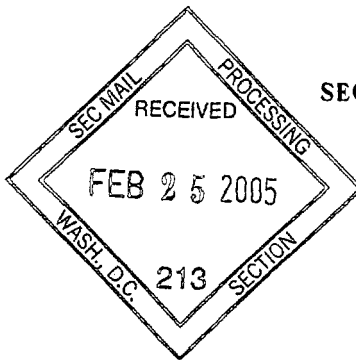


73B



05037216

3/9



SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8- 49765

FACING PAGE

**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 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Aethlon Capital, LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

4920 IDS Center, 80 South 8th Street

(No. and Street)

Minneapolis

MN

55402

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Sima Griffith

612-677-1339

(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, Minneapolis, MN 55431

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 17 2005

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

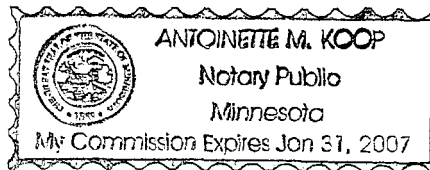
75
3/11/05

OATH OR AFFIRMATION

I, Sima Griffith, 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, 2004, 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:

[Signature]
Signature
Murray Rucy
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

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Condition	2
Statements of Operations	3
Statements of Member's Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 8
Supplemental Information	
Computation of Net Capital and Aggregate Indebtedness Under Rule 15c3-1 of the Securities and Exchange Commission	9
Independent Auditors' Supplementary Report on Internal Accounting Control	10 - 11



INDEPENDENT AUDITORS' REPORT

Board of Governors
Aethlon Capital, LLC
Minneapolis, Minnesota

We have audited the accompanying statements of financial condition of Aethlon Capital, LLC (a limited liability company) as of December 31, 2004 and 2003, and the related statements of operations, member's 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 as of December 31, 2004 and 2003, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained in the schedule presented on page 9 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 9, 2005

AETHLON CAPITAL, LLC

STATEMENTS OF FINANCIAL CONDITION December 31, 2004 and 2003

ASSETS		
	<u>2004</u>	<u>2003</u>
CASH AND CASH EQUIVALENTS	\$ 73,147	\$ 19,203
COMMISSIONS RECEIVABLE	24,445	26,314
PREPAID EXPENSES	3,655	3,795
PROPERTY AND EQUIPMENT, NET	<u>10,166</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 111,413</u>	<u>\$ 49,312</u>
LIABILITIES AND MEMBER'S EQUITY		
LIABILITIES		
Accrued expenses	\$ 19,159	\$ 6,463
MEMBER'S EQUITY	<u>92,254</u>	<u>42,849</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 111,413</u>	<u>\$ 49,312</u>

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

STATEMENTS OF OPERATIONS Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
REVENUES	<u>\$ 484,831</u>	<u>\$ 294,160</u>
EXPENSES		
Salaries and commissions	138,027	222,023
Payroll taxes and other employee benefits	10,557	29,638
Occupancy costs	45,333	56,469
Other administrative expenses	<u>96,509</u>	<u>77,815</u>
	<u>290,426</u>	<u>385,945</u>
NET INCOME (LOSS)	<u>\$ 194,405</u>	<u>\$ (91,785)</u>

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

STATEMENTS OF MEMBER'S EQUITY Years Ended December 31, 2004 and 2003

BALANCE, December 31, 2002	\$	134,784
2003 net loss		(91,785)
Member distributions		<u>(150)</u>
BALANCE, December 31, 2003		42,849
2004 net income		194,405
Member distributions		<u>(145,000)</u>
BALANCE, December 31, 2004	\$	<u>92,254</u>

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

STATEMENTS OF CASH FLOWS Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 194,405	\$ (91,785)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation	466	1,413
Writedown of securities not readily marketable	-	3,300
Changes in operating assets and liabilities:		
Commissions receivable	1,868	41,245
Prepaid expenses	140	265
Accrued expenses	12,697	(3,732)
Net Cash Flows from Operating Activities	<u>209,576</u>	<u>(49,294)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	<u>(10,632)</u>	<u>(1,413)</u>
Net Cash Flows from Investing Activities	<u>(10,632)</u>	<u>(1,413)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to member	<u>(145,000)</u>	<u>-</u>
Net Cash Flows from Financing Activities	<u>(145,000)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	53,944	(50,707)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>19,203</u>	<u>69,910</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 73,147</u>	<u>\$ 19,203</u>
 Noncash investing and financing activities		
Distribution of warrants to member	\$ -	\$ 150

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

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 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).

