warrants granted utilizing the Binomial Lattice option pricing model:

	Year Ended March 31,	
	2015	2014
Risk free interest rate	0.79%-2.29%	1.3%-2.04%
Average expected life	5 to 7 years	5 to 7 years
Expected volatility	87.8% - 107.4%	91.2% - 98.5%
Expected dividends	None	None

The detail of the warrants outstanding and exercisable as of March 31, 2015 is as follows:

	Warrants Outstanding			Warrants Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
$5.00 or Below	528,657	3.77	$2.62	528,657	$2.62
$5.20 - $9.00	605,152	4.37	$6.66	605,152	$6.66

$9.65 - $15.00	296,929	4.71	$14.70	296,929	$14.70
	1,430,738			1,430,738	

STOCK OPTIONS:

2000 STOCK OPTION PLAN

Our 2000 Stock Option Plan provides for the grant of incentive stock options to our full-time employees (who may also be directors) and nonstatutory stock options to non-employee directors, consultants, customers, vendors or providers of significant services. The exercise price of any incentive stock option may not be less than the fair market value of the common stock on the date of grant or, in the case of an optionee who owns more than 10% of the total combined voting power of all classes of our outstanding stock, not be less than 110% of the fair market value on the date of grant. The exercise price, in the case of any nonstatutory stock option, must not be less than 75% of the fair market value of the common stock on the date of grant. The amount reserved under the 2000 Stock Option Plan is 10,000 options.

At March 31, 2015, all of the grants previously made under the 2000 Stock Option Plan had expired and 200 restricted shares had been issued under the plan, with 9,800 available for future issuance.

2003 CONSULTANT STOCK PLAN

Our 2003 Consultant Stock Plan, as amended from time to time (the "Stock

Plan"), adopted by us in August 2003, advances our interests by helping us obtain and retain the services of persons providing consulting services upon whose judgment, initiative, efforts and/or services we are substantially dependent, by offering to or providing those persons with incentives or inducements affording such persons an opportunity to become owners of our common stock. Over several years, we issued 150,000 shares under the Stock Plan and discontinued using the Stock Plan in October 2012.

2010 STOCK INCENTIVE PLAN

In August 2010, we adopted the 2010 Stock Incentive Plan, which provides incentives to attract, retain and motivate employees and directors whose present and potential contributions are important to our success by offering them an opportunity to participate in our future performance through awards of options, the right to purchase common stock, stock bonuses and stock appreciation rights and other awards. A total of 70,000 common shares were initially reserved for issuance under the 2010 Stock Incentive Plan.

In August 2010, we filed a registration statement on Form S-8 for the purpose of registering 70,000 common shares issuable under this plan under the Securities Act, and in July 2012, we filed a registration statement on Form S-8 for the purpose of registering 100,000 common shares issuable under this plan under the Securities Act.

At March 31, 2015, we had 28,845 shares available under this plan.

2012 DIRECTORS COMPENSATION PROGRAM

In July 2012, our Board of Directors approved a board compensation program that modifies and supersedes the 2005 Directors Compensation

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

In the fiscal year ended March 31, 2013, our Board of Directors granted ten-year options to acquire an aggregate of 33,342 shares of our common stock, all with an exercise price of $3.80 per share, to our four outside directors under the 2012 program.

In the fiscal year ended March 31, 2014, our Board of Directors granted ten-year options to acquire an aggregate of 31,911 shares of our common stock, all with an exercise price of $4.10 per share, to our five outside directors under the 2012 program.

In the fiscal year ended March 31, 2015, our Board of Directors granted ten-year options to acquire an aggregate of 11,053 shares of our common stock, all with an exercise price of

$9.50 per share, to our three outside directors under the 2012 program.

At March 31, 2015 we had issued 26,757 options under the old 2005 program to outside directors and 79,309 options to employee-directors, 21,756 outside directors' options had been forfeited, 5,000 outside directors' options had been exercised, 79,309 employee-directors' options had been forfeited and no options under the old 2005 program remained outstanding.

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

STAND-ALONE GRANTS

From time to time our Board of Directors grants restricted stock or common share purchase options or warrants to selected directors, officers, employees and consultants as equity compensation to such persons on a stand-alone basis outside of any of our formal stock plans. The terms of these grants are individually negotiated.

On June 8, 2009, our Board of Directors approved the grant to Mr. Joyce of 80,000 shares of restricted common stock at a price per share of $12.00, the vesting and issuance of which occurred in equal installments over a thirty-six-month period that commenced on June 30, 2010.

As of March 31, 2015, we had issued 499,763 options (of which 146,810 have been exercised or cancelled) and authorized the issuance of 80,000 shares of restricted stock outside of the 2005 Directors Compensation

Plan, the 2012 Directors Compensation Plan, the 2000 Stock Option Plan, the 2003 Consultant Stock Plan and the 2010 Incentive Stock Plan.

The following is a summary of the stock options outstanding at March 31, 2015 and 2014 and the changes during the years then ended:

	Year Ended March 31,			
	2015		2014	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of year	522,668	$12.50	421,916	$14.00
Granted	59,453	$9.50	104,411	$4.50
Exercised	(1,000)	$9.50	(3,659)	$4.00
Cancelled/Forfeited	(79,431)	$18.76	–	$–
	501,690	$11.00	522,668	$12.50

Outstanding, end of year				
Exercisable, end of year	418,923	$12.00	449,751	$13.50
Weighted average estimated fair value of options granted		$9.50		$6.50

The following outlines the significant weighted average assumptions used to estimate the fair value with respect to stock options utilizing the Binomial Lattice option pricing model for the years ended March 31, 2015 and March 31, 2014:

	Year Ended March 31,	
	2015	2014
Risk free interest rate	2.60%	0.38% to 2.65%
Average expected life	10 years	3 to 10 years
Expected volatility	90.23%	91.05% to

		102.67%
Expected dividends	None	None

The detail of the options outstanding and exercisable as of March 31, 2015 is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
$4.00 - $9.50	190,547	8.56 years	$6.03	107,780	$5.56
$10.50 - $12.50	220,143	4.25 years	$11.98	220,143	$11.98
$18.00 - $20.50	91,000	3.05 years	$19.13	91,000	$19.13
	501,690			418,923	

We recorded stock-based compensation expense related to share issuances and to options granted totaling

$416,481 and $607,946 for the fiscal years ended March 31, 2015 and 2014, respectively. These expenses were recorded as stock compensation included in payroll and related expenses in the accompanying consolidated statement of operations for the years ended March 31, 2015 and 2014.

Our total stock-based compensation for fiscal years ended March 31, 2015 and 2014 included the following:

	March 31, 2015	March 31, 2014
Vesting of restricted stock grant	$–	$64,444
Incremental fair value of option modifications	–	1,914
Vesting of stock options	416,481	541,588
Total Stock-Based Compensation	$416,481	$607,946

As of March 31, 2015, we had $341,982 of remaining unrecognized stock option expense, which is expected to be recognized over a weighted average remaining vesting period of 1.10 years.

On March 31, 2015, our stock options had a negative intrinsic value since the closing price on that date of $9.50 per share was below the weighted average exercise price of our stock options.

7. RELATED PARTY TRANSACTIONS

DUE TO RELATED PARTIES

Historically, certain of our officers and other related parties have advanced us funds, agreed to defer compensation and/or paid expenses on our behalf to cover working capital deficiencies. During the fiscal year ended March 31, 2015, we repaid to related parties all amounts due that was accrued prior to April 1, 2014. These unsecured and non-interest-bearing liabilities have been included as due to related parties in the accompanying consolidated balance sheets.

Other related

party transactions are disclosed elsewhere in these notes to consolidated financial statements.

8. OTHER CURRENT LIABILITIES

Other current liabilities were comprised of the following items:

	March 31, 2015	March 31, 2014
Accrued interest	$21,258	$1,165,335
Accrued legal fees	–	179,465
Accrued liquidated damages	–	362,800
Other accrued liabilities	64,473	147,774
Total other current liabilities	$85,731	$1,855,374

9. INCOME

TAXES

For the years ended March 31, 2015 and 2014, we had no income tax expense due to our net operating losses and 100% deferred tax asset valuation allowance.

