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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8- 49765

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Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2002 (MM/DD/YY) AND ENDING DECEMBER 31, 2002 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: AETHLON CAPITAL, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

4920 IDS CENTER 80 SOUTH 8TH STREET
(No. and Street)

MINNEAPOLIS (City) MINNESOTA (State) 55402 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
JOHN PAGNUCCO (612) 338-0934
(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

VIRCHOW, KRAUSE & COMPANY, LLP
(Name – *if individual, state last, first, middle name*)

7900 XERXES AVENUE SOUTH, SUITE 2400 (Address) BLOOMINGTON, (City) MN (State) 55431 (Zip Code)

CHECK ONE:

- [x] Certified Public Accountant
- [ ] Public Accountant
- [ ] Accountant not resident in United States or any of its possessions.

PROCESSED
MAR 1 8 2003
THOMSON FINANCIAL

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**Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)*

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, JOHN PAGNUCCO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AETHLON CAPITAL, LLC, as of DECEMBER 31, 20 02, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

ANTOINETTE M. KOOP
Notary Public
Minnesota
My Commission Expires Jan 31, 2007

John Pagnucco
Signature

Principal
Title

Antoinette M Koop
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of ~~Changes in Financial Condition.~~ CASH FLOWS
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

***For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

AETHLON CAPITAL, LLC

(A Limited Liability Company)

Minneapolis, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2002 and 2001

AETHLON CAPITAL, LLC
(A Limited Liability Company)

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Virchow Krause & company

INDEPENDENT AUDITORS' REPORT

Board of Governors
Aethlon Capital, LLC (A Limited Liability Company)
Minneapolis, Minnesota

We have audited the accompanying statements of financial condition of Aethlon Capital, LLC (A Limited Liability Company) as of December 31, 2002 and 2001 and the related statements of income, members' equity and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the *Securities Exchange Act of 1934*. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aethlon Capital, LLC (A Limited Liability Company) as of December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Virchow, Krause & Company, LLP

Minneapolis, Minnesota
February 6, 2003

AETHLON CAPITAL, LLC
(A Limited Liability Company)

STATEMENTS OF FINANCIAL CONDITION
December 31, 2002 and 2001

ASSETS

	2002	2001
CASH AND CASH EQUIVALENTS	$ 69,910	$ 95,317
COMMISSIONS RECEIVABLE	67,559	33,028
PREPAID EXPENSES	4,060	7,955
SECURITIES NOT READILY MARKETABLE	3,450	3,350
TOTAL ASSETS	$ 144,979	$ 139,650

LIABILITIES AND MEMBERS' EQUITY

	2002	2001
LIABILITIES		
Accrued expenses	$ 10,195	$ 46,315
MEMBERS' EQUITY	134,784	93,335
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 144,979	$ 139,650

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC
(A Limited Liability Company)

STATEMENTS OF INCOME
Years Ended December 31, 2002 and 2001

	2002	2001
REVENUES	$ 966,531	$ 2,081,439
EXPENSES:		
Salaries and commissions	574,418	1,735,500
Payroll taxes and other employee benefits	71,409	52,802
Occupancy costs	75,371	76,168
Other administrative expenses	123,884	156,732
	845,082	2,021,202
NET INCOME	$ 121,449	$ 60,237

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC
(A Limited Liability Company)

STATEMENTS OF MEMBERS' EQUITY
Years Ended December 31, 2002 and 2001

BALANCE, December 31, 2000	$	33,098
2001 net income		60,237
BALANCE, December 31, 2001		93,335
2002 net income		121,449
Member distributions		(80,000)
BALANCE, December 31, 2002	$	134,784

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC
(A Limited Liability Company)

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2002 and 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 121,449	$ 60,237
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation	8,126	2,355
Transfer of securities not readily marketable to employee	-	2,150
Changes in assets and liabilities		
Commissions receivable	(34,531)	(33,028)
Prepaid expenses	3,895	2,244
Accrued expenses	(36,120)	30,727
Net Cash Flows from Operating Activities	62,819	64,685
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(8,126)	(2,355)
Purchase of securities not readily marketable	(100)	-
Net Cash Flows from Investing Activities	(8,226)	(2,355)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution to members	(80,000)	-
Net Cash Flows from Financing Activities	(80,000)	-
Net Change in Cash and Cash Equivalents	(25,407)	62,330
CASH AND CASH EQUIVALENTS - Beginning of Year	95,317	32,987
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 69,910	$ 95,317

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC
(A Limited Liability Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 1 - Summary of Significant Accounting Policies

Nature of Business

Aethlon Capital, LLC (the Company) was formed in October 1996 as a limited liability company under Chapter 322B of the Minnesota statutes. The Company has issued membership interests to denominate each member's (owner's) voting power, share of Company's profit and losses and right to share in distributions. The Company will continue until October 30, 2026 unless terminated prior to that time.

