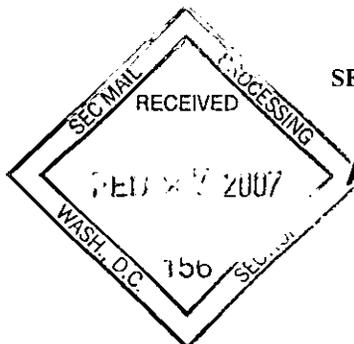


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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



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

SEC FILE NUMBER
8-49765

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 01/01/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Aethlon Capial, 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)

MN

(State)

55402

(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

(Address)

(City)

(State)

55431

(Zip Code)

CHECK ONE:

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

PROCESSED

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FOR OFFICIAL USE ONLY

THOMSON
FINANCIAL

*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)

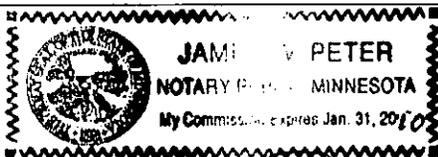
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, 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, 2006, 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:



James W. Peter
Notary Public

Sima Griffith
Signature
Managing Principal
Title

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of ~~XXXXXX~~ **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 15c3-1 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

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AETHLON CAPITAL, LLC

Minneapolis, Minnesota

December 31, 2006 and 2005

FINANCIAL STATEMENTS

Including Independent Auditors' Report



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, 2006 and 2005, 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, 2006 and 2005, 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 23, 2007

AETHLON CAPITAL, LLC

STATEMENTS OF FINANCIAL CONDITION December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 7,673	\$ 32,535
MARKETABLE SECURITIES	14,205	-
COMMISSIONS RECEIVABLE	24,662	7,145
PREPAID EXPENSES	4,029	4,160
EQUIPMENT AND FURNITURE, NET	<u>10,102</u>	<u>11,876</u>
TOTAL ASSETS	<u>\$ 60,671</u>	<u>\$ 55,716</u>
LIABILITIES AND MEMBER'S EQUITY		
LIABILITIES		
Accrued expenses	\$ 8,832	\$ 15,493
MEMBER'S EQUITY	<u>51,839</u>	<u>40,223</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 60,671</u>	<u>\$ 55,716</u>

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

STATEMENTS OF OPERATIONS Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUES	\$ 300,251	\$ 380,000
EXPENSES		
Salaries and commissions	72,292	99,821
Payroll taxes and other employee benefits	16,367	17,987
Occupancy costs	66,633	50,494
Other administrative expenses	<u>45,187</u>	<u>122,125</u>
Total expenses	200,479	290,427
OTHER INCOME		
Unrealized gain on marketable securities	<u>1,236</u>	<u>-</u>
NET INCOME	<u>\$ 101,008</u>	<u>\$ 89,573</u>

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

STATEMENTS OF MEMBER'S EQUITY Years Ended December 31, 2006 and 2005

BALANCE, December 31, 2004	\$	92,254
2005 net income		89,573
Member distributions		<u>(141,604)</u>
BALANCE, December 31, 2005		40,223
2006 net income		101,008
Member contributions		13,728
Member distributions		<u>(103,120)</u>
BALANCE, December 31, 2006	\$	<u>51,839</u>

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

STATEMENTS OF CASH FLOWS Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 101,008	\$ 89,573
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	2,732	2,081
Unrealized gain on marketable securities	(1,236)	-
Changes in operating assets and liabilities:		
Commissions receivable	(17,517)	17,300
Prepaid expenses	131	(505)
Accrued expenses	(6,661)	(3,666)
Net Cash Flows from Operating Activities	<u>78,457</u>	<u>104,783</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(958)	(3,791)
Net Cash Flows from Investing Activities	<u>(958)</u>	<u>(3,791)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution from member	759	-
Distributions to member	(103,120)	(141,604)
Net Cash Flows from Financing Activities	<u>(102,361)</u>	<u>(141,604)</u>
Net Change in Cash and Cash Equivalents	(24,862)	(40,612)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>32,535</u>	<u>73,147</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,673</u>	<u>\$ 32,535</u>
Noncash investing and financing activities		
Member contributions of marketable securities	\$ 12,969	\$ -

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS December 31, 2006 and 2005

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 and general corporate finance advisory services.

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

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash balances in excess of FDIC and similar insurance coverages are subject to the usual banking risks associated with funds in excess of those limits.

Marketable Securities

Marketable securities consist of common stock and are classified as trading securities. Trading securities are reported at fair market value with all unrealized gains (losses) included in other income on the statements of operations. The securities were transferred into the Company during 2006.