At March 31, 2015 and 2014, we had net deferred tax assets as detailed below. These deferred tax assets are primarily composed of capitalized research and development costs and tax net operating loss carryforwards. Due to uncertainties surrounding our ability to generate future taxable income to realize these assets, a 100% valuation has been established to offset the net deferred tax assets.

Significant components of our net deferred tax assets at March 31, 2015 and 2014 are shown below:

	YEAR ENDED MARCH 31,	
	2015	2014
Deferred tax assets:		
Capitalized research and development	$3,442,000	$3,442,000
Net operating loss carryforwards	17,927,000	15,193,000
Total deferred tax assets	21,369,000	18,635,000
Total deferred tax liabilities	–	–
	21,369,000	18,635,000

Net deferred tax assets		
Valuation allowance for deferred tax assets	(21,369,000)	(18,635,000)
Net deferred tax assets	$–	$–

At March 31, 2015, we had tax net operating loss carryforwards for federal and state purposes approximating $46 million and $38 million, which begin to expire in the year 2021.

The provision for income taxes on earnings subject to income taxes differs from the statutory federal rate for the years ended March 31, 2015 and 2014 due to the following:

	2015	2014
Income taxes (benefit) at federal statutory rate of 34%	$(2,373,000)	$(4,541,000)
State income tax, net of federal benefit	(418,000)	(156,000)
Tax effect on non-deductible expenses and credits	1,524,000	4,297,000
Change in valuation allowance[1]	1,267,000	400,000
	$–	$–

Pursuant to Internal Revenue Code Sections

382, use of our tax net operating loss carryforwards may be limited.

ASC 740, “Income Taxes”, clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements, and prescribes recognition thresholds and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, ASC 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. During the years ended March 31, 2015 and 2014, we did not recognize any interest or penalties relating to tax matters.

At and for the years ended March 31, 2015 and 2014, management does not believe the Company has any uncertain tax positions. Accordingly, there are no unrecognized tax benefits at March 31, 2015 or March 31, 2014.

Our tax returns remain

open for examination by the applicable authorities, generally 3 years for federal and 4 years for state. We are currently not under examination by any taxing authorities.

10. FAIR VALUE MEASUREMENTS

We follow FASB ASC 820, "FAIR VALUE MEASUREMENTS AND DISCLOSURES" (“ASC 820”) in connection with financial assets and liabilities measured at fair value on a recurring basis subsequent to initial recognition.

ASC 820 requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The hierarchy noted above requires us to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value.

The fair value of our recorded derivative liabilities is determined based on unobservable inputs that are not corroborated by market data, which is a Level 3 classification. We record derivative liabilities on our balance sheet at fair value with changes in fair value recorded in our consolidated statements of operations. Our fair value measurements at the reporting date were as follows:

At March 31, 2015, we no longer had any derivative liabilities as all of the holders of the financial instruments that had price antidilution protection waived such price antidilution protection.

Our fair value measurements at the March 31, 2014 reporting date are classified based on the valuation technique level noted in the table below:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative Liabilities	$ –	$ –	$10,679,067
Total Assets	$–	$–	$10,679,067

The following outlines the significant weighted average assumptions used to estimate the fair value information presented for the fiscal year ended March 31, 2014 in connection with our April 2011 convertible note, July & August 2011 10% convertible notes and the September 2011 convertible note offerings and with respect to warrant and embedded conversion option derivative instruments utilizing the Binomial Lattice option pricing model:

	Fiscal Year Ended March 31, 2014
Risk free interest rate	0.02% - 0.79%
Average expected life	0.25 – 2.8 years
Expected volatility	58.0% - 103.1%
Expected dividends	None

The table below sets forth a summary of changes in the fair value of our Level 3 financial instruments for the year ended March 31, 2014:

	April 1, 2013	Recorded New Derivative Liabilities	Change in estimated fair value recognized in results of operations	Reclassification of Derivative Liability to Paid in capital	March 31, 2014
Derivative liabilities	$3,588,239	$–	$5,729,780	$1,361,048	$10,679,067

11. DARPA CONTRACT AND RELATED REVENUE RECOGNITION

As discussed in Note 1, we entered into a contract with the Defense Advanced Research Projects Agency on September 30, 2011. Under the Defense Advanced Research Projects Agency award, we have been engaged to develop a therapeutic device to reduce the incidence of sepsis, a fatal bloodstream infection that often results in the death of combat-injured soldiers. The award from the Defense

Advanced Research Projects Agency was a fixed-price contract with potential total payments to us of $6,794,389 over the course of five years. Fixed price contracts require the achievement of multiple, incremental milestones to receive the full award during each year of the contract. Under the terms of the contract, we will perform certain incremental work towards the achievement of specific milestones against which we will invoice the government for fixed payment amounts.

Originally, only the base year (year one contract) was effective for the parties, however, the Defense Advanced Research Projects Agency subsequently exercised the option on the second, third and fourth years of the contract. The Defense Advanced Research Projects Agency has the option to enter into the contract for year five. The milestones are comprised of planning, engineering and clinical targets, the achievement of which in some cases will require the participation and contribution of third party participants under the contract. There can be no assurance that we alone, or with third party participants, will meet such milestones to the satisfaction of the government and in compliance with the terms of the contract or that we will be paid the full amount of the contract revenues during any year of the contract term. We commenced work under the contract in October 2011.

Due to budget restrictions within the Department of Defense, on February 10, 2014, the Defense Advanced Research Projects Agency reduced the scope of our contract in years three through five of the contract. The reduction in scope focused our research on exosomes, viruses and blood processing instrumentation. This scope reduction will reduce the possible payments under the contract by

$858,491 over years three through five. We recently completed a re-budgeting of the expected costs on the remaining years of the Defense Advanced Research Projects Agency contract based on the reduced milestones and have concluded that the reductions in our costs due to the scaled back level of work will almost entirely offset the anticipated revenue levels based on current assumptions.

Fiscal Year Ended

March 31, 2015

During the fiscal year ended March 31, 2015, we invoiced the Defense Advanced Research Projects Agency for four milestones totaling $630,887. The details of those milestones were as follows:

Milestone 2.4.2.2 – Determine capacity requirements of affinity resin to multiple simultaneous targets. The milestone payment was $197,362. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we were able to determine the capacity requirements of affinity resin to multiple simultaneous targets. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone 2.4.2.4 – Finish construction and delivery of 25 experimental cartridges for testing by the system integrator. The milestone payment was $50,000. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we delivered the 25 cartridges to the systems integrator as part of our submission for approval. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone M9 – Target capture > 90% in 24 hours for at least 3 targets ex vivo in blood or blood components using the optimized cartridge. The milestone payment was $197,361. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we were able to capture approximately 90% in 24 hours for at least 3 targets ex vivo in blood or blood components using the optimized cartridge. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone M11 - Develop a strategic plan for developing an alternate method of producing galanthus nivalis agglutinin by cloning the gene into an alternate vector and identify potential partners for such production. The milestone payment was $186,164. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we developed a strategic plan for developing an alternate method of producing GNA by cloning the gene into an alternate vector and identified potential partners for such production. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Fiscal Year Ended March 31, 2014

As a result of achieving eight milestones in the fiscal year ended March 31, 2014, we reported $1,466,482 in contract revenue for that fiscal year. The details of the eight milestones achieved during the fiscal year ended March 31, 2014 were as follows:

Milestone 2.3.2.2 – Formulate initial design work based on work from the previous phase.

Begin to build and test selected instrument design and tubing sets. The milestone payment was $195,581. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we were able to formulate the initial design work and to build and test selected instrument design and tubing sets as part of our submission for approval. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone 2.3.2.2 – Write and test software and conduct ergonomic research. Begin discussions with the systems integrator. The milestone payment was $195,581. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts.