The Company is a licensed securities broker-dealer and specializes in providing investment banking services for public and private emerging growth companies. Services provided include private placement of equity or debt, general corporate finance advisory services and investor relations.

The Company is a member of the Securities Investors Protection Corporation (SIPC) and the National Association of Securities Dealers (NASD).

The Company is exempt from the requirements of Rule 15c3-3 of the Securities Exchange Commission (the "Rule") based on the provisions of Section K2i of the Rule.

Cash and Cash Equivalents

The Company maintains its cash in high quality financial institutions and money market mutual funds. The balances, at times, may exceed federally insured limits.

Revenues

The Company's revenues during 2002 and 2001 were derived from private placement fees and related expense reimbursements. Revenue is recognized at the time of the placement's closing.

Equipment and Furniture

Equipment and furniture are being depreciated using accelerated methods over periods up to five years.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

AETHLON CAPITAL, LLC
(A Limited Liability Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 2 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed fifteen to one (eight to one for new broker/dealers). Net capital and the related net capital ratio fluctuate on a daily basis. As of December 31, 2002, the net capital ratio was .17 to 1 and net capital was $59,644 which exceeded the minimum requirement by $54,644. As of December 31, 2001, the net capital ratio was .98 to 1 and net capital was $47,389 which exceeded the minimum requirement by $42,389.

NOTE 3 - Equipment And Furniture

	2002	2001
Equipment and Furniture	$ 25,231	$ 17,105
Less Accumulated Depreciation	(25,231)	(17,105)
	$ -	$ -

Depreciation expense was $8,126 and $2,355 during 2002 and 2001, respectively.

NOTE 4 - Income Taxes

The Company is treated as a partnership for income tax purposes. Accordingly, these financial statements do not include any provision for income taxes since the income and expenses are reported on the individual income tax returns of the members and the applicable income taxes, if any, are paid from the personal funds of the members.

NOTE 5 - Lease

The Company entered into a noncancelable operating lease. The lease expires May 2005 and requires monthly base rents of $2,825 which increase annually to $2,948 in addition to the Company's prorata share of the building's property taxes and operating expenses. Rent expense was approximately $55,000 and $58,000 in 2002 and 2001, respectively. Future minimum rental commitments at December 31, 2002 are as follows:

2003	$ 34,674
2004	35,165
2005	14,737
	$ 84,576

NOTE 6 - Member Buy/Sell Agreement

Under the terms of a Member Control Agreement dated January 1, 1997, members may not sell, assign, or transfer their governance or financial rights without first offering these rights to the Company and the remaining members.

AETHLON CAPITAL, LLC
(A Limited Liability Company)

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 7 - Employee Benefit Plan

The Company adopted a simplified employee pension plan in 1999. Contributions to the plan by the Company are discretionary. Employer contributions for 2002 and 2001 were $40,000 and $25,500, respectively.

NOTE 8 - Significant Customers

The Company received all of its 2002 and 2001 revenue from commissions earned on private placement offerings. Two customers accounted for 97% of the revenues in 2002. One other customer accounted for 93% of the revenues in 2001.

SUPPLEMENTAL INFORMATION

Virchow Krause & company

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION PURSUANT TO SEC RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION

We have audited the accompanying financial statements of Aethlon Capital, LLC, (A Limited Liability Company) as of and for the year ended December 31, 2002, and have issued our report thereon dated February 6, 2003. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedule presented on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Virchow, Krause & Company, LLP

Minneapolis, Minnesota
February 6, 2003

AETHLON CAPITAL, LLC
(A Limited Liability Company)

COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS UNDER RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION
December 31, 2002

COMPUTATION OF NET CAPITAL

Members' equity		$ 134,784
Deductions and/or charges:		
Non-allowable assets:		
Commissions receivable	$ 67,559	
Prepaid expenses	4,060	
Securities not readily marketable	3,450	75,069
Net capital before haircuts on securities positions		59,715
Haircuts on securities positions		71
Net capital		$ 59,644

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition	$ 10,195

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital requirement	$ 5,000
Excess net capital at 1,500 percent	$ 54,644
Excess net capital at 1,000 percent	$ 58,625
Ratio: Aggregate indebtedness to net capital	.17 to 1

RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital, as reported in Company's Part II Focus report, Form X-17a-5 (unaudited)	$ 69,274
To record additional accrued expenses	(9,699)
Other audit adjustments	69
Net capital per above	$ 59,644

Virchow Krause & company

INDEPENDENT AUDITORS' SUPPLEMENTARY REPORT ON INTERNAL ACCOUNTING CONTROL

Board of Governors
Aethlon Capital, LLC (A Limited Liability Company)
Minneapolis, Minnesota

In planning and performing our audit of the financial statements and supplemental schedule of Aethlon Capital, LLC (A Limited Liability Company) for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons.

2. Recordation of differences required by rule 17a-13.

3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Governors, management, the SEC, and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Virchow, Krause & Company, LLP

Minneapolis, Minnesota
February 6, 2003