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.

Commissions Receivable

Commissions receivable are unsecured and do not accrue interest. No allowance for doubtful accounts is considered necessary at December 31, 2004 and 2003.

Equipment and Furniture

Equipment and furniture are being depreciated using straight-line and accelerated methods over estimated useful lives of 5 to 7 years.

Revenues

The Company's revenues during 2004 and 2003 were derived from private placement and consulting fees. Revenue is recognized at the time of the placement's closing.

Management's Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 2 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital 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 15 to 1. Net capital and the related net capital ratio fluctuate on a daily basis. At December 31, 2004 and 2003, the Company had net capital of \$53,988 and \$12,740 which was \$48,988 and \$7,740 in excess of its required net capital of \$5,000. The Company's net capital ratio was .35 to 1 and .51 to 1 at December 31, 2004 and 2003.

No material differences exist between the net capital calculated above and the net capital computed and reported in the Company's December 31, 2004 amended FOCUS filing. Per Rule 15c3-3 of the Securities and Exchange Commission Uniform Net Capital Rule, the Company is exempt under the (k)(2)(i) exemption.

NOTE 3 - Equipment and Furniture

	2004	2003
Equipment and Furniture	\$ 32,453	\$ 21,821
Less Accumulated Depreciation	(22,287)	(21,821)
	<u>\$ 10,166</u>	<u>\$ -</u>

Depreciation expense was \$466 and \$1,413 for the years ended December 31, 2004 and 2003.

NOTE 4 - Income Taxes

The Company is a limited liability company 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 sole member and the applicable income taxes, if any, are paid by the member.

NOTE 5 - Leases

The Company entered into a noncancelable operating lease for office space. The lease expires May 2005 and requires monthly base rents of \$2,948 in addition to the Company's prorata share of the building's property taxes and operating expenses. The Company also leases a vehicle under a lease that expires December 2006. Monthly rent is \$627. Total rent expense, including operating expenses, was approximately \$45,200 and \$54,600 for the years ended December 31, 2004 and 2003.

Future minimum rental commitments are as follows for the years ending December 31:

2005	\$ 22,267
2006	<u>6,900</u>
	<u>\$ 29,167</u>

AETHLON CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

NOTE 6 - 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 were \$- and \$12,000 for the years ended December 31, 2004 and 2003.

NOTE 7 - Significant Customers

Three customers accounted for 85% of total revenues for the year ended December 31, 2004. The same three customers accounted for 86% of total revenues for the year ended December 31, 2003.

AETHLON CAPITAL, LLC

COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS UNDER RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION December 31, 2004

COMPUTATION OF NET CAPITAL

Member's equity		\$	92,254
Deductions and/or charges:			
Non-allowable assets:			
Commissions receivable	\$	24,445	
Prepaid expenses		3,655	
Property and equipment, net		<u>10,166</u>	<u>38,266</u>
Net capital before haircuts on securities positions			53,988
Haircuts on securities positions			<u>-</u>
Net capital		\$	<u>53,988</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition	\$	<u>19,159</u>
---	----	---------------

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital requirement	\$	<u>5,000</u>
Excess net capital at 1,500 percent	\$	<u>48,988</u>
Excess net capital at 1,000 percent	\$	<u>52,072</u>
Ratio: Aggregate indebtedness to net capital		<u>.35 to 1</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital, as reported in Company's Part II amended FOCUS report, Form X-17a-5 (unaudited)	\$	53,988
Audit adjustments		<u>-</u>
Net capital per above	\$	<u>53,988</u>



INDEPENDENT AUDITORS' SUPPLEMENTARY REPORT ON INTERNAL ACCOUNTING CONTROL

Board of Governors
Aethlon Capital, LLC
Minneapolis, Minnesota

In planning and performing our audit of the financial statements and supplemental schedule of Aethlon Capital, LLC (the Company) for the year ended December 31, 2004, 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 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, errors 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 errors 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, 2004, 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.

Viney, Krause & Company, LLP

Minneapolis, Minnesota
February 9, 2005