We obtained wrote and tested software and conducted ergonomic research and began discussions with the systems integrator. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone 2.3.3.2 – Cartridge construction with optimized affinity matrix design for each potential target. Complete the capture agent screening. The milestone payment was $208,781. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We completed the cartridge construction with optimized affinity matrix design for each potential target and completed the capture agent screening. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone M5 –

Target capture > 90% in 24 hours for at least three targets in blood or blood components. The milestone payment was $208,781. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we were able to capture > 90% in 24 hours for at least three of the agreed targets in blood or blood components. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone M3 – Conduct a series of experiments aimed at characterizing the contribution of several alternate fluidic designs and methods of perfusing plasma filters and affinity columns in the performance of affinity plasmapheresis. The milestone payment was $195,576. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we had conducted the relevant series of experiments. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone 2.4.2.1 – Evaluate contribution of manufacturing process variables to binding capacity of affinity resin. The milestone payment was $197,362. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we had evaluated the contribution of manufacturing process variables to binding capacity of affinity resin. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone 2.4.1.1 – Design and fabricate optimized configuration(s) of hemopurification device(s) that contain(s) a combination of hemofilters, plasma filters and affinity columns. The milestone payment was $186,164. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we had designed and fabricated optimized configuration of hemopurification devices. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone 2.4.2.3 – Perform biocompatibility tests for the combination ADAPT device to confirm the combination cartridge does not present additional risk. The milestone payment was $78,641. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we had performed biocompatibility tests for the combination ADAPT device to confirm the combination cartridge does not present additional risk. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

12. SIGNIFICANT FOURTH QUARTER ADJUSTMENTS

During the fourth quarter of the fiscal years ended March 31, 2015 and 2014, we did not deem any unusual or infrequently occurring items or adjustments to be material to our fourth quarter results.

13. COMMITMENTS AND CONTINGENCIES

EMPLOYMENT CONTRACTS

We entered into an employment

agreement with our Chairman of the Board (“Chairman”) effective April 1, 1999. The agreement, which is cancelable by either party upon sixty days’ notice, will be in effect until the Chairman retires or ceases to be employed by us. Under the terms of the agreement, if the Chairman is terminated he may become eligible to receive a salary continuation payment in the amount of at least twelve months' base salary, which was increased to $350,000 per year in

June 2014.

We entered into an employment agreement with Dr. Tullis (“Tullis”) effective January 10, 2000 as our Chief Science Officer ("CSO"). Under the terms of the agreement, if Tullis is terminated he may become eligible to receive a salary continuation payment in the amount of twelve months base salary, which is $195,000 per year.

LEASE COMMITMENTS

We currently

rent approximately 2,600 square feet of executive office space at 9635 Granite Ridge Drive, Suite 100, San Diego, CA 92123 at the rate of $6,054 per month on a four year lease that expires in January 2019. We also rent approximately 1,700 square feet of laboratory space at 11585 Sorrento Valley Road, Suite 109, San Diego, California 92121 at the rate of $4,560 per month on a one year lease that expires in October 2015. Our current plans are to renew the lease prior to expiration.

Our Exosome Sciences, Inc. subsidiary rents approximately 2,055 square feet of office and laboratory space at 11 Deer Park Drive, South Brunswick, NJ at the rate of $3,917 per month on a one year lease that expires in October 2015. Our current plans are to renew the lease prior to expiration.

Rent expense approximated $167,000 and $163,000 for the fiscal years ended March 31, 2015 and 2014, respectively. As of March 31, 2015, our commitments under the lease agreements are as follows:

	Fiscal Year Ended March 31,			
	2016	2017	2018	2019
9635 Granite Ridge Drive, Suite 100, San Diego, CA 92123 office lease	$73,048	$75,512	$78,156	$67,018
11585 Sorrento Valley Road, Suite 109, San Diego, CA 92121 office lease	31,923	–	–	–
11 Deer Park Drive, South Brunswick, NJ office lease	27,423	–	–	–
Total Lease Commitments	$132,394	$75,512	$78,156	$67,018

LEGAL MATTERS

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

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

14. SEGMENTS

We operate our businesses principally through two reportable segments: Aethlon, which represents our therapeutic business activities, and ESI, which represents our diagnostic business activities. Our reportable segments have been determined based on the nature of the potential products being developed.

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

The following tables set forth certain information regarding our segments and other operations that conforms to the consolidated balance sheet and statement of operations presented in this Report:

	Fiscal Years Ended March 31,	
	2015	2014
Revenues:		
Aethlon	$762,417	$1,623,769
ESI	–	–
Total Revenues	$762,417	$1,623,769
Operating Losses:		
Aethlon	$(3,081,169)	$(2,651,863)
ESI	(911,684)	(404,065)
Total Operating Loss	$(3,992,853)	$(3,055,928)
Net Losses:		
Aethlon	$(6,067,810)	$(13,357,232)
ESI	(911,684)	(81,730)
Net Loss Before Non-Controlling Interests	$(6,979,494)	$(13,438,962)

Cash:		
Aethlon	$721,689	$208,259
ESI	133,907	1,042,020
Total Cash	$855,596	$1,250,279
Total Assets:		
Aethlon	$1,159,910	$597,026
ESI	220,678	1,098,076
Total Assets	$1,380,588	$1,695,102
Capital Expenditures:		
Aethlon	$–	$37,313
ESI	–	58,743
Capital Expenditures	$–	$96,056
Depreciation and Amortization:		
Aethlon	$17,770	$11,549
ESI	19,582	9,538
Total Depreciation and Amortization	$37,352	$21,087
Interest Expense:		
Aethlon	$349,923	$1,282,638
ESI	–	4,583
Total Interest Expense	$349,923	$1,287,221

15. SUBSEQUENT EVENTS (UNAUDITED)

Management has evaluated events subsequent to March 31, 2015 through the date that the accompanying consolidated financial statements were filed with the Securities and Exchange Commission for transactions and other events which may require adjustment of and/or disclosure in such financial statements.

Reverse Split

On April 14, 2015, we completed a 1-for-50 reverse stock split. Accordingly, authorized common stock was reduced from 500,000,000 shares to 10,000,000 shares, and each 50 shares of outstanding common stock held by stockholders were combined into one share of common stock. The accompanying consolidated financial statements and accompanying notes have been retroactively revised to reflect such reverse stock split as if it had occurred on April 1, 2013. All share and per share amounts have been revised accordingly.

Government Contracts

Subsequent to March 31, 2015, we billed $186,164 under our DARPA contract and billed $6,344 under the Battelle subcontract and we collected $384,882 under both contracts.

Common Stock Issuances

Subsequent to March 31, 2015, we issued 951 shares of common stock as the result of rounding up of fractional shares that arose due to our reverse stock split.

June 2015 Financing – See Note 16 below

NOTE 16 – PRO FORMA BALANCE SHEET (UNAUDITED)

Management has presented unaudited pro forma balance sheet information as if the subsequent event discussed below had occurred on March 31, 2015. Such pro forma information is subject to future adjustment as management determines the final accounting for such transaction.

June 2015 Financing

In June 2015, we sold units (the "Units"), comprised of common stock and warrants, in exchange for net proceeds of $5,591,988, to certain accredited investors, including three institutional investors (collectively the "Purchasers") at a price of $6.30 per Unit (the "Agreement"). Each Unit consists of one share of common stock and .75 of a five-year warrant to purchase one share of common stock at an exercise price of $6.30 per share. We issued 952,383 shares of common stock and warrants to purchase 714,286 shares of common stock

Roth Capital Partners served as placement agent for the transaction and will receive 32,371 warrants for its services as well as a cash commission of $285,512 and $75,000 for its legal expenses in the transaction. We intend to use the proceeds to fund the clinical advancement of the Aethlon

Hemopurifier and for general corporate purposes.

As part of the terms of the Agreement, we entered into a Registration Rights Agreement with the Purchasers pursuant to which we agreed to file a registration statement to register for resale the shares of common stock issued, as well as the shares of common stock underlying the warrants, within 30 calendar days following the closing of the transaction. Subject to certain exceptions, in the event the registration statement does not become effective within certain time periods set forth in the Registration Rights Agreement, we would be required to pay the Purchasers an amount in cash equal to two percent (2.0%) of the aggregate purchase price of the Units every month until such time as the registration statement becomes effective or the shares of common stock (and shares of common stock underlying the Warrants) sold may be sold by the Purchasers pursuant to Rule 144 without any restrictions or limitations.

In connection with the transaction, Mr. James Joyce, our Chief Executive Officer, Mr. James Frakes, our Chief Financial Officer and Dr. Chetan Shah, a director of our Company, each agreed to waive their right to exercise certain stock options and warrants held by them representing the right to acquire 402,318 shares of common stock in the aggregate (the "Waivers"). The Waivers were required in order to make a sufficient number of shares of common stock available for issuance and expire when we amend our Articles of Incorporation to increase sufficiently the number of authorized shares of common stock available for issuance.