	Aggregate fair value	Cost	Gross unrealized gains
Marketable equity securities	\$ 14,205	\$ 12,969	\$ 1,236

Commissions Receivable

Commissions receivable are unsecured and do not accrue interest. No allowance for doubtful accounts is considered necessary at December 31, 2006 and 2005.

Equipment and Furniture

Equipment and furniture are recorded at cost and are being depreciated using straight-line and accelerated methods over estimated useful lives of 5 to 7 years. Repairs and maintenance costs are expensed as incurred.

AETHLON CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS December 31, 2006 and 2005

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Revenue Recognition

The Company's revenues were derived from consulting fees and commissions from private placements. Consulting fees are nonrefundable deposits received during the initial stages of a private placement. Consulting fees are deductible against the total commissions to be received upon the closing of a placement. Consulting fees are recognized upon receipt. Commission revenue is recognized at the time of the placement's closing.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was \$250 and \$7,931 for the years ended December 31, 2006 and 2005.

Income Taxes

The Company is a limited liability company for income tax purposes. Accordingly, these financial statements do not include any provision or liability 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.

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.

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, 2006 and 2005, the Company had net capital of \$10,900 and \$17,042 which was \$5,900 and \$12,042 in excess of its required net capital of \$5,000. The Company's net capital ratio was .81 to 1 and .91 to 1 at December 31, 2006 and 2005.

No material differences exist between the net capital calculated above and the net capital computed and reported in the Company's December 31, 2006 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.

AETHLON CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS December 31, 2006 and 2005

NOTE 3 - Equipment and Furniture

Equipment and furniture consisted of the following at December 31:

	<u>2006</u>	<u>2005</u>
Equipment and Furniture	\$ 37,202	\$ 36,244
Less Accumulated Depreciation	(27,100)	(24,368)
	<u>\$ 10,102</u>	<u>\$ 11,876</u>

Depreciation expense was \$2,732 and \$2,081 for the years ended December 31, 2006 and 2005.

NOTE 4 - Employee Benefit Plan

The Company adopted a simplified employee pension plan in 1999. Contributions to the plan by the Company are discretionary. Employer contributions were \$0 and \$2,188 for the years ended December 31, 2006 and 2005.

NOTE 5 - Significant Customers

Four customers accounted for 35%, 22%, 17% and 17% of total revenues for the year ended December 31, 2006. One customer accounted for approximately 80% of total revenues for the year ended December 31, 2005.

NOTE 6 - Leases

The Company entered into a noncancelable operating lease for office space. The lease expires May 2010 and requires monthly base rents of \$2,742 which increase annually over the term of the lease to \$2,866. In addition, the Company is required to pay its pro rata share of the building's property taxes and operating expenses. The Company also leases a vehicle under a lease that expires May 2009. Monthly rent is \$539. Total rent for all leases, including operating expenses, was approximately \$67,800 and \$49,000 for the years ended December 31, 2006 and 2005.

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

2007	\$ 39,669
2008	40,160
2009	36,878
2010	<u>14,328</u>
	<u>\$ 131,035</u>

NOTE 7 - Contingency

During 2005, a former employee filed a claim against the Company for unpaid compensation. The former employee asked for a combination of cash and the assignment of warrants. The claim was resolved and dismissed in 2006.

AETHLON CAPITAL, LLC

COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS UNDER RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION December 31, 2006

COMPUTATION OF NET CAPITAL

Member's equity		\$	51,839
Deductions and/or charges:			
Non-allowable assets:			
Commissions receivable	\$	24,662	
Prepaid expenses		4,029	
Equipment and furniture, net		<u>10,102</u>	<u>38,793</u>
Net capital before haircuts on securities positions			13,046
Haircuts on securities positions			<u>2,146</u>
Net capital		\$	<u>10,900</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition	\$	<u>8,832</u>
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COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital requirement	\$	<u>5,000</u>
Excess net capital at 1,500 percent	\$	<u>5,900</u>
Excess net capital at 1,000 percent	\$	<u>10,017</u>
Ratio: Aggregate indebtedness to net capital		<u>81 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)	\$	10,900
Audit adjustments		<u>-</u>
Net capital per above	\$	<u>10,900</u>



**Virchow Krause
& company**

**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, 2006, 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 and recordation of differences required by rule 17a-13
2. 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
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3

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, 2006, 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.

Viechow, Krause & Company, LLP

Minneapolis, Minnesota
February 23, 2007

END