Pro Forma References

The unaudited pro forma balance sheet information as of March 31, 2015 assumes (1) the addition to our cash of $5,591,988 in net proceeds from the June 2015 financing, (2) the issuance of 952,383 shares of our common stock to the Purchasers in the transaction which increases the common stock on our balance sheet by $952, and (3) an increase in our additional paid in capital of $5,591,036.

The following unaudited pro forma information has been prepared as though the subsequent event transaction had occurred on March 31, 2015. The pro forma references refer to the above paragraph.

	Aethlon Medical, Inc. Consolidated Balance Sheet March 31, 2015	Pro Forma Adjustments Amount	Reference	Pro Forma Consolidated Balance Sheet March 31, 2015
ASSETS				
CURRENT ASSETS				
Cash	$855,596	$5,591,988	(1)	$6,447,584
Accounts receivable	193,341	–		193,341
Deferred financing costs	82,324	–		82,324
Prepaid expenses	73,135	–		73,135
TOTAL CURRENT ASSETS	1,204,396	5,591,988	(1)	6,796,384
NON-CURRENT ASSETS				

Property and equipment, net	56,091	–		56,091
Patents, net	103,325	–		103,325
Deposits	16,776	–		16,776
TOTAL NONCURRENT ASSETS	176,192	–		176,192
TOTAL ASSETS	$1,380,588	$5,591,988	(1)	$6,972,576
LIABILITIES AND DEFICIT				
CURRENT LIABILITIES				
Accounts payable	$342,133	$–		$342,133
Due to related parties	146,112			146,112
Other current liabilities	85,731	–		85,731
TOTAL CURRENT LIABILITIES	573,976	–		573,976
NONCURRENT LIABILITIES				
Convertible notes payable, non-current portion	155,229	–		155,229
TOTAL NONCURRENT LIABILITIES	155,229	–		155,229
TOTAL LIABILITIES	729,205	–		729,205
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY				
Common stock	6,657	952	(2)	7,609
Additional paid in capital	82,238,507	5,591,036	(3)	87,829,543
Accumulated deficit	(81,629,714)	–		(81,629,714)
TOTAL AETHLON MEDICAL, INC.	615,450	5,591,988	(2) (3)	6,207,438

STOCKHOLDERS' EQUITY				
Noncontrolling interests	35,933	–		35,933
TOTAL EQUITY	651,383	5,591,988	(2) (3)	6,243,371
TOTAL LIABILITIES AND EQUITY	$1,380,588	$5,591,988	(2) (3)	$6,972,576

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the various expenses to be incurred in connection with the registration of the securities being registered by this registration statement, all of which will be borne by us. All amounts shown are estimates except the

Securities and Exchange Commission registration fee.

Securities and Exchange Commission registration fee	$1,297
Transfer agent's fees and expenses	1,500
Printing and engraving expenses	5,500
Legal fees and expenses	141,500
Accounting fees and expenses	33,000
Total expenses	$182,797

Item 14. Indemnification of Directors and Officers.

Nevada Law.

We are incorporated in Nevada. Subsection 1 of Section

78.7502 of the Nevada Revised Statutes empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he is not liable pursuant to Section 78.138 of the Nevada Revised Statutes or if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Subsection 7 of Section 78.138 provides that, with certain exceptions, a director or officer is not individually liable to the corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his capacity as a director or officer unless it is proven that (i) his act or failure to act constituted a breach of his fiduciary duties as a director or officer, and (ii) his breach of those duties involved intentional misconduct, fraud or a knowing violation of the law.

Subsection 2 of Section 78.7502 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted under similar standards, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged by a court of competent jurisdiction to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which such action or suit was brought or other court of competent jurisdiction determines that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Section 78.7502 further provides that to the extent a director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsections (1) and (2) thereof, or in the defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith. Subsection 3 of Section 78.751 of the Nevada Revised Statutes provides that the indemnification provided for by Section 78.7502 shall not be deemed exclusive or exclude any other rights to which the indemnified party may be entitled (except that indemnification will generally not be available to a person if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and were material to the cause of action) and that the indemnification shall continue as to directors, officers, employees or agents who have ceased to hold such positions, and to their heirs, executors and administrators. Section

78.752 empowers the corporation to purchase and maintain insurance on behalf of a director, officer, employee or agent of the corporation against any liability asserted against him or incurred by him in any such capacity or arising out of his status as such whether or not the corporation would have the power to indemnify him against such liabilities under Section 78.7502.

By-Laws.

Our by-laws provide for the elimination of the personal liability of our officers, directors, corporate employees and agents to the fullest extent permitted by the provisions of the Nevada Law. Under such provisions, we shall indemnify a director or officer (and may indemnify a corporate employee or agent) who in his capacity as such is made, or threatened to be made, party to any suit or proceeding, if it is determined that such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of our company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Liability Insurance.

We maintain directors' and officers' liability insurance covering our directors and officers against expenses and liabilities arising from certain actions to which they may become subject by reason of having served in such role, including insurance for claims against these persons brought under securities laws. Such insurance is subject to the coverage amounts, exceptions, deductibles and other conditions set forth in the policy as in effect at the time of a claim, if any. There is no assurance that we will maintain liability insurance for our directors and officers.

Public Policy Limitations.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by one of our directors, officers or controlling persons in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

Item 15. Recent Sales of Unregistered Securities.

We have sold or issued the following securities not registered under the Securities Act of

1933, as amended, in reliance upon the exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, or Regulation D of the Securities Act of 1933, as amended, during the three years preceding the filing of this registration statement. Except as stated below, no underwriting discounts or commissions were payable with respect to any of the following transactions.

Equity Transactions Subsequent to the Fiscal

Year Ended March 31, 2015

On June 25, 2015, we sold $6,000,000 of units, comprised of common stock and warrants, to 18 accredited investors at a price of $6.30 per unit. Each unit consisted of one share of common stock and .75 of a five-year warrant to purchase one share of common stock at an exercise price of $6.30 per share. Accordingly, we issued a total of 952,383 shares of restricted common stock and warrants to purchase

714,286 shares of common stock. For its services as sole placement agent for the financing, we paid Roth Capital Partners, LLC a cash fee of $285,512 and expense reimbursement of $75,000 and we issued it a five-year warrant to purchase 32,371 shares of common stock at an exercise price of $6.30 per share.

Equity Transactions during the Fiscal Year Ended March 31, 2015

On May 20, 2014, May 23, 2014, June 6, 2014, June 11, 2014 and June 26, 2014, we sold to seven accredited investors 43,849 shares of restricted common stock for an aggregate purchase price of $320,800 and an average price of $7.50 per share. The common stock purchase price was calculated as 80% of the average closing price of our common stock for the five-day period immediately preceding the date of each subscription agreement.

On June 24, 2014, we issued the holder of a convertible note 466,365 shares of restricted common stock and five-year warrants to acquire up to 136,190 shares of common stock at an exercise price of $2.10 per share and up to 7,944 shares of common stock at an exercise price of $5.40 per share. We issued the stock and warrants upon the conversion of a combined principal and interest balance of $1,003,200 due under the note. We also issued the holder 1,500 shares of common stock as a service fee for converting the note in full and for agreeing to waive anti-dilution price protection in certain warrants previously issued to the holder by us.

On July 8, 2014, we issued the holder of a convertible note 51,837 shares of restricted common stock and five-year warrants to acquire up to 46,429 shares of common stock at an exercise price of $2.10 per share and up to 2,708 shares of common stock at an exercise price of $5.40 per share. We issued the stock and warrants upon the conversion of the interest balance of $116,970 due under the note and for the holder’s agreement to extend the expiration date of the note. We also issued the holder 500 shares of common stock as a service fee for extending the note, for converting the interest due under the note and for agreeing to waive anti-dilution price protection in certain warrants previously issued to the holder by us.

On July 15, 2014, we issued 38,750 shares of restricted common stock to the holders of three convertible notes in exchange for the partial or full conversion of principal and interest in the aggregate amount of $81,375 at a conversion price of $2.10 per share.

On July 24, 2014,

we issued an aggregate of 50,079 shares of restricted common stock and a seven-year warrant to issue up to 25,040 shares of common stock at an exercise price of $6.60 per share to Dr. Chetan Shah, one of our directors. We issued the common stock and warrant to Dr. Shah upon the conversion of an aggregate of $220,349 of unpaid principal and accrued interest due under a 10% Convertible Note previously issued to Dr. Shah by us on July 9, 2013.

On July 29, 2014, August 4, 2014 and August 6, 2014, we issued to four investors 53,465 shares of restricted common stock through the cash exercise of eight warrants for $259,474 of cash at an average exercise price of approximately $5.00 per share. As an inducement to those investors, we issued them replacement warrants to acquire up to an aggregate of 53,465 shares of common stock on the same terms as the warrants they exercised.

On August 6, 2014, we issued 7,806 shares of restricted common stock at an average price of $12.00 per share to a consultant in payment for investor relations consulting services valued at $75,000 based on the value of the services provided.

On August 29, 2014, September 2, 2014 and September 22, 2014, we issued and sold to three accredited investors units consisting of (a) 2,000 restricted shares of our common stock at prices per share ranging from $4.55 to $4.70 and (b) a five-year warrant to purchase 1,000 shares of common stock at exercise prices ranging from $6.80 to $7.15 per share. In total, the investors purchased for cash an aggregate of $90,000 of units. The investors acquired an aggregate of 19,500 shares of common stock and warrants to acquire up to an aggregate of 9,750 shares of common stock.

On September 17, 2014,

we issued to the holder of the remaining 2008 10% Convertible Note units consisting of an aggregate of 9,564 shares of restricted common stock and unit warrants to acquire up to an aggregate of 4,782 shares of common stock at an exercise price of $4.80 per share. The units were issued to the note holder upon the conversion of an aggregate of $45,906 of unpaid principal and accrued interest due under the promissory note, which represented the entire amount outstanding under the note.

On October 9, 2014, we issued to an accredited investor units consisting of an aggregate of 36,716 shares of restricted common stock and warrants to acquire up to an aggregate of 18,358 shares of common stock at an exercise price of $7.70 per share. We issued the units to the investor upon the conversion of an aggregate of $189,087 of unpaid principal and accrued interest due under two promissory notes (the remaining October and November 2009 10% Convertible Note and the April 2010 10% Convertible Note) previously issued to the investor by us. The amounts converted represented the entire principal and interest outstanding under the notes and the notes held by that holder were retired.

On October 10, 2014, October 14, 2014 and October 15, 2014, we issued and sold to eight accredited investors units consisting of (a) 2,000 restricted shares of common stock at prices per share ranging from $5.25 to $5.70 and (b) a five-year warrant to purchase 1,000 shares of common stock at exercise prices ranging from $7.70 to $8.35 per share. In total, the investors purchased for cash an aggregate of $502,700 of units. The investors acquired an aggregate of 90,125 shares of common stock and warrants to acquire up to an aggregate of 45,063 shares of common stock.

On October 15, 2014, we issued an aggregate of 70,460 shares of restricted common stock to two accredited investors upon the conversion of an aggregate of $147,965 of unpaid principal and accrued interest due under promissory notes previously issued to the investors by us. The conversion price per share was $2.10.

On October 17, 2014 and October 20, 2014, we issued an aggregate of 113,422 shares of restricted common stock and seven-year warrants to issue up to an aggregate of 113,422 shares of common stock at exercise prices ranging from $4.30 to $6.25 per share to eight accredited investors. One of the investors is Dr. Shah. The common stock and warrants were issued to the investors upon the cash exercise of previously issued warrants held by them. The investors paid an aggregate of $579,251 upon exercise of the previously outstanding warrants at exercise prices ranging from $4.30 to $6.25 per share.

On October 21, 2014, we issued an aggregate of 328,463 shares of restricted common stock to three accredited investors upon the cashless exercise of warrants previously issued to the investors by us with an exercise price of $2.10 per share.

On November 6, 2014, we sold to two accredited investors (i) convertible promissory notes in the aggregate principal amount of $527,780 and (ii) five year warrants to purchase up to 47,123 shares of common stock at a fixed exercise price of $8.40 per share. The convertible promissory notes bear interest at the annual rate of 10% and mature on April 1, 2016. The aggregate gross cash proceeds to us were $415,000 after subtracting legal fees of $35,000; the balance of the principal amount of the notes represents a $27,780 due diligence fee and an original issuance discount. The convertible promissory notes are convertible at the option of the holders into shares of our common stock at a fixed price of $5.60 per share, for up to an aggregate of 94,246 shares of common stock.

On November 7, 2014, we issued 3,400 shares of restricted common stock at price of $10.25 per share, along with a cash payment of $50,000, in full repayment of the outstanding principal balance and interest balance on the Law Firm Note.

On November 12, 2014, we issued 780 shares of restricted common stock to a consultant in payment for investor relations services valued at $8,000 based on the value of the services provided.

On November 18, 2014, we issued an aggregate of 112,500 shares of restricted common stock to two investors upon the conversion of an aggregate of $236,250 of unpaid principal and accrued interest under a promissory note previously issued by us. The conversion price was $2.10 per share.

On November 19, 2014 we issued 285 shares of restricted common stock to an investor upon the cashless exercise of warrants previously issued by us with an exercise price of $5.50 per share.

On November 25, 2014, we issued an aggregate of 214,286 shares of restricted common stock to two accredited investors upon the conversion of an aggregate of $450,000 of unpaid principal and accrued interest due under promissory notes previously issued by us with a conversion price of $2.10 per share.

On November 26, 2014, we authorized the issuance of an aggregate of 88,165 shares of restricted common stock to 38 accredited investors upon the cashless exercise of warrants previously issued to the investors by us with an exercise price of $11.00 per share.

On November 26, 2014, we authorized the issuance of 9,921 shares of restricted common stock to an accredited investor upon the cashless exercise of warrants previously issued by us with an exercise price of $5.50 per share.

On December 2, 2014, we sold $3,300,000 of units, comprised of common stock and warrants, to three affiliated institutional investors at a price of $15.00 per unit. Each unit consisted of one share of common stock and five-year warrants to purchase 1.2 shares of common stock at an exercise price of $15.00 per share. Accordingly, we issued a total of 220,000 shares of restricted common stock and warrants to purchase 264,000 shares of common stock. For its services as sole placement agent for the financing, we paid Roth Capital Partners, LLC a cash fee of $231,000 and expense reimbursement of $25,000 and we issued it a five-year warrant to purchase 11,000 shares of common stock at an exercise price of $15.00 per share.

On December 5, 2014, we issued an aggregate of 3,500 shares of restricted common stock to two affiliated accredited investors upon the cashless exercise of warrants previously issued by us with an exercise price of $2.10 per share.

On January 2, 2015, we issued 47,619 shares of common stock to an accredited investor upon the conversion of $100,000 of unpaid principal due under a promissory note we previously issued to the investor. The conversion price per share was $2.10.

On January 14, 2015, we authorized the issuance of 3,574 shares of common stock to an accredited investor upon the cashless exercise of warrants previously issued by us with an exercise price of $5.50 per share.

On March 16, 2015, we issued 37,265 shares of common stock to an accredited investor upon the conversion of an aggregate of $78,257 of unpaid principal and accrued interest due under a promissory note we previously issued to the investor. The conversion price per share was $2.10.

On March 30, 2015, we issued 13,803 shares of common stock to an accredited investor upon the conversion of an aggregate of $28,988 of unpaid principal and accrued interest due under a promissory note we previously issued to the investor. The conversion price per share was $2.10.

Equity Transactions in the

Fiscal Year Ended March 31, 2014

On April 3, 2013, April 15, 2013, April 23, 2013, May 3, 2013, May 9, 2013, June 6, 2013 and June 25, 2013, we issued 73,506 shares of restricted common stock to the holders of three notes issued by us in exchange for the partial conversion of principal and interest in an aggregate amount of $246,500 at an average conversion price of $3.50 per share.

In May 2013, we issued to a scientific advisory board member and a scientific consultant a three year option to purchase 2,500 shares of our common stock at a price of $5.50 per share.

On June 14, 2013, we completed a unit subscription agreement with three accredited investors pursuant to which we issued 31,605 shares of our common stock and 15,802 warrants to purchase our common stock for net cash proceeds of $128,000. Such warrants have an exercise price of $6.05 per share.

On June 20, 2013, we issued to our CEO the remaining 68,000 shares under his restricted share grant, all of which were vested.

On July 1, 2013, our compensation committee and Board of Directors approved the issuance of four stock option grants to four of our executives. The options carried an exercise price of $5.00 per share, have a ten-year life and vest over the following schedule: 25% on July 1, 2014, 25% on July 1, 2015, 25% on July 1, 2016 and 25% on July 1, 2017. The numbers of shares underlying each of the stock option grants were as follows: 40,000 shares to our chief executive officer and 10,000 shares each to our president, chief science officer and chief financial officer.

On July 16, 2013, July 24, 2013, August 5, 2013 and August 6, 2013, we issued 55,907 shares of restricted common stock to the holders of four notes issued by us in exchange for the partial or full conversion of principal and interest in an aggregate amount of $173,960 at an average conversion price of $3.11 per share.

On August 5, 2013 and August 6, 2013, we completed a unit subscription agreement with four accredited investors pursuant to which we issued 18,018 shares of restricted common stock and 9,009 warrants to purchase our common stock in exchange for net cash proceeds of $100,000. Such warrants have an exercise price of $8.35 per share.

On August 7, 2013 and September 18, 2013, 18 warrant holders exercised 131,625 warrants to receive 68,149 restricted shares of common stock in cashless exercise transactions.

On September 10, 2013, we issued 23,367 shares of restricted common stock at an average price of $4.92 per share in payment for investor relations and public relations services valued at $115,000 based on the value of the services provided.

On October 23, 2013, a warrant holder exercised 56,100 warrants in exchange for 31,555 shares in a cashless exercise transaction.

On October 24, 2013 and December 23, 2013, we issued 29,304 shares of restricted common stock to the holder of two notes issued by us in exchange for the partial or full conversion of accrued interest in an aggregate amount of $80,000 at an average conversion price of $2.73 per share.

On October 30, 2013, November 12, 2013, December 10, 2013 and December 30, 2013, we issued to 32 accredited investors 287,344 shares of restricted common stock and 43,102 five-year warrants to purchase our common stock for gross cash proceeds of $1,795,900. The warrants have an exercise price of $11.00 per share. We paid the broker that was engaged as placement agent in the transaction an aggregate cash fee in the amount of $270,508 and issued the placement agent’s designees warrants to purchase an aggregate of 43,102 shares of our common stock at an exercise price of $11.00 per share. We also paid $78,360 in other costs and fees, including legal fees, blue sky fees and escrow costs. The net proceeds that we received totaled $1,447,032.

On January 29, 2014 and March 14, 2014, we issued 4,163 shares of restricted common stock to three warrant holders in cashless exercise transactions.

On February 21, 2014, we issued 7,996 shares of restricted common stock at an average price of $7.82 per share in payment for investor relations and public relations services valued at $62,500 based on the value of the services provided.

On February 24, 2014 and March 31, 2014, we issued 52,764 shares of restricted common stock to the holders of five notes issued by us in exchange for the partial or full conversion of accrued interest in an aggregate amount of $226,316 at an average conversion price of $4.29 per share.

On February 24, 2014, we issued 150,457 shares of restricted common stock upon the cashless exercise of three warrants in connection with the Gemini litigation settlement.

On March 26, 2014, a former director exercised 3,659 in vested stock options through the contribution of $2,000 in cash and $13,000 in accrued expenses owed to him based on the exercise price of $4.10 per share.

On March 31, 2014, we entered into extension agreements with three noteholders. In conjunction with the extension agreements, we agreed to issue to the noteholders an aggregate 90,142 shares of restricted common stock as a result of the noteholders invoking the anti-dilution protection on their notes.

Equity Transactions in the Fiscal Year Ended March 31, 2013

On April 5, 2012, we completed a unit subscription agreement with one accredited investor pursuant to which the investor purchased $200,000 of units, with each unit consisting of (i) one share of common stock at a price per share of $4.00 and (ii) a seven-year warrant to purchase such number of shares of common stock as shall equal (a) fifty percent of the subscription amount *divided by* (b) $4.00 at an exercise price of $6.25 per warrant share. Based on the foregoing, we issued units consisting of 50,000 shares of common stock and warrants to purchase 25,000 shares of common stock.

In April 2012, we issued warrants to purchase 32,349 shares of common stock to the placement firm that arranged $1 million in bridge financing in the fiscal year ended March 31,

2012. Those warrants were on the same terms as those received by the investors in the bridge financing with a term of five years and an exercise price of $5.50.

On June 19, 2012, we completed a unit subscription agreement with seven accredited investors pursuant to which the investors purchased $592,000 of units, with each unit consisting of (i) one share of common stock at a price per share of $3.60 and (ii) a seven-year warrant to purchase such number of shares of common stock as shall equal (a) fifty percent of the subscription amount *divided by* (b) $3.60 at an exercise price of $5.40 per warrant share. Based on the foregoing, we issued units consisting of 164,444 shares of common stock and warrants to purchase 82,222 shares of common stock.

On June 26, 2012, we completed a unit subscription agreement with one accredited investor pursuant to which the investor purchased $10,000 of units, with each unit consisting of (i) one share of common stock at a price per share of $3.60 and (ii) a seven-year warrant to purchase such number of shares of common stock as shall equal (a) fifty percent of the subscription amount divided by (b) $3.60 at an exercise price of $5.35 per warrant share. Based on the foregoing, we issued units consisting of 2,796 shares of common stock and warrants to purchase 1,398 shares of common stock.

On July 3, 2012, we issued 9,228 shares of common stock to the holder of a $25,000 October and November 2009 10% Convertible Note in exchange for the value of the principal and related accrued interest of $8,000 under the same terms that we used to sell units consisting of one share of common stock and one-half of a stock purchase warrant on June 29, 2012. As part of that structure, the noteholder also received seven year warrants to purchase 4,614 shares of common stock at a price of $5.35 per share.

On August 29, 2012, we completed a unit subscription agreement with seven accredited investors pursuant to which the investors purchased an aggregate of $271,000 of restricted common stock at a price of $4.00 per share. The common stock purchase price under the subscription agreement was determined to be 80% of the average closing price of the our common stock for the five-day period immediately preceding the date of the subscription agreement, resulting in the issuance of 67,750 shares of common stock. Each investor also received one seven-year common stock purchase warrant for each two shares of common stock purchased under the subscription agreement. Accordingly, we issued warrants to purchase 33,875 shares of common stock. The warrant exercise price was calculated to be $6.00 per share based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the parties entering into the subscription agreement.

In October 2012, we completed a unit subscription agreement with four accredited investors pursuant to which the investors purchased an aggregate of $135,000 of restricted common stock at an average price of $3.50 per share. The common stock purchase price under the subscription agreement was determined to be 80% of the average closing price of our common stock for the five-day period immediately preceding the date of the subscription agreement, resulting in the issuance of 36,468 shares of common stock. Each investor also received one common stock purchase warrant for each two shares of common stock purchased under the subscription agreement. Accordingly, we issued warrants to purchase 18,234 shares of common stock. The average warrant exercise price was $5.55 per share, calculated based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the parties entering into the subscription agreement.

In November 2012, we completed a unit subscription agreement with four accredited investors pursuant to which the investors purchased an aggregate of $213,000 of restricted common stock at an average price of $3.00 per share. The common stock purchase price under the subscription agreement was determined to be 80% of the average closing price of our common stock for the five-day period immediately preceding the date of the subscription agreement, resulting in the issuance of 68,710 shares of common stock. Each investor also received one common stock purchase warrant for each two shares of common stock purchased under the subscription agreement. Accordingly, we issued warrants to purchase 34,555 shares of common stock. The average warrant exercise price was $4.65 per share, calculated based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the parties entering into the subscription agreement.

In December 2012, we completed a unit subscription agreement with four accredited investors pursuant to which the investors purchased an aggregate of $150,000 of restricted common stock at an average price of $3.00 per share. The common stock purchase price under the subscription agreement was determined to be 80% of the average closing price of our common stock for the five-day period immediately preceding the date of the subscription agreement, resulting in the issuance of 52,394 shares of common stock. Each investor also received one common stock purchase warrant for each two shares of common stock purchased under the subscription agreement. Accordingly, we issued warrants to purchase 26,197 shares of common stock. The average warrant exercise price was $4.30 per share, calculated based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the parties entering into the subscription agreement.

On January 4, 2013, we issued 4,929 shares of restricted common stock to the owner of a patent as a patent license payment valued at $17,250.

On February 7, 2013, we issued an aggregate of 70,313 shares of restricted common stock to six accredited investors and one institutional investor for aggregate proceeds of $225,000 or an average price of $3.00 per share. The common stock purchase price was determined to be 80% of the average closing price of our common stock for the five-day period immediately preceding the purchase date. Each investor also received one common stock purchase warrant for each two shares of common stock purchased. Accordingly, we issued warrants to purchase 35,156 shares of common stock. The average warrant exercise price was $4.80 per share, calculated based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the purchase date.

On March 4, 2013, March 14, 2013, March 15, 2013 and March 18, 2013, we issued an aggregate of 81,616 shares of restricted common stock to ten accredited investors and one institutional investor for aggregate proceeds of $313,834 or an average price of $4.00 per share. The common stock purchase price was determined to be 80% of the average closing price of our common stock for the five-day period immediately preceding the date of each purchase. We also issued each investor one common stock purchase warrant for each two shares of common stock purchased. Accordingly, we issued warrants to purchase 40,808 shares of common stock. The average warrant exercise price was $5.90 per share, calculated based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the applicable purchase date.

During the fiscal year ended March 31, 2013, we issued 456,595 shares of restricted common stock to holders of notes issued by the Company in exchange for the partial or full conversion of principal and interest of several notes payable in an aggregate amount of $1,707,052 at an average conversion price of $3.50 per share based upon the conversion formulae in the respective notes.

During the fiscal year ended March 31, 2013, we issued 2,320 shares of restricted common stock to a holder of a note payable to settle past due accrued interest that we recorded as non-cash interest expense of $11,846.

During the fiscal year ended March 31, 2013, we issued 38,656 restricted shares of common stock to service providers for investor relations, corporate communications and business development services valued at $170,849 based upon the fair value of the shares issued. The average issuance price on the restricted share issuances was approximately $4.50 per share.

During the fiscal year ended March 31, 2013, our Board of Directors granted, to our four outside directors, ten-year options to acquire an aggregate of 33,342 shares of our common stock, all with an exercise price of $3.80 per share.

Item 16. Exhibits and Financial Statement Schedules.

Reference is made to the Exhibit Index filed as part of this registration statement. All exhibits have been filed previously unless otherwise noted.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment hereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the “Calculation of Registration Fee” table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide

offering thereof;

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering,

other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on July 14, 2015.

AETHLON MEDICAL, INC.,

a Nevada corporation

/s/ James A. Joyce

By: James A. Joyce

Its: Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James A. Joyce and James B. Frakes, or either of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to file and sign any and all amendments, including post-effective amendments and any registration statement for the same offering that is to be effective under Rule 462(b) of the Securities Act of 1933, as amended, to this registration statement, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ James A. Joyce James A. Joyce	Chairman, Chief Executive Officer, Principal Executive Officer	July 14, 2015
/s/ James B. Frakes James B. Frakes	Chief Financial Officer, Principal Accounting Officer	July 14, 2015
/s/ Franklyn S. Barry, Jr. Franklyn S. Barry, Jr.	Director	July 14, 2015
s/ Edward G. Broenniman Edward G. Broenniman	Director	July 14, 2015
/s/ Rodney S. Kenley Rodney S. Kenley	Director	July 14, 2015
/s/ Chetan S. Shah Chetan S. Shah, MD	Director	July 14, 2015

INDEX TO EXHIBITS

2.1	Agreement and Plan of Reorganization Between Aethlon Medical, Inc. (formerly, Bishop Equities, Inc.) and Aethlon, Inc. dated March 10, 1999 (1)
2.2	Agreement and Plan of Reorganization Between Aethlon Medical, Inc. (formerly, Bishop Equities, Inc.) and Hemex, Inc. dated March 10, 1999 (1)
3.1	Articles of Incorporation of Aethlon Medical, Inc., as amended (2)
3.2	Bylaws of Aethlon Medical, Inc., as amended (29)
4.1	Form of Common Stock

	Certificate (3)
4.2	Form of Amended and Restated Convertible Note dated June 14, 2010 (12)
4.3	Form of Amended and Restated Warrant dated June 14, 2010 (12)
4.4	Form of Amended and Restated Warrant dated June 14, 2010 (QB) (12)
4.5	Form of Common Stock Purchase Warrant dated March 29, 2012 and April 15, 2012 (14)
4.6	Form of Common Stock Purchase Warrant dated June 19, 2012 (15)
4.7	Form of Common Stock Purchase Warrant dated August 29, 2012 (16)
4.8	Form of Common Stock Purchase Warrant dated October, November and

	December 2012 (17)
4.9	Form of Common Stock Purchase Warrant dated June 14, 2013 (18)
4.10	Form of Convertible Promissory Note dated July 9, 2013 (2)
4.11	Form of Common Stock Purchase Warrant October 30, 2013 (19)
4.12	Form of Exosome Sciences 10% Promissory Note dated October 2013 (19)
4.13	Form of Common Stock Purchase Warrant November 12, 2013 (20)
4.14	Form of Common Stock Purchase Warrant December 10, 2013 (22)
4.15	Form of Common Stock Purchase Warrant December 30, 2013 (24)

4.16	Form of Amendment to Notes and Warrants dated March 31, 2014 (26)
4.17	Form of Common Stock Purchase Warrant dated June 24, 2014 (27)
4.18	Form of Common Stock Purchase Warrant dated July 8, 2014 (28)
4.19	Form of Common Stock Purchase Warrant dated July 24, 2014 (29)
4.20	Form of Common Stock Purchase Warrant issued August and September 2014 (30)
4.21	Form of Class A Common Stock Purchase Warrant dated November 6, 2014 (30)
4.22	Form of Convertible Promissory Note dated November 6, 2014 (30)

4.23	Form of Common Stock Purchase Warrant issued December 2, 2014 (32)
4.24	Form of Purchase Agent Warrant dated December 2, 2014 (33)
4.25	Form of Warrant to Purchase Common Stock issued June 25, 2015 (35)
4.26	Form of Purchase Agent Warrant issued June 25, 2015 (36)
5.1	Opinion of Raines Feldman LLP *
10.1	2000 Stock Option Plan (2)++
10.2	Amended 2010 Stock Incentive Plan (4)
10.3	2005 Directors Compensation Program (2)++
10.4	

	2012 Directors Compensation Program, as amended on June 6, 2014 (2)++
10.5	Employment Agreement between Aethlon Medical, Inc. and James A. Joyce dated April 1, 1999 (5)++
10.6	Patent License Agreement by and amongst Aethlon Medical, Inc., Hemex, Inc., Dr. Julian L. Ambrus and Dr. David O. Scamurra (6)
10.7	Employment Agreement by and between Aethlon Medical, Inc. and Dr. Richard H. Tullis dated January 10, 2000 (6)++
10.8	Stock Option Agreement by and between Aethlon Medical, Inc. and James A Joyce dated February 23, 2005 (7)++
10.9	Stock Option Agreement by

	and between Aethlon Medical, Inc. and Richard Tullis dated February 23, 2005 (7)++
10.10	Stock Option Agreement by and between Aethlon Medical, Inc. and Franklyn S. Barry, Jr. dated February 23, 2005 (7)++
10.11	Stock Option Agreement by and between Aethlon Medical, Inc. and Ed Broenniman dated February 23, 2005 (7)++
10.12	Stock Option Agreement by and between Aethlon Medical, Inc. and James A. Joyce dated September 9, 2005 (8)++
10.13	Stock Option Agreement by and between Aethlon Medical, Inc. and James A. Joyce dated June 13, 2007 (9)++
10.14	Stock Option Agreement by and between

	Aethlon Medical, Inc. and James A. Joyce dated December 15, 2008 (10)++
10.15	Stock Option Agreement by and between Aethlon Medical, Inc. and Franklyn S. Barry dated December 15, 2008 (10)++
10.16	Stock Option Agreement by and between Aethlon Medical, Inc. and Edward G. Broenniman dated December 15, 2008 (10)++
10.17	Stock Option Agreement by and between Aethlon Medical, Inc. and Richard H. Tullis dated December 15, 2008 (10)++
10.18	Standard Industrial Net Lease by and between

Sorrento
Business
Complex
and Aethlon
Medical,
Inc. dated
September
28, 2009
(11)

10.19	Form of Amended and Restated Registration Rights Agreement dated February 2, 2009 (12)
10.20	Offer of Employment by and between Aethlon Medical, Inc. and Rodney S. Kenley dated October 27, 2010 (13)++
10.21	Stock Option Agreement of Rodney S. Kenley dated October 27, 2010 (13)++
10.22	Unit Subscription Agreement dated March 29, 2012 and April 5, 2012 (14)
10.23	Unit Subscription Agreement dated June 19, 2012 (15)
10.24	Unit Subscription Agreement dated August 29, 2012 (16)

10.25	Unit Subscription Agreement dated October, November and December 2012 (17)
10.26	Unit Subscription Agreement dated June 14, 2013 (18)
10.27	Form of Unit Purchase Agreement dated October 30, 2013 (19)
10.28	Form of Subscription Agreement October 30, 2013 (19)
10.29	Form of Unit Purchase Agreement dated November 12, 2013 (20)
10.30	Form of Subscription Agreement November 12, 2013 (20)
10.31	Form of Exosome Sciences Stock Purchase Agreement dated November 21, 2013 (21)

10.32	Form of Unit Purchase Agreement dated December 10, 2013 (22)
10.33	Form of Subscription Agreement December 10, 2013 (22)
10.34	Form of Exosome Sciences Stock Purchase Agreement dated December 13, 2013 (23)
10.35	Form of Unit Purchase Agreement dated December 30, 2013 (24)
10.36	Form of Subscription Agreement December 30, 2013 (24)
10.37	Settlement Agreement and General Release with Gemini Master Fund, Ltd. dated February 24, 2014 (25)
10.38	Escrow Agreement dated February 24,

	2014 (25)
10.39	Form of Stipulation of Dismissal (25)
10.40	Form of Restructuring Agreement dated June 24, 2014 (27)
10.41	Form of Restructuring Agreement dated June 24, 2014 (27)
10.42	Form of Restructuring Agreement dated July 8, 2014 (28)
10.43	Second Amendment to Standard Industrial Net Lease by and between Sorrento Business Complex and Aethlon Medical, Inc. dated October 10, 2014 (3)
10.44	Form of Subscription Agreement dated November 6, 2014 (30)

10.45	Office Lease between T-C Stonecrest LLC and Aethlon Medical, Inc. dated November 13, 2014 (31)
10.46	Securities Purchase Agreement dated November 26, 2014 (32)
10.47	Registration Rights Agreement dated November 26, 2014 (32)
10.48	DARPA Contract dated September 30, 2011 (3) (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.49	DARPA Contract Extension dated August 8, 2012 (3)
10.50	DARPA Contract Extension dated

	September 15, 2013 (3)
10.51	DARPA Contract Extension dated September 29, 2014 (3)
10.52	DARPA Contract Modification dated March 12, 2015 (2) (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.53	UCI Clinical Trial Agreement signed April 9, 2015 (34)
10.54	Protocol for UCI Clinical Trial (34)
10.55	Budget for UCI Clinical Trial (34)
10.56	DaVita Master Services Agreement (29)
10.57	First Amendment to DaVita Master Services Agreement (29)

10.58	Work Order #1 under DaVita Master Services Agreement (29) (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.59	Securities Purchase Agreement dated June 23, 2015 (35)
10.60	Registration Rights Agreement dated June 23, 2015 (35)
21.1	List of subsidiaries (3)
23.1	Consent of Independent Registered Public Accounting Firm (Squar, Milner, Peterson, Miranda & Williamson, LLP) *
23.2	Consent of Raines Feldman LLP (included in Exhibit 5.1) *

24.1	Power of Attorney (included on signature page hereto) *
101.INS	XBRL Instance Document*
101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*

* Filed herewith

++ Indicates a management contract or compensatory plan or arrangement

(1) Filed with the Company's Current Report on Form 8-K/A dated March 26, 1999 and incorporated by reference.

(2) Filed with the Company's Registration Statement on Form S-1 (File No. 333-203487) filed on April 17, 2015 and incorporated by reference.

(3) Filed with the Company’s Registration Statement on Form S-1 (File No. 333-201334) filed on December 31, 2014 and incorporated by reference.

(4) Filed with the Company’s Registration Statement on Form S-8 (File No. 333-182902) filed on July 27, 2012 and incorporated by reference.

(5) Filed with the Company's Annual Report on Form 10-KSB filed on July 15, 1999 for the year ended March 31, 1999 and

incorporated by reference.

(6) Filed with the Company's Annual Report on Form 10-KSB/A filed on September 10, 2004 for the year ended March 31, 2004 and incorporated by reference.

(7) Filed with the Company's Annual Report on Form 10-KSB filed on July 14, 2005 for the year ended March 31, 2005 and incorporated by reference.

(8) Filed with the Company's Current Report on

Form 8-K filed on September 12, 2005 and incorporated by reference.

(9) Filed with the Company’s Registration Statement on Form S-8 (File No. 333-168483) filed on August 2, 2010 and incorporated by reference.

(10) Filed with the Company's Current Report on Form 8-K dated December 19, 2008 and incorporated by reference.

(11) Filed with the Company’s Quarterly Report on Form 10-Q

filed on November 16, 2009 for the period ended September 30, 2009 and incorporated by reference.

(12) Filed with the Company's Annual Report on Form 10-K filed on July 2, 2010 for the year ended March 31, 2010 and incorporated by reference.

(13) Filed with the Company's Current Report on Form 8-K dated November 1, 2010 and incorporated by reference.

(14) Filed with the Company's Current Report on Form 8-K dated April 6, 2012 and incorporated by reference.

(15) Filed with the Company's Current Report on Form 8-K dated June 27, 2012 and incorporated by reference.

(16) Filed with the Company's Current Report on Form 8-K dated September 6, 2012 and incorporated by reference.

(17) Filed with the Company's Quarterly Report on

Form 10-Q filed on February 12, 2013 for the period ended December 31, 2012 and incorporated by reference.

(18) Filed with the Company's Quarterly Report on Form 10-Q filed on August 13, 2013 for the period ended June 30, 2013 and incorporated by reference.

(19) Filed with the Company's Current Report on Form 8-K dated November 6, 2013 and incorporated by reference.

(20) Filed with the Company's Current Report on Form 8-K dated November 20, 2013 and incorporated by reference.

(21) Filed with the Company's Current Report on Form 8-K dated November 21, 2013 and incorporated by reference.

(22) Filed with the Company's Current Report on Form 8-K dated December 16, 2013 and incorporated by reference.

(23) Filed with the Company’s Current Report on Form 8-K/A dated December 19, 2013 and incorporated by reference.

(24) Filed with the Company’s Current Report on Form 8-K dated January 7, 2014 and incorporated by reference.

(25) Filed with the Company’s Current Report on Form 8-K dated February 27, 2014 and incorporated by reference.

(26) Filed with the Company’s

Current Report on Form 8-K dated April 4, 2014 and incorporated by reference.

(27) Filed with the Company's Current Report on Form 8-K dated June 30, 2014 and incorporated by reference.

(28) Filed with the Company's Current Report on Form 8-K dated July 10, 2014 and incorporated by reference.

(29) Filed with the Company's Annual Report on Form 10-K filed on June 26, 2015 for

the year ended March 31, 2015 and incorporated by reference.

(30) Filed with the Company's Quarterly Report on Form 10-Q filed on November 10, 2014 for the period ended September 30, 2014 and incorporated by reference.

(31) Filed with the Company's Current Report on Form 8-K/A dated November 19, 2014 and incorporated by reference.

(32) Filed with the Company's

Current Report on Form 8-K dated November 28, 2014 and incorporated by reference.

(33) Filed with the Company’s Current Report on Form 8-K dated December 3, 2014 and incorporated by reference.

(34) Filed with the Company’s Current Report on Form 8-K dated April 15, 2015 and incorporated by reference.

(35) Filed with the Company’s Current Report on Form 8-K dated June

24, 2015 and incorporated by reference.

(36) Filed with the Company’s Current Report on Form 8-K dated June 26, 2015 and incorporated by